



**CYPRESS REPORTS PROFITABLE Q398
REVENUE \$126 MILLION, 1-CENT EPS**

San Jose, California, October 13, 1998 . . . Cypress Semiconductor Corporation (NYSE:CY) today reported that revenue for the third quarter ended September 28, 1998, was \$126.0 million, up 5.3% from last quarter's revenue of \$119.7 million and down 13.8% from the year-ago quarter's revenue of \$146.1 million.

Earnings improved to \$0.5 million resulting in a basic and diluted earnings per share (EPS) of 1 cent compared with the loss of 7 cents last quarter. The year-ago quarter's EPS was 8 cents. Earnings in the third quarter included a tax benefit of \$3.0 million primarily resulting from a change in estimate for additional R&D credits.

Cypress CEO T.J. Rodgers stated, "We're pleased to report increased sales and our return to profitability. Though difficulties continue to impact the industry, the restructuring activities initiated earlier in the year continue to improve our cost structure, with the Fab 2 and Fab 3 initiatives completed and the rest of our restructuring initiatives on schedule. We have changed Cypress to be able to make money during the bottom of this period of worldwide semiconductor oversupply."

The company's emphasis on new products also contributed in the quarter. The company realized revenue on nine new products including:

- The Ultra37000 .CPLDs, a new family of programmable logic devices with industry-leading performance, flexibility for designers to make logic changes without timing or pin-assignment changes, and high density up to 512 macrocells.
- A 1-Mbit dual-port SRAM that offers industry-leading performance at 100 MHz, the largest density of any dual-port on the market.
- A family of 12 high-speed synchronous SRAMs aimed at the networking and digital signal processing (DSP) markets, offering speeds up to 166 MHz and a broad range of configuration options.

The following significant events occurred during the quarter:

- At the July 23, 1998, regular meeting of the board of directors, Eric Benhamou, chairman and CEO of 3Com Corporation, was elected as chairman of the board of Cypress, succeeding Pierre Lamond, who stepped down from the board after 14 years of service as chairman.
- On September 1, 1998, the board of directors increased the company's stock repurchase program from 4 million to 14 million shares. As of October 12, 1998, the company had purchased 7.8 million shares and has entered into options contracts at varying strike prices and maturity dates for 5.6 million shares. In addition, the company has retired \$15 million of its convertible debentures.

- On September 2, 1998, Al Shugart, a founder of the world's largest disk drive company, Seagate Technology Inc., and a 45-year veteran entrepreneur in the technology industry, was nominated and unanimously elected to the Cypress board.

T.J. Rodgers concluded, "We expect to close the 1998 fiscal year on a high note with both sales and profits up from those of this quarter."

Cypress Semiconductor Corporation is an international supplier of high-performance integrated circuits with worldwide headquarters in San Jose, California. The company provides a broad range of products for leading computer, networking, and telecommunications companies worldwide. The company's product line includes static RAMs, high-speed PROMs, and specialty memories; programmable logic devices (PLDs); data communications products; and timing devices and USB microcontrollers. Cypress shares are listed on the New York Stock Exchange under the symbol CY. The company has a site on the worldwide web at <http://www.cypress.com>.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: Statements in this press release regarding benefits from restructuring initiatives, outlook for the rest of 1998, and Cypress's business that are not historical facts are "forward-looking statements" involving risks and uncertainties, including, but not limited to, market-acceptance risks, the effect of global economic conditions and shifts in supply and demand, the impact of competitive products and pricing, product development, commercialization and technological difficulties, and capacity and supply constraints. Please refer to the MD&A (Management Discussion and Analysis of Financial Condition and Results of Operations) for a discussion of such risks in the most recent Cypress annual report on Form 10-K and the quarterly report on Form 10-Q.

CYPRESS SEMICONDUCTOR CORPORATION
CONSOLIDATED BALANCE SHEET
(In thousands, except per share data and share amounts)

	(Unaudited) Sep 28, 1998	Dec 29, 1997
ASSETS		
Current assets:		
Cash and short-term investments	\$ 185,573	\$ 201,561
Accounts receivable	63,712	67,854
Inventories	58,063	76,925
Other current assets	<u>43,937</u>	<u>51,740</u>
Total current assets	351,285	398,080
Property and equipment, net	364,371	442,661
Other assets	<u>105,219</u>	<u>115,529</u>
Total assets	<u><u>\$ 820,875</u></u>	<u><u>\$ 956,270</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 57,350	\$ 60,857
Accrued liabilities	37,668	21,472
Deferred income on sales to distributors	11,696	9,636
Income taxes payable	<u>--</u>	<u>1,088</u>
Total current liabilities	106,714	93,053
Convertible subordinated note	170,000	175,000
Other long-term debt	6,736	8,671
Deferred income taxes	<u>36,070</u>	<u>36,070</u>
Total liabilities	319,520	312,794
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value, 5,000,000 shares authorized; none issued and outstanding	--	--
Common stock, \$.01 par value, 250,000,000 share authorized; 98,147,000 issued; 85,987,000 and 90,684,000 outstanding, net of treasury stock repurchases	274,867	309,566
Retained earnings	<u>226,488</u>	<u>333,910</u>
Total stockholders' equity	<u>501,355</u>	<u>643,476</u>
Total liabilities and stockholders' equity	<u><u>\$ 820,875</u></u>	<u><u>\$ 956,270</u></u>

CYPRESS SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands, except per share data)

	THREE MONTHS ENDED			NINE MONTHS ENDED	
	(Unaudited)			(Unaudited)	
	Sep 28, 1998	Sep 29, 1997	Jun 29, 1998	Sep 28, 1998	Sep 29, 1997
Revenues	\$ 126,048	\$ 146,081	\$ 119,675	\$ 362,676	\$ 410,222
Costs and expenses:					
Costs of revenues	86,406	93,345	83,393	284,181	262,381
Research and development	24,168	24,560	24,463	73,119	70,009
Marketing, general and administrative	20,152	18,977	19,880	62,228	55,676
Restructuring costs	--	--	--	65,099	--
Total operating costs	130,726	136,882	127,736	484,627	388,066
Operating income (loss)	(4,678)	9,199	(8,061)	(121,951)	22,156
Interest expense	(2,688)	(948)	(2,677)	(8,207)	(4,043)
Interest and other income	4,924	2,756	3,275	8,301	9,821
Income (loss) before income taxes	(2,442)	11,007	(7,463)	(121,857)	27,934
(Provision) benefit for income taxes	2,955	(3,797)	717	14,435	(9,623)
Net income (loss)	\$ 513	\$ 7,210	\$ (6,746)	\$ (107,422)	\$ 18,311
Net income (loss) per share:					
Basic	\$ 0.01	\$ 0.08	\$ (0.07)	\$ (1.19)	\$ 0.21
Diluted	\$ 0.01	\$ 0.08	\$ (0.07)	\$ (1.19)	\$ 0.20
Weighted average shares of common stock and common stock equivalents:					
Basic	90,161	90,054	91,036	90,755	86,887
Diluted	92,183	96,084	91,036	90,755	95,038