

CYPRESS Q499: REVENUE \$207.9 MILLION, EBG \$0.32 PER SHARE

San Jose, California, January 25, 2000 . . . Cypress Semiconductor Corporation (NYSE: CY) today announced record revenue of \$207.9 million for the fourth quarter of fiscal year 1999, ended January 2, 2000. This represents a 12.7% increase from the prior quarter's revenue of \$184.5 million and a 42.8% increase from the prior year's fourth quarter revenue of \$145.6 million. For the full year 1999, the company set a revenue record of \$705.5 million, a 27.1% increase over 1998 revenue of \$554.9 million.

Net income for the fourth quarter was \$47.5 million, resulting in diluted earnings per share (EPS) of \$0.39. The fourth quarter results included a non-recurring pre-tax net benefit of \$12.0 million which utilized substantially all of the company's remaining net operating loss tax benefits. The non-recurring benefit was comprised of a \$36.2 million gain from sale of investments, a \$12.3 million charge to write off a manufacturing asset not in use, and a \$11.9 million, one-time compensation charge. Excluding the non-recurring pre-tax net benefit of \$12.0 million and excluding pre-tax acquisition-related charges of \$1.7 million for transaction costs and amortization of intangibles (herein collectively referred to as goodwill), net income was \$37.7 million, resulting in basic earnings before goodwill (EBG) of \$0.34 and diluted EBG of \$0.32 per share – a 33.3% improvement from the prior quarter's diluted EBG of \$0.24 per share, and a significant improvement from the 1998 fourth quarter loss of \$0.02 per share.

Net income for the year was \$91.1 million, resulting in diluted EPS of \$0.81. Excluding a non-recurring pre-tax benefit of \$36.2 million and excluding goodwill charges of \$33.8 million for transaction costs and the amortization of intangibles, net income was \$88.8 million, resulting in a basic EBG of \$0.85 and diluted EBG of \$0.79, compared with 1998 diluted EBG loss of \$0.50 per share.

Cypress CEO T.J. Rodgers said, "We are very pleased to have ended 1999 with record quarterly revenue in excess of \$200 million and year-on-year revenue growth of 27.1%, close to double the growth rate estimated for the semiconductor industry in 1999."

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“Our revenue growth continued to be driven by new products and the demand for networking and telecommunications products. Our EBG of \$0.32 per share benefited from this demand; relatively stable ASPs (average selling prices); and the continued improvement in factory performance, which collectively resulted in a gross margin of 49.0% in the fourth quarter.

Acquisitions, Business and Recent Developments

- January 18, 2000 – Cypress announced plans for a public offering of convertible notes. Cypress sold \$283 million convertible five-year notes at a conversion premium of 28.5%, a coupon of 4%, and an effective price of \$46.25 per share of Cypress stock.
- January 11, 2000 – Cypress and Galvantech Inc., a privately held company, announced the signing of a definitive agreement for Galvantech to merge with Cypress. Galvantech, a company specializing in ultra-high-performance memories for data communications applications, had average quarterly revenues of approximately \$10.7 million during the last three quarters. The agreement provides for Cypress to issue approximately 3.6 million shares in exchange for all outstanding stock and options of Galvantech. The merger is intended to be accounted for as a pooling of interests. Cypress expects to close on the Galvantech agreement in the first quarter of 2000, but the closing is subject to regulatory approvals, approval by Galvantech’s shareholders, and other customary conditions to closing.
- December 17, 1999 – Cypress announced a distribution agreement with Avnet. This gives Cypress one of the broadest distribution networks of any semiconductor company. In addition to Avnet, Cypress has distribution agreements with Arrow Electronics, Future Electronics, Unique Technologies (a subsidiary of VEBA Electronics), and Bell Microproducts. Avnet, Arrow, VEBA and Future are the four largest North American electronics distributors.
- November 18, 1999 – Cypress and Ramtron International Corporation agreed to jointly develop semiconductor memory products for the rapidly expanding communications market.

New Products

	<u>97</u>	<u>98</u>	<u>99</u>
New Product Revenue* (\$M)	\$59.8	\$65.8	\$114.7

*New products are those which have been in production for less than 18 months.

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Cypress achieved record new product sales in 1999, with most new products geared to meet the higher bandwidth demands of the communications markets.

Key new product introductions in the fourth quarter included:

- The QuadPort™ RAM, a next-generation, bandwidth-optimized synchronous memory targeted at switches in networking and storage applications. The QuadPort has four completely independent ports, each of which can simultaneously access its 1-Mbit (64K x 18-bit) memory array at an independent frequency. This means that four independent sources can simultaneously store or retrieve (or pass through) data. Each port can read or write at 133 MHz, giving the QuadPort a bandwidth of 9.6 gigabits per second (Gbps). A gigabit equals 1 billion bits. This equates to the ability to transmit the digital equivalent of 700,000 typed pages per second.
- An extension of Cypress's popular HOTLink™ family of integrated, point-to-point, serial transceivers: several new single-chip solutions supporting data rates between 50-200 million bits per second (Mbps). The new products are integrated transmitters-receivers or "transceivers" which provide significant board space, cost, and power advantages over conventional four-chip solutions.
- The fastest and highest bandwidth 36-bit-wide FIFOs on the market. With two independent ports, each capable of handling 36 bits of data at 133 MHz, the new FIFOs deliver an industry-best 9.6 Gbps of bandwidth. FIFOs are used as temporary storage for data transmitted between communications systems. Every voice or data router or switch uses FIFOs.
- A low-cost solution for connecting external disk drives via the USB standard. Cypress's ATAPI (AT Attachment Packet Interface)-to-USB solution consists of the EZ-USB™ AN2126SC microcontroller, the CY37064 Ultra37000™ CPLD, and firmware developed by Cypress to speed time to market. This product is a first in a new series of programmable data communications products, signaling a new direction for Cypress's Programmable Logic (PLD) division.

Press Release

- The industry's first Spread Spectrum Frequency Timing Generator (FTG) solution for Intel's high-performance 820 chipset (also known as Camino), Intel's first production chipset for its Direct Rambus memory system. The two-chip solution includes the CY2210, which provides the reference timing for the CPU, PCI and other I/O interfaces, and Cypress's W134 (the only industry-approved Direct Rambus™ Clock Generator). Rambus is a new ultra-fast memory technology that places extraordinary technical demands on the system FTG (clock). Spread Spectrum is a technology that deliberately modulates the frequency of the system clock in a controlled way to spread the radio frequency interference (RFI) created by the clock and its system into several different radio frequency bands, making it easier for system manufacturers to pass Federal Communications Commission-mandated RFI testing.
- Cypress was also first to sample timing solution for Intel 815 (Solano) chip set. The 815 chip set supports 133 MHz SDRAM and is expected to bring mainstream computing to new performance levels.

Rodgers continued, "We ended the fourth quarter with our third consecutive record for bookings of \$262.0 million, a 13.2% increase from the prior quarter's bookings of \$231.4 million. The capacity-expansion decisions that we made starting in early 1999 should benefit the company in the future as our factories are in a strong ramp. Continued conversion of our memory products from 0.35- micron to our 0.25- and 0.21-micron technologies should also contribute to increased capacity.

Rodgers concluded: "The semiconductor industry appears poised to grow an above-average 20% in 2000. Our target is to double that figure."

ABOUT CYPRESS SEMICONDUCTOR

Cypress Semiconductor provides high-performance integrated circuit solutions "By Engineers. For Engineers.™," for fast-growing companies in fast-growing markets, including data communications, telecommunications, computation, consumer products, and industrial-control. With a focus on emerging communications applications, Cypress's product lines include networking-optimized and micropower static RAMs; high-bandwidth multiport and FIFO memories; high-density programmable logic devices; timing technology for PCs and other digital systems; and controllers for Universal Serial Bus (USB). Cypress is No. 1 in the USB and clock chip markets.

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More than two-thirds of Cypress's sales come from fast-growing datacom/telecom markets and dynamic companies such as Lucent, Cisco, 3Com, Alcatel, Motorola, Ericsson, and Nortel Networks. Cypress's ability to mix and match its broad portfolio of intellectual property enables targeted, integrated solutions for high-speed systems that feed bandwidth-hungry Internet applications. Cypress aims to become the preferred silicon supplier for Internet switching systems and for every Internet data stream to pass through at least one Cypress IC.

Cypress employs more than 3,600 people worldwide with international headquarters in San Jose, California. Its shares are listed on the New York Stock Exchange under the symbol CY. More information about Cypress is accessible electronically on the company's worldwide web site at <http://www.cypress.com> or by CD-ROM (call 1-800-858-1810). An electronic investor forum, and other investor information, is located at <http://www.cypress.com/investor/index.html>.

SAFE HARBOR PROVISIONS

"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 completion of the acquisition, the impact of the acquisition on Cypress's operating results, future market demand and acceptance of Cypress's and Galvantech'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 those risks surrounding the closing of the acquisition, 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

Press Release

and rapidly changing marketplace and the other risks detailed in Cypress's most recent filings with the Securities and Exchange Commission.