

CYPRESS Q199: \$152 MILLION SALES, \$0.09 EARNINGS

San Jose, California, April 20, 1999 . . . Cypress Semiconductor Corporation (NYSE: CY) today reported that revenue for the first quarter ended April 4, 1999 was \$151.6 million, up 4.1% from the prior quarter's revenue of \$145.6 million and up 14.7% from the year-ago quarter's revenue of \$132.2 million. All figures include IC WORKS, an \$80-million clock company acquired by Cypress during the quarter.

Net income for the quarter was \$8.7 million, resulting in basic and diluted earnings per share of \$0.09, compared with last quarter's net loss of \$1.8 million, or a loss per share of \$0.02, and the year-ago quarter's net loss of \$95.8 million, or a loss per share of \$0.93. The year-ago quarter included restructuring and non-recurring pre-tax charges of \$86.2 million. Included in our first quarter 1999 results were \$3.5 million of non-recurring acquisition-related costs offset by \$3.5 million of restructuring reserve adjustments for completed activities.

Cypress CEO T.J. Rodgers said, "Cypress had a great quarter. We put behind us the manufacturing problem that caused a \$0.02 loss in the fourth quarter of 1998, and then we delivered \$0.09 in EPS, including the results of IC WORKS, which we acquired effective April 1, 1999. In order to conform to SEC rules and achieve the desired pooling accounting treatment for the IC WORKS transaction, Cypress resold 4.7 million shares purchased during our 1998 buy-back program. Ilbok Lee, IC WORKS' former CEO, now runs the combined Cypress/IC WORKS clock-chip business. That business will ship about \$150 million per year in revenue, making it the largest clock-chip business worldwide."

Rodgers continued, "Jeff Linden, the former VP and GM of Cypress's computer products division, of which our clock business was a part, will now run Cypress's Universal Serial Bus (USB) business, which is expected to ship over 20 million units in 1999."

Rodgers continued, "The memory products division was another significant contributor to our \$0.11 quarter-to-quarter jump in earnings per share. Our memory group shipped \$58.3 million in revenue during the quarter, its best performance since the second quarter of 1996, and its pre-tax profitability improved quarter-to-quarter by over \$10 million. There are several reasons for the improvement:

- Static RAM prices increased for the first time in the last seven quarters due to:
 - a very modest decline in the prices of older commodity products; and,
 - record sales of new static RAM products, 28% of total static RAM revenue.
- The elimination of the assembly and test manufacturing problem, which primarily impacted the static RAM P&L statement.
- Excellent, above-plan results in our wafer fabrication plants, which added significantly to the static RAM P&L statement. In the quarter, 75% of wafer starts in Fab 4, our Minnesota plant, were .35-micron-or-smaller geometries, and 20% of the inventory in the plant is now in our 0.25-micron process.

Rodgers continued, "Bookings were a strong \$152 million for the quarter, leaving Cypress with a \$136-million backlog, our largest backlog in two years. In addition, our average selling price was flat quarter-to-quarter and down only 8% relative to the first quarter of 1998, indicating that prices are stabilizing after two years of decline.

Rodgers continued, "During the quarter, our production fab utilization jumped to 97.7%. Consequently, we have initiated a 25% capacity expansion in Texas Fab 2 and a 20% capacity expansion in Minnesota Fab 4. We have also added subcontract assembly and test capacity to our internal capacity for our advanced products in 48- and 100-pin packages.

Rodgers continued, "Cypress shipped \$27 million in new product revenue, which we define as products 18 months old or less. That was a record for us, and it triggered a payout of 3.7 days of pay for each Cypress employee under an incentive program the company created a year ago to stimulate new product development. Over 40 new products contributed to that total, including:

- Timing generators (clocks) for Intel's new, low-cost Whitney chipset and Intel's new high-performance Rambus™ offering.

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- A second-generation programmable oscillator to replace our first offering, which has sold over 30 million units.
- Our third USB chip; this one to perform the "hub controller" function.
- Our 16-member Ultra37000™ family of complex programmable logic devices (CPLDs), ranging from 32 to 512 "macrocells" (960-15,360 gates) in density. The family features pin-to-pin delays as low as 5 nanoseconds.
- A "core library" of PCI bus circuits to fit into our Ultra37000 CPLD family using our *Warp*™ design software.
- Our four-megabit MoBL™ (More Battery Life™) static RAM for portable systems. It is the lowest-power static RAM in the micropower market, and it also features the smallest chip size of any commercially available four-megabit static RAM.
- A 36-bit-wide data communications specialty memory family, including both first-in first-out memories (FIFOs) and dual-port static RAMs.

Rodgers concluded, "Cypress had a great quarter. We put our Q4 1998 manufacturing problems behind us and improved quarter-to-quarter from a loss per share of \$0.02 to earnings per share of \$0.09. We acquired an excellent technology company, IC WORKS, to move us to the No. 1 position in clocks. The static RAM group enjoyed stable pricing, its first 0.25-micron revenue, and record new product offerings to increase its profitability dramatically. Overall new product revenue hit record levels, allowing the company to reward all employees. And, our current forecast is for increased revenues and profits in the current 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 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.

In addition, the above news release contains forward-looking statements regarding the impact of the acquisition on Cypress's operating results, future market demand and acceptance of Cypress's and ICW's products and development of new business and products of the combined company which involve risks and uncertainties. Cypress's actual results may vary materially from the results discussed in the forward-looking statements. Factors that may cause such a difference include risks in timely development, production and continued and increased market acceptance of the combined companies' products, Cypress's ability to successfully combine the operation of the two companies, the ability of the combined company to compete in the highly competitive and rapidly changing marketplace and the other risks detailed from time to time in Cypress's periodic reports with the Securities and Exchange Commission, including but not limited to its report on Form 10-K for the fiscal year ended January 3, 1999 and its Form 8-K filed in connection with the acquisition.

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

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	(Unaudited)	
	Apr 4, 1999	Jan 3, 1999
	<u> </u>	<u> </u>
ASSETS		
Current assets:		
Cash and short-term investments	\$ 225,044	\$ 160,561
Accounts receivable	80,004	68,955
Inventories	70,198	65,096
Other current assets	<u>18,002</u>	<u>14,372</u>
Total current assets	393,248	308,984
Property and equipment, net	338,707	348,936
Other assets	<u>107,568</u>	<u>125,011</u>
Total assets	<u>\$ 839,523</u>	<u>\$ 782,931</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 54,972	\$ 53,932
Accrued liabilities	41,934	33,145
Deferred income on sales to distributors	13,899	13,300
Income taxes payable	<u>14,151</u>	<u>13,591</u>
Total current liabilities	124,956	113,968
Convertible subordinated note	160,000	160,000
Other long-term debt	<u>9,823</u>	<u>10,240</u>
Total liabilities	294,779	284,208
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; 109,586,000 issued; 103,601,000 and 102,123,000 outstanding	370,435	318,098
Retained earnings	<u>174,309</u>	<u>180,625</u>
Total stockholders' equity	<u>544,744</u>	<u>498,723</u>
Total liabilities and stockholders' equity	<u>\$ 839,523</u>	<u>\$ 782,931</u>

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

	THREE MONTHS ENDED		
	(Unaudited)		
	<u>Apr 4, 1999</u>	<u>Mar 30, 1998</u>	<u>Jan 3, 1999</u>
Revenues	\$ 151,591	\$ 132,153	\$ 145,570
Costs and expenses:			
Costs of revenues	88,803	125,320	95,624
Research and development	30,950	27,021	30,697
Selling, general and administrative	23,439	23,772	23,075
Restructuring and other non- recurring costs	<u>31</u>	<u>58,896</u>	<u>--</u>
Total operating costs	<u>143,223</u>	<u>235,009</u>	<u>149,396</u>
Operating Income (loss)	8,368	(102,856)	(3,826)
Interest expense	(2,323)	(2,986)	(2,728)
Interest income and other	<u>3,096</u>	<u>108</u>	<u>5,045</u>
Income (loss) before income tax	<u>9,141</u>	<u>(105,734)</u>	<u>(1,509)</u>
(Provision) benefit for income tax	<u>(457)</u>	<u>9,979</u>	<u>(243)</u>
Net income (loss)	<u>\$ 8,684</u>	<u>\$ (95,755)</u>	<u>\$ (1,752)</u>
Net income (loss) per share:			
Basic	\$ 0.09	\$ (0.93)	\$ (0.02)
Diluted	\$ 0.09	\$ (0.93)	\$ (0.02)
Shares used in per share calculation:			
Basic	97,319	102,537	96,528
Diluted	100,916	102,537	96,528



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