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**FOR IMMEDIATE RELEASE**

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**Cypress Q300 Records: Revenue, \$356.2 million;  
Earnings, EBG \$0.70 per share; Bookings, \$428 million**

San Jose, California, October 17, 2000 . . . Cypress Semiconductor Corporation (NYSE: CY) today announced record revenue of \$356.2 million for the third quarter of fiscal year 2000 ended October 1, 2000, up 18% from the prior quarter's revenue of \$300.7 million and up 83% from revenue of \$194.9 million in the third quarter of 1999.

Net income excluding acquisition-related costs and non-recurring items was a record \$100.5 million, resulting in diluted earnings per share before goodwill (EBG) of \$0.70, up 40% from the EBG of \$0.50 reported last quarter and 3.3 times the EBG of \$0.21 reported for the third quarter of 1999.

Cypress CEO T.J. Rodgers said, "Our performance in the third quarter marks our seventh consecutive quarter of sequential revenue and bookings growth at a pace nearly double that of the semiconductor industry. Cypress is now operating at an annual revenue rate over \$1.4 billion. Our growth is being driven by sales to our predominantly communications-oriented end-markets—and fueled by our continued success with new products, which set another quarterly revenue record at \$77 million. Through the first three quarters of 2000, our new-product revenue stands at \$167 million, already 45% greater than our total 1999 yearly output of \$115 million, and 2.5 times our 1998 output of \$66 million.

"Bookings were a record \$428 million, generating our sixth consecutive book-to-bill ratio of 1.2 or greater. Our near-term revenue appears to be secure, given our six-month backlog of \$551 million. We entered the fourth quarter with 89% of the quarter already booked. Firm pricing conditions, coupled with a mix shift towards higher density products, resulted in slightly higher average selling prices in both third and fourth quarter backlog. Our factories continued to execute well. All these factors contributed to a 346-basis-point improvement in gross margin to 58.5% in the quarter."

## **Market Segments**

Yesterday, Cypress announced the formation of four new profit and loss centers aligned with market segments, rather than product lines. The new segment organizations were formed to enhance our focus on the communications businesses in which Cypress excels: The Wide Area Network (WAN) Division, which includes Strategic accounts Alcatel, Cisco, Lucent, NEC, and Nortel; the Storage Network Division (SND), which includes strategic accounts EMC, Hitachi, and IBM; the Wireless Infrastructure Division (WID), which includes strategic accounts Ericsson, Lucent, Motorola, and Nokia, and the Wireless Terminal Division (WTD), which includes strategic accounts Alcatel, Ericsson, Intel, Motorola, Philips, and ST Microelectronics.

Dan Morris has been named our first VP of the WAN and Storage Network Divisions. His prior assignment was as VP of our Data Communications Division. Steve Whelan, an industry expert on wireless technology, has joined us as VP of the Wireless Infrastructure and Wireless Terminal Divisions. Cypress's current product lines will continue to operate as they have. The segment organizations are expected to provide systems knowledge, cross-product-line product portfolio definition, early engagement with strategic accounts, and added management of R&D spending.

### **Wide Area Network and Storage Networking (WAN/SND)**

Sales to WAN/SND end markets represented approximately 41% of Cypress's revenue in the third quarter. This segment is generating gross margins in excess of 60% and pre-tax margins in excess of 30%. Segment highlights:

- Cypress completed the acquisition of Silicon Light Machines (SLM), a privately held supplier of microelectromechanical systems (MEMS) technology applicable to fiber-optic networks and other applications. Prior to the acquisition, Cypress had been a foundry for SLM's MEMS-based Grating Light Valve™ devices. SLM's next efforts will be to target their high-speed light-switching technology toward the infrared light used in Wide Area Network systems, rather than the visible light switched in imaging systems. This move will add optical capabilities to Cypress's data communications chips.
- Cypress signed a multi-year, take-or-pay supply agreement with Cisco Systems for a wide array of products, including specialized synchronous and NoBL™ (No Bus Latency™) communications memories. This contract is expected to contribute at least a tenfold increase from last year's contract.

- Cypress entered into a strategic alliance with Lucent. The alliance includes a supply agreement and provides for technology exchange, the joint-development of certain products (including the co-location of design teams) and the potential for IP sharing. This comprehensive agreement is the first of its type signed by Lucent with any semiconductor vendor.
- Cypress disclosed to Nortel Systems the optical technology from its Silicon Light Machines (SLM) acquisition. SLM and Nortel are currently working on product definitions in the areas of light (lambda) switching, laser power control, and DWDM frequency shifting.
- Cypress signed a contract with the Yamacraw Broadband and Computing Institute at the Georgia Institute of Technology. The contract calls for Cypress to create a 100-person design center in Atlanta and to receive direct access to Yamacraw technology and patents.
- Cypress added several new products to its WAN/SND portfolio including:
  - 1) An "OC-48, 2.5-Gbps physical layer", a product to transmit and receive data at 2.5 gigabits per second (Gbps) over the fiber long-haul network, which is starting to get recognition as having the lowest jitter of competing products;
  - 2) A Programmable Serial Interface™ (PSI™) chip family, composed of 100-200K gate PLDs combined with four high-speed physical layers operating at 1.5-to-3.125 Gbps;
  - 3) RoboClock II™, a communications system operating at very high speeds with timing generator redundancy, an important feature for our reliability conscious WAN customers;
  - 4) A 4-Mbit Dual-Port RAM, the biggest in the market; and,
  - 5) A 10 gigabit multi-port switch fabric array, which was co-developed with EMC Corp. for mass storage systems.
- Cypress's Timing Frequency Generators (clocks) are undergoing a major shift in end-market mix, with communications and non-PC clocks now accounting for 70% of Cypress clock sales. Clocks sold to this end-market are more challenging to create and have significantly greater margins than clocks for personal computers.
- Despite its creation as a personal computer communications device, our Universal Serial Bus (USB) controller family has also made inroads into the WAN space, particularly in DSL modem designs by companies including Alcatel, Globespan, and Analog Devices.
- Cypress sampled the industry's first 40-MHz intelligent control communications processor for LONWORKS® control networks, to be used in embedded Internet and other communications applications, such as building automation, industrial control, transportation, and utility automation applications. (LONWORKS is Cisco's Internet control network solution of choice.)

## Wireless Terminals and Wireless Infrastructure (WTD/WID)

Sales to the wireless terminal and wireless infrastructure end markets represented approximately 38% of Cypress's revenue in the third quarter. This segment is generating gross margins in excess of 60% and pre-tax margins in excess of 30%. Segment highlights:

- Cypress achieved record revenue on its MoBL™ (More Battery Life™) SRAMs, as well as gaining market share, to achieve 36% quarter-to-quarter revenue growth. Growth drivers included a mix shift towards larger 4-Mbit devices and the ramping of MoBL SRAM shipments to flash memory vendors for their stacked-die programs. Cypress also sampled its 0.15-micron 8-Mbit MoBL SRAM this quarter. Cypress expects greater than 15% revenue growth in the fourth quarter, driven by a continued shift toward higher density products.
- In addition to its supply agreement with Motorola, Cypress is close to signing supply agreements with Alcatel, Philips, Ericsson, Siemens, and ST Microelectronics. Cypress expects continued growth in the wireless terminal market from about 400 million units in 2000 to 500 million units in 2001, along with continued revenue-per-unit growth from the shift to higher density memories.
- Cypress has completed the co-location and integration of Alation and RadioCom, two second-quarter acquisitions that gave Cypress expertise in baseband DSP processing and radio receivers, respectively, the critical technologies for Bluetooth, a new wireless communications link for wireless terminals and PCs that is expected to have a total market of \$1 billion in 2003. Cypress launched the first wafers for its Bluetooth radio cell IP library in our 0.25-micron, 31-GHz BiCMOS process this quarter.
- The 2.4 GHz RF phase-locked loop (PLL) introduced last quarter is being well received with revenue already at \$2 million per quarter into wireless LAN and cable modem applications.
- W-CDMA is starting its revenue ramp. Cypress expects \$25 million in annual incremental revenue in 2001 on W-CDMA products for W-CDMA base stations, including clocks and multiport memories to customers such as NEC, Ericsson, and Nokia.

## Computation and Other

Sales to the computation end market represented approximately 21% of Cypress's revenue in the third quarter. This segment is generating gross margins in excess of 45% and pre-tax margins in excess of 20%. Segment highlights:

- Cypress had a strong third quarter performance in this segment and is seeing continued, albeit slower, growth in the fourth quarter. For the third quarter, Cypress PC clock and USB revenues were down 4% and up 14%, quarter-to-quarter, respectively. Our clock shipments into PC motherboards were up 21%, as measured in motherboard units. The revenue was down 4% primarily due to a product shift from an architecture with two clock chips per motherboard to that with one clock per motherboard. Our PC-segment growth exceeded general market figures because of market share gains and the momentum of the USB conversion process in personal computers.
- In a crucial new-product announcement, Cypress became the first supplier to introduce the new USB 2.0 standard on a single chip, operating at 480 megabits per second, 40 times faster than first-generation USB products.

## Other Developments

- Cypress successfully transferred its 0.15-micron process to its 8-inch production fab in Minnesota. Samples have already been given to strategic accounts.
- Cypress launched its 0.12-micron technology development with a new partner, Mosel Vitelec, a highly recognized, Taiwan-based innovator in the DRAM and flash memory markets, and a leader in technology development. Under this arrangement, Mosel will share half of the cost of 0.12-micron equipment, provide approximately one-third of the process engineering resources, and also share some of the cost of running Cypress's San Jose technology development fab, which will host the joint development team. This agreement should result in accelerated process R&D for both companies.
- Our SONOS (silicon-oxide-nitride-oxide-silicon) non-volatile memory process was successfully transferred to our Round Rock, Texas fab. This new non-volatile process supports our third-generation programmable clocks, our intelligent control communications processors, and Cypress's PSoC™ (Programmable System-on-a-Chip™) microcontrollers. PsoC is a currently unannounced development designed to create a \$5.00 single-chip Internet node. Cypress MicroSystems, a Cypress-funded start-up in Washington, will formally announce the product this quarter.

Rodgers concluded, "Cypress is on track to close fiscal year 2000 at an annual revenue run-rate close to \$1.6 billion, a growth rate that should exceed the industry by a factor of two. Our pre-tax margins are now above 35% and rising. Most important—our new-product revenue, especially that from the communications business—is at record levels, meaning that we are not overextending, but building a solid revenue base for future growth. We remain committed to our goal of growing the company at a rate faster than the industry in 2001."

### **About Cypress**

Cypress Semiconductor is "Driving the Communications Revolution"™ by providing high-performance integrated circuit solutions to fast-growing markets, including data communications, telecommunications, computation, consumer products, and industrial control. With a focus on emerging communications applications, Cypress's product portfolios include networking-optimized and micropower static RAMs; high-bandwidth multi-port 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.

More than two-thirds of Cypress's sales come from fast-growing communications markets and dynamic companies such as Alcatel, Cisco, Ericsson, Lucent, Motorola, Nortel Networks, and 3Com. 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 4,200 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 Provision**

"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, the effect of global economic conditions, shifts in supply and demand, market-acceptance risks, the impact of competitive products and pricing, product development, commercialization and technological difficulties and capacity and supply constraints. Please refer to Cypress's Securities and Exchange Commission filings for a discussion of such risks.

**CYPRESS SEMICONDUCTOR CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except per share data)

	(Unaudited)	Oct 1, 2000	Jan 2, 2000
		<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Current assets:			
Cash and short-term investments **		\$ 831,245	\$ 287,769
Accounts receivable, net		181,393	104,097
Inventories		98,157	98,786
Other current assets		<u>92,878</u>	<u>78,403</u>
Total current assets		1,203,673	569,055
Property and equipment, net		512,296	359,990
Long-term investments **		252,737	111,324
Restricted investments **		61,031	61,198
Other assets		<u>74,990</u>	<u>52,026</u>
Total assets		<u>\$ 2,104,727</u>	<u>\$ 1,153,593</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current liabilities:			
Accounts payable		\$ 81,133	\$ 104,269
Accrued liabilities		93,259	56,731
Deferred income on sales to distributors		39,573	21,061
Income taxes payable		<u>81,164</u>	<u>20,311</u>
Total current liabilities		295,129	202,372
Convertible subordinated notes		730,500	160,000
Deferred income tax		58,844	56,100
Other long-term debt		<u>9,935</u>	<u>11,445</u>
Total liabilities		1,094,408	429,917

Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value, 5,000 shares authorized; none issued and outstanding	--	--
Common stock, \$.01 par value, 650,000 and 250,000 shares authorized; 129,484 and 122,367 issued; 124,314 and 117,198 outstanding	595,528	515,998
Retained earnings	<u>414,791</u>	<u>207,678</u>
Total stockholders' equity	<u>1,010,319</u>	<u>723,676</u>
Total liabilities and stockholders' equity	<u>\$ 2,104,727</u>	<u>\$ 1,153,593</u>

\*\* Cash and investments at October 1, 2000 totals \$1,145,013.



**CYPRESS SEMICONDUCTOR CORPORATION**  
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share data)

	<b>THREE MONTHS ENDED</b>			<b>NINE MONTHS ENDED</b>	
	<b>(Unaudited)</b>			<b>(Unaudited)</b>	
	Oct 1, 2000	Oct 3, 1999	Jul 2, 2000	Oct 1, 2000	Oct 3, 1999
Revenues	\$ 356,229	\$ 194,871	\$ 300,700	\$ 921,081	\$ 524,989
Costs and expenses:					
Costs of revenues	147,751	105,278	135,069	413,542	293,814
Research and development	47,833	35,063	45,256	133,491	104,905
Selling, general and administrative	40,736	28,347	37,493	112,526	80,831
Acquisition and merger costs	-	-	-	-	-
Restructuring (credits)	-	-	-	-	-
Total operating costs	236,320	168,688	217,818	659,559	479,550
Operating Income	119,909	26,183	82,882	261,522	45,439
Net Interest income and other	8,992	1,719	6,781	20,612	3,964
Income before income tax	128,901	27,902	89,663	282,134	49,403
(Provision) for income tax	(28,358)	(2,360)	(20,692)	(64,017)	(4,841)
Net income	\$ 100,543	\$ 25,542	\$ 68,971	\$ 218,117	\$ 44,562
Pro Forma earnings per share:					
Basic net income per share	\$ 0.81	\$ 0.22	\$ 0.57	\$ 1.80	\$ 0.41
Diluted net income per share	\$ 0.70	\$ 0.21	\$ 0.50	\$ 1.57	\$ 0.39
Shares used in per share calculation:					
Basic	123,777	113,760	121,340	121,350	108,595
Diluted	151,112	124,114	145,728	146,405	115,347
Memo: After tax interest added to net income for diluted earnings per share calculation:	4,800	-	3,320	11,644	-

**CYPRESS SEMICONDUCTOR CORPORATION**  
**NOTES TO UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS**

The preceding unaudited pro forma consolidated statements of operations exclude the effects of restructuring credits, acquisition and merger costs, and other non-recurring items as follows:

For the quarters ended April 4, 1999, April 2, 2000 and July 2, 2000 restructuring credits of \$3.7 million, \$0.1 million and \$0.5 million respectively were excluded on a pre-tax basis.

During the quarter ended October 1, 2000, acquisition-related pre-tax charges related to Altera Max5000 business, Anchor Chips, Arcus, Galvantech, IC Works, RadioCom and Silicon Light Machines of \$3.3 million including:

- \$2.3 million related to amortization of goodwill and other intangibles.
- \$0.6 million related to transaction costs.
- \$0.4 million related to non-cash deferred compensation.

During the quarter ended July 2, 2000, acquisition-related pre-tax charges related to Alation, Altera Max5000 business, Anchor Chips, Arcus, Galvantech, IC Works, RadioCom and Silicon Light Machines of \$8.4 million including:

- \$3.4 million related to non-cash deferred compensation.
- \$2.0 million related to the write-off of in process technology.
- \$2.0 million related to amortization of goodwill and other intangibles.
- \$1.0 million related to transaction costs.

During the quarter ended April 2, 2000, acquisition-related pre-tax charges related to Alation, Altera Max5000 business, Anchor Chips, Arcus, Galvantech, IC Works and Silicon Light Machines of \$4.9 million including:

- \$2.3 million related to amortization of goodwill and other intangibles.
- \$1.9 million related to transaction costs.
- \$0.7 million related to non-cash deferred compensation.

During the quarter ended October 3, 1999, acquisition-related pre-tax charges related to Alation, Anchor Chips, Arcus, Galvantech, IC Works and Silicon Light Machines of \$2.4 million including:

- \$2.0 million related to amortization of goodwill and other intangibles.
- \$0.4 million related to non-cash deferred compensation.

During the quarter ended July 4, 1999, acquisition-related pre-tax charges related to Alation, Anchor Chips, Arcus, Galvantech and IC Works of \$6.5 million including:

- \$4.0 million related to the write-off of in process technology.
- \$2.1 million related to transaction costs.
- \$0.4 million related to non-cash deferred compensation.

During the quarter ended April 4, 1999, acquisition-related pre-tax charges related to Galvantech and IC Works of \$4.1 million.

- \$3.7 million related to transaction costs.
- \$0.4 million related to non-cash deferred compensation.

During the quarter ended April 2, 2000, a one-time gain on the sale of the FCT business of \$ 5.0 million was excluded net of tax from the pro forma results.

For the quarters ended July 4, 1999, October 3, 1999, and July 2, 2000 respectively, \$0.3 million, \$0.1 million and \$0.2 million of the tax effects on the preceding transactions were excluded.

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

	<b>THREE MONTHS ENDED</b> <b>(Unaudited)</b>			<b>NINE MONTHS ENDED</b> <b>(Unaudited)</b>	
	<u>Oct 1, 2000</u>	<u>Oct 3, 1999</u>	<u>Jul 2, 2000</u>	<u>Oct 1, 2000</u>	<u>Oct 3, 1999</u>
Revenues	\$ 356,229	\$ 194,871	\$ 300,700	\$ 921,081	\$ 524,989
Costs and expenses:					
Costs of revenues	147,786	105,514	135,156	413,767	294,483
Research and development	47,893	35,124	45,671	134,277	105,116
Selling, general and administrative	41,010	28,425	37,798	113,413	81,123
Acquisition and merger costs	2,951	2,005	7,592	14,752	11,818
Restructuring (credits)	<u>-</u>	<u>-</u>	<u>(485)</u>	<u>(485)</u>	<u>(3,811)</u>
Total operating costs	<u>239,640</u>	<u>171,068</u>	<u>225,732</u>	<u>675,724</u>	<u>488,729</u>
Operating Income	116,589	23,803	74,968	245,357	36,260
Net Interest income and other	<u>8,992</u>	<u>1,719</u>	<u>6,781</u>	<u>25,612</u>	<u>3,964</u>
Income before income tax	<u>125,581</u>	<u>25,522</u>	<u>81,749</u>	<u>270,969</u>	<u>40,224</u>
(Provision) for income tax	<u>(28,358)</u>	<u>(2,259)</u>	<u>(20,514)</u>	<u>(63,855)</u>	<u>(4,455)</u>
Net income	<u>\$ 97,223</u>	<u>\$ 23,263</u>	<u>\$ 61,235</u>	<u>\$ 207,114</u>	<u>\$ 35,769</u>
Basic net income per share	\$ 0.79	\$ 0.20	\$ 0.50	\$ 1.71	\$ 0.33
Diluted net income per share	\$ 0.68	\$ 0.19	\$ 0.45	\$ 1.49	\$ 0.31
Shares used in per share calculation:					
Basic	123,777	113,760	121,340	121,350	108,595
Diluted	151,112	124,114	145,728	146,405	115,347



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