

The First Annual Report of New...

CYPRESS

2 0 1 4 A N N U A L R E P O R T

CYPRESS+SPANSION: 1+1 = 3

1ST IN SRAM, 1ST IN NOR FLASH AND 3RD IN AUTOMOTIVE MCUs & MEMORY

INFOTAINMENT

Volkswagen Honda Mercedes Tesla
Nissan BMW Infiniti

HVAC CONTROL

Toyota Fiat Mitsubishi Audi
GM Honda Subaru Peugeot
Hyundai Mazda Volvo Land Rover

INSTRUMENT CLUSTERS

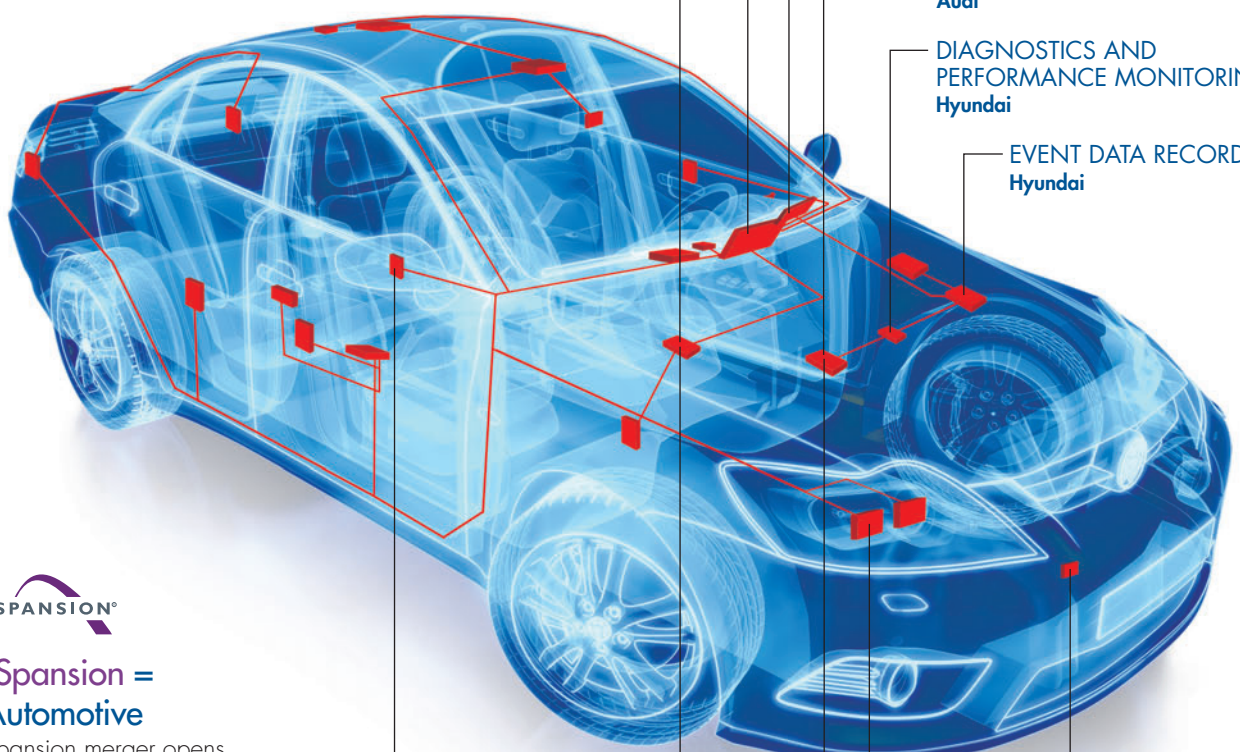
Toyota Ford Mercedes Subaru
GM Nissan Mazda Peugeot
Volkswagen Honda Mitsubishi Daihatsu
Hyundai Suzuki TATA Lamborghini

POWERTRAIN

Volkswagen
BMW
Audi

DIAGNOSTICS AND PERFORMANCE MONITORING
Hyundai

EVENT DATA RECORDERS
Hyundai



BODY ELECTRONICS

Toyota
GM

EV/HEV
Toyota
Honda

BODY ELECTRONICS MODULES, LIGHTING AND PERIPHERAL ECUs

Toyota Nissan Mazda
GM Honda Mitsubishi
Hyundai Suzuki Isuzu
Ford Renault Smart

DRIVER ASSISTANCE

GM
Volkswagen
BMW
Audi



Cypress + Spansion = No. 3 in Automotive

The Cypress-Spansion merger opens doors at top new customers and positions New Cypress as the No. 3 provider of automotive MCUs and memories with \$500 million in revenue and as a preferred supplier to the top 25 global OEMs.



CYPRESS

P E R F O R M

CYPRESS + SPANSION: WORLDWIDE LEADER IN SRAM AND NOR FLASH

The merger will make New Cypress the industry's high-performance memory leader with the broadest portfolio, as shown in the table below. Cypress is the worldwide leader in SRAMs and nonvolatile RAMs (NVRAMs) and Spansion is the worldwide leader in NOR flash. The typical embedded system includes flash, SRAM and DRAM memories, so New Cypress will have a leadership position in two of these three critical system memories. The table below also provides the parameters by which each Cypress memory type is judged to have best-in-class performance.

New Cypress Has the Broadest Portfolio and the Highest-Performance Memories for Embedded Systems

Product Category		New Cypress	Competitors				Performance Advantage	Metrics
			Renesas	ISSI	Micron	Fujitsu		
CYPRESS	SRAM	QDR®-IV synchronous SRAM	✓				Highest RTR (random transaction rate)	2.1 GT/s
		Asynchronous SRAM with ECC ¹	✓		✓		Highest-reliability fast SRAM	<0.1 FIT ³
		MicroPower SRAM	✓	✓	✓		Lowest-power SRAM (standby current)	1.5 µA
	NVRAM	Serial F-RAM™ ²	✓			✓	Lowest-power F-RAM (standby current)	100 µA
		Parallel nvSRAM	✓				Fastest NVRAM	20 ns
		AGIGARAM®	✓				Highest-density NVRAM	16 GB
SPANSION	NOR Flash	HyperFlash™ memory	✓		✓		Highest-read-throughput NOR flash	333 MBps
		Serial NOR flash	✓		✓	✓	Fastest read, program and erase high-density SPI flash	160 MBps
		Parallel NOR flash	✓		✓	✓	Fastest parallel NOR flash read	90 MBps
	NAND Flash	SLC NAND flash	✓			✓	Fastest low-density NAND flash read	25 ns
		e.MMC NAND flash	✓			✓	Highest-reliability high-density NAND flash (data loss)	0 FIT ³

1. Error-Correcting Code. 2. Ferroelectric RAMs. 3. Failures In Time (billion hours)

CYPRESS + SPANSION: A LEADER IN SOLUTIONS FOR WEARABLES

Wearable electronics are everywhere: designer smartwatches, fitness and activity monitors, cameras, smart glasses and medical products such as hearing aids and wearable patches. The wearables market is expected to be \$1.5 billion in 2015, growing to \$19.0 billion in 2018 at a **CAGR of 88.7%**. With its ultra-low-power microcontrollers, memories and capacitive touch-sensing controllers, New Cypress is uniquely equipped to compete in this market, where performance = low power.

New Cypress's Broad Portfolio of Wearables Solutions Enables Next-Generation End Products

Product Category		Smartwatches	Activity Monitors	Hearing Aids	Wearable Patches	Smart Glasses
CYPRESS	Analog Front End	PSoC® 4	✓			
		PSoC® 3	✓		✓	
	System-on-Chip	PSoC 4 BLE		✓		
		PSoC 5LP				✓
	Wireless	PSoC BLE		✓		✓
	Capacitive-Sensing Controller	CapSense® controllers		✓	✓	✓
	Touch Controller	TrueTouch® touchscreen controllers	✓			
	Trackpad	Trackpad module				✓
	External Memory	MicroPower SRAM	✓	✓		
		Nonvolatile F-RAM	✓	✓	✓	✓
External Memory	Nonvolatile NOR flash	✓	✓	✓	✓	
Microcontroller	FM0+	✓	✓			
	FM3	✓	✓		✓	
Power Management	Energy-harvesting power supply	✓			✓	

FELLOW SHAREHOLDERS:

As the cover of this report clearly shows, the automobile has gone electronic, with as many as 150 microcontrollers (MCUs) embedded in luxury models today. New Cypress—Cypress plus Spansion—is No. 3 in MCUs & memories for automotive systems worldwide with a huge growth opportunity ahead.

Embedded systems control the engines in modern cars. They raise horsepower to that of the 1960s “muscle cars,” while providing three times the gas mileage and reducing pollution by a factor of 10. Without electronic engine controls, we would still be getting 10 miles per gallon and breathing the reddish-brown air that hung over Silicon Valley when I arrived here in 1970.

The old-fashioned “cruise control” has evolved into a sophisticated digital control system. When I set my digital cruise control at 70 mph, my car will maintain its speed, but also engage forward-looking radar. If I come up behind a slower-moving vehicle, my car will automatically track that vehicle at a safe distance that I can also control digitally. And in the event that the car in front of me slams on its brakes, my car will automatically brake to prevent a collision. Embedded systems like this, pointing forward, backwards and into the blind spots, are at the heart of Google’s autonomously driven vehicle, which can be seen driving around Silicon Valley—driverless.

My car also has a night-vision safety system, which includes a high-beam infrared headlight that illuminates farther down the road than my standard headlights, but bothers no one since infrared light is invisible to humans. The dashboard display of the infrared image sensor shows pedestrians in an eerie green and black reminiscent of night-vision goggles. When I turn on my safety system, this display replaces my speedometer, which is just an image, not a gauge. The only improvement I would make to this system is for the display to be projected “heads-up” on my windshield, a reality that is only a few years away.

Even my side rearview mirrors are sophisticated systems with side-looking radar that turns on a red light-emitting diode embedded in the rearview mirror to warn me when a vehicle is in my blind spot.

My stereo, satellite radio and movie screens are all controlled by menus on a second liquid crystal display in the spot where the radio used to be. This display controls “infotainment,” heating & air conditioning and the hands-free telephone, which also serves as an emergency beacon in the event of a crash.

These sophisticated systems are exactly where New Cypress automotive products fit.

HIGH-CAGR AUTOMOTIVE SYSTEMS

CYPRESS	SPANSION	NEW CYPRESS
INFOTAINMENT CAGR: 8.0% INCLUDES CAR AUDIO NAVIGATION HUMAN MACHINE INTERFACE (HMI)	ADVANCED DRIVER ASSISTANCE SYSTEMS (ADAS) CAGR: 15.4% INCLUDES BLINDSPOT DISTANCE WARNING NIGHT VISION PARKING/REVERSE DROWSINESS MONITORING	INSTRUMENT CLUSTER & HEADS UP DISPLAY (HUD) CAGR: 7.0% INCLUDES HEADS-UP DISPLAY HYBRID INSTRUM. SECONDARY DISPLAY SOLID-STATE DISPLAY ELECTROMECH. INSTRUMENTATION
PRODUCTS CAPSENSE TRUETOUCH TRACKPAD F-RAM	PRODUCTS AUTO 6CH PMIC TRAVEO SERIES MCU	PRODUCTS FM4 SERIES MCU FCR4 SERIES MCU 16FX SERIES MCU FR81S SERIES MCU
	+	=
		AUTOMOTIVE SEGMENTS CAGR: INFOTAINMENT 8.0% ADAS 15.4% INST. CLUSTER 7.0% COMPARED TO: SEMI MARKET 3.7% AUTOMOTIVE 5.0%

Source: 2014-2020 compound annual growth rate calculations by Strategy Analytics

Figure 1. New Cypress is a preferred supplier with multiple design wins at each of the Top 25 global automotive OEMs, as listed on the front cover. A majority of these design wins are in the automotive segments with the highest growth rates: Infotainment (8.0%), ADAS (15.4%) and Instrument Clusters (7.0%).

Even better news for New Cypress is that these systems, which are currently offered only in luxury automobiles, will soon begin to show up in the mass market. The automotive market is thus our single greatest opportunity. Our design wins at the Top 25 OEMs are biased heavily toward the Infotainment, Advanced Driver Assistance Systems (ADAS) and Instrument Cluster segments of the automotive market—the segments that are growing twice as fast as the general automotive market, which, itself, is growing 35% faster than the semiconductor market. More good news is that the MCUs in these advanced systems need SRAM and NOR flash memories—two products in which New Cypress is No. 1 worldwide.

CYPRESS+SPANSION: 1+1=3

		REVENUE RANKING IN \$ MILLIONS (TOP 5)								
		2009	2010	2011	2012	2013				
No. 1 SRAM	1 CYPRESS	238	CYPRESS	342	CYPRESS	304	CYPRESS	249	CYPRESS	218
	2 SAMSUNG	237	RENESAS	289	RENESAS	210	RENESAS	173	RENESAS	113
	3 RENESAS	198	SAMSUNG	149	GSI	86	ISSI	81	ISSI	83
	4 GSI	91	GSI	100	ISSI	85	GSI	69	GSI	61
	5 NEC	85	ISSI	76	SAMSUNG	68	SAMSUNG	63	IDT	22
No. 1 NOR FLASH	1 SPANSION	855	SPANSION	940	SPANSION	869	SPANSION	812	SPANSION	611
	2 NUMONYX	510	MICRON	630	MICRON	499	MICRON	450	MICRON	430
	3 MACRONIX	386	MACRONIX	483	MACRONIX	449	MACRONIX	397	MACRONIX	388
	4 SST	157	WINBOND	228	WINBOND	279	WINBOND	300	WINBOND	315
	5 WINBOND	97	EON (ESSI)	142	EON (ESSI)	123	MICROCHIP	92	MICROCHIP	64
No. 3 AUTOMOTIVE MCU-MEMORY	1 RENESAS	824	RENESAS	1,693	RENESAS	2,197	RENESAS	2,096	RENESAS	1,928
	2 FREESCALE	692	FREESCALE	1,027	FREESCALE	1,059	FREESCALE	966	FREESCALE	1,063
	3 NEC	669	CYPRESS	468	CYPRESS	630	CYPRESS	486	CYPRESS	528
	4 CYPRESS*	381	TOSHIBA	324	TI	320	TI	316	TI	358
	5 TOSHIBA	274	TI	304	TOSHIBA	284	STMICRO	297	STMICRO	353

* New Cypress
Sources: Gartner, WSTS, Cypress and Spansion earnings reports

Figure 2. Over the last five years, Cypress has been No. 1 in worldwide market share in SRAM memories, and Spansion has been No. 1 in NOR Flash memories. Both companies are also No. 1 in the automotive segment of those memory markets because they meet stringent automotive temperature quality and reliability requirements. New Cypress is No. 3 overall in market share in automotive MCUs & memories. Our new company is thus a “one-stop shop” for MCUs & memories in automotive embedded systems.

As leaders in nonvolatile technologies, Spansion and Cypress both can sell not only chips, but also licenses to their design and process technologies.

IP LICENSING DEALS

	2012	2013	2014	2015
Spansion	3	4	6	6
Cypress	1	2	4	7
Total	4	6	10	13

Spansion (technology node in nm)	Samsung 90 nm	90 nm XMC	90/65 nm XMC	ISSI 65/45 nm	45 nm
Cypress	HH-Grace 130 nm	Microsemi 28 nm	UMC 55 nm	HLMC 55 nm	UMC 40 nm

Figure 3. New Cypress has signed 11 licensing deals so far, with two more coming in 2015. Six of the licensing deals are with major silicon foundries in China and Taiwan. These deals will generate long-term, high-profit revenue.

In the time-to-market crunch faced by our customers, **programmable technology wins**, because it provides them with the flexibility to make changes at any point in the design or production cycle. New Cypress is focused on programmable products.

REVENUE FROM PROGRAMMABLE PRODUCTS

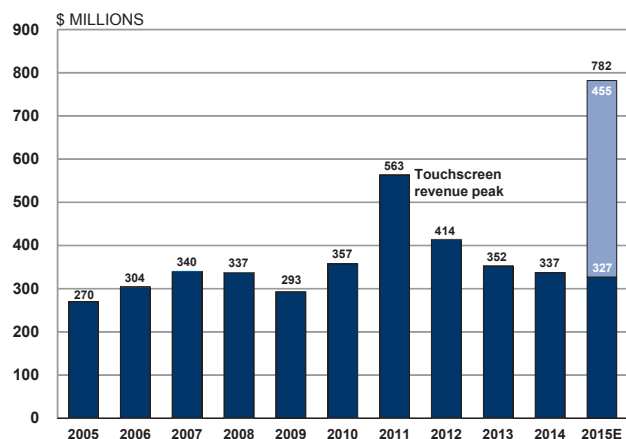


Figure 4. Both Cypress and Spansion have developed field-programmable products since inception—currently New Cypress derives two-thirds of its revenue and spends 90% of its R&D dollars on programmable products.

FINANCES

While our merger with Spansion provides us with a huge growth opportunity in automotive electronics, there is a more mundane, yet very compelling, force driving the merger—synergies.

\$135 MILLION/YEAR IN SYNERGIES

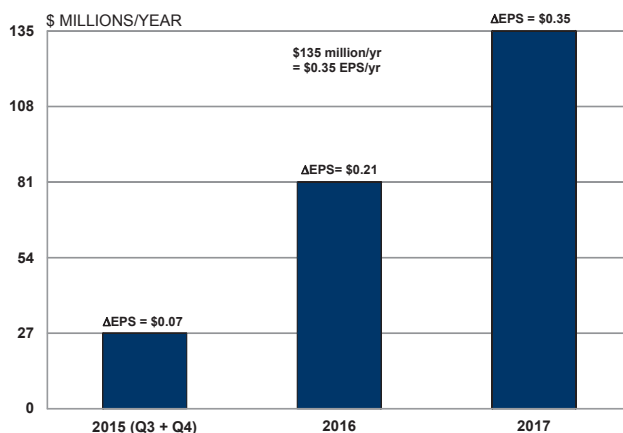


Figure 5. The Cypress-Spansion merger will generate \$135 million in annualized synergies by 2017. Without any other improvements, these synergies will increase New Cypress's annual EPS by \$0.35. The benefits of the merger synergies will begin to show up in Q3'15, since our cost cutting began in Q2'15.

New Cypress was launched in a very shareholder-friendly way by closing the merger quickly to be able to include Spansion shareholders in the \$0.11 first-quarter 2015 dividend (equivalent to about 3% interest).

DIVIDEND RETURN TO SHAREHOLDERS

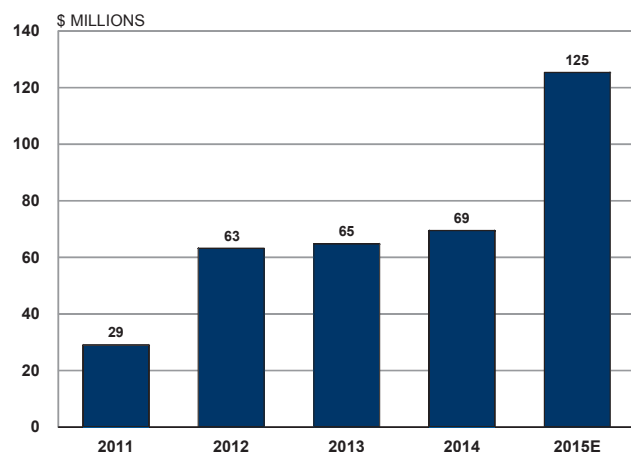


Figure 6. New Cypress will continue to focus on returning capital to its shareholders by paying out an approximate \$125 million in dividends to shareholders in 2015 and thereafter. (See our capital return history in Part II of this report.)

Our dividend—combined with the limited share-price downside described in Part II of this report and our tremendous automotive market upside—should make New Cypress a consistently attractive investment in the years to come.

T.J. Rodgers
President and CEO

The Last Annual Report of Old...

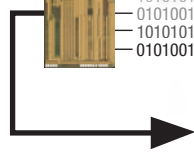
CYPRESS

2 0 1 4 A N N U A L R E P O R T

The TrueTouch® fingerprint reader chip is here!



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YOU ARE AUTHORIZED TO READ THIS REPORT

The FPG1 fingerprint reading system will enter the \$460 million market in the second quarter.



P E R F O R M

WINNING IN THE WEARABLE ELECTRONICS REVOLUTION

Cypress offers a complete and growing portfolio of solutions that enable customers to design wearable electronics with integrated sensors. These solutions offer an intuitive user interface, ultra-low power and the industry's smallest form factors. Cypress gained significant traction in the wearables market in 2014 with many new design wins, some of which are shown below.

TrueTouch® and CapSense® touch controllers – The industry's lowest power, smallest size and best waterproofing.

PSoC® Bluetooth® Low Energy (BLE) solutions – Ultra-low-power wireless connectivity with low-power analog for biometrics.

PRoC™ BLE solutions – Ultra-low-power wireless connectivity with CapSense for a natural UI.

Low-Power (MoBL®) Asynchronous SRAMs – Memories that buffer data to reduce radio usage and extend battery life.

F-RAMs™ – High-reliability memories that store the most vital data—“black box” data—with the lowest possible energy.



Basis Peak Smartwatch



Fitbit Surge Fitness Watch



Casio Exilim EX-FR10 Wearable Camera



Microsoft Band Fitness Band



BM Innovations' Under Armour Fitness Watch



Samsung Gear S Smartwatch

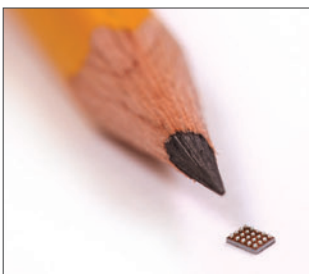


Samsung Gear Live Smartwatch



Samsung Simband Fitness Watch

ENABLING THE USB TYPE-C STANDARD: POWER & DATA FROM A SINGLE PLUG



The second-generation EZ-PD™ CCG2 is the world's smallest integrated USB Type-C port controller, measuring only 3.3 mm² in its chip-scale package.

How convenient would it be to have **a standard port to connect your laptop, smartphone, tablet and peripherals** that provided them all with power and data regardless of the product brands you choose? New USB Type-C standard connectors deliver just that. **Backed by Apple and Intel**, the standard is gaining rapid support among top-tier PC makers, enabling slim industrial designs, easy-to-use connectors and cables, and the ability to transmit protocols other than USB. Type-C also integrates **USB Power Delivery (USB-PD)**, a new USB standard that increases power delivery from 7.5 W to 100 W.

Driving Smaller Form Factors



The communications port determines the thickness of a laptop PC, as shown in the image above of a standard 4.5-mm-high USB Type-A connector. The 2.4-mm USB Type-C connector is not only half as thick, but it also eliminates the need for the power and DisplayPort plugs.

Cypress's **EZ-PD™ CCG1 controller**, part of the EZ-PD controller family, is the industry's first integrated, programmable Type-C port controller. The Type-C port controller market is expected to be \$65 million in 2015, growing to **\$350 million in 2019** at a **CAGR of 40%**.



USB Type-C replaces multiple ports and is 47% thinner than current Type-A connectors.



USB Type-C
2.4 mm



USB Type-A
4.5 mm

FELLOW SHAREHOLDERS:

In the 2008 Annual Report, I wrote about life after the “SunPower era,” because Cypress had just returned to being a semiconductor-only company after spinning out its subsidiary, SunPower, in a \$2.55 billion stock dividend to shareholders in September 2008. Today, SunPower is the No. 2 solar company in the world, with \$3.0 billion in revenue. Cypress has now entered the “Spansion era,” the topic of Part I of this two-part Annual Report (following the automobile portfolio cover). This is Part II, the final Annual Report of “Old Cypress,” covering the period from the 2008 SunPower spinout through year-end 2014.

Cypress employees see the fingerprint image on the cover of this part of the report—generated by our new TrueTouch fingerprint reader chip—as a symbol of the most fundamental change in the DNA of Old Cypress over the last decade. In 2008, we were in the midst of designing the PSoC 5 Programmable System-on-Chip, the replacement for our highly successful PSoC 1 family. PSoC 5 was our first PSoC with a 32-bit processor—and a huge, new technical challenge for us. We completed the definition of the product in September 2007 and made our sixth and final “tapeout” to wafer manufacturing in October 2012. It took us **six years** to develop our first PSoC world-class computer system on a chip, which included not only the processor, but also 81 other “IP blocks,” self-contained blocks of circuitry, each as complicated as a typical Cypress chip was just 15 years ago.

The TrueTouch fingerprint reader chip is the most sensitive and highest-resolution capacitive sensing chip we have ever attempted, despite having previously shipped over one billion chips of this type. Like PSoC 5, it also contains a 32-bit computer and many IP blocks—40 to be specific. In this case, the time from the specification signing to manufacturing tapeout took **nine weeks**, not six years. Furthermore, the first lot of silicon wafers—not the sixth—worked perfectly. Cypress can now develop state-of-the-art systems-on-chip in record time. That game-changing new DNA (now embedded in 105 Cypress design specifications) is the R&D core of New Cypress.

This is the 29th Annual Report I've written for our public shareholders. I thank the Cypress employees who helped to create the report, often after-hours and over the weekends. We tell our own story without the use of ad agencies or PR firms. TJR

All figures are based on non-GAAP financial measures. Refer to our current and prior annual reports for a reconciliation of GAAP to non-GAAP financial measures.

The letter to Stockholders and “Management Discussion and Analysis” contain a number of forward-looking statements about the prospects for Cypress and its subsidiaries as well as the semiconductor industry more generally, which are based on our current information and expectations and could be affected by uncertainties and risk factors, including but not limited to those described in our Annual Report on Form 10-K, filed February 17, 2015. Our actual results may differ materially. We use words such as, “anticipates”, “believes”, “expects”, “future”, “planning”, “intends” and similar expressions to identify forward-looking statements which include statements related to our prices, growth, supply, operations, shipments, our current and future products, profit and revenue.

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FINANCIAL METRICS

CYPRESS P&Ls (POST-SPWR)

(IN MILLIONS, EXCEPT PER-SHARE DATA)

	2008	2009	2010	2011	2012	2013	2014
Revenue	\$766	\$668	^a \$884	^a \$995	\$770	\$723	\$725
Gross profit	373	315	519	570	427	377	382
Cost of R&D	153	145	154	166	166	162	147
Cost of SG&A	192	153	163	168	164	143	138
OPEX	345	297	317	334	330	305	285
Operating income	28	18	201	237	97	72	97
Earnings after tax	33	18	186	238	91	63	87
Earnings per share	\$ 0.20	\$ 0.10	^b \$ 0.94	^b \$ 1.25	\$ 0.55	\$ 0.39	\$ 0.52
Shares	^c 166.2	183.2	198.0	190.7	165.3	161.5	^c 168.4
Share price:							
Year-end:	^d \$4.47	\$10.56	\$18.58	\$16.89	\$10.50	\$10.29	^d \$14.60
Max	5.73	11.27	^b 18.58	^b 23.64	19.15	13.10	^e 14.61
Min	^f 2.72	3.87	9.94	14.08	8.89	8.97	^e 8.29

Figure 1. Cypress's P&L statements from 2008 (SunPower spinout year) through 2014 (the last year of Old Cypress before the Spansion merger). The major events are labeled with letters. a. Despite relatively flat revenue during the period, we experienced a significant touchscreen revenue peak in 2010 and 2011. b. The touchscreen revenue peak led to peak EPS (\$0.94-\$1.25) and peak share prices (\$18-\$23) in 2010 and 2011. c. Despite the severe dilution caused by the SunPower spinout, the number of outstanding shares was ultimately held constant at about 168 million using buybacks. d. The year-end share price rose to \$14.60 in 2014 from \$4.47 in 2008 over the six-year period (21.8% CAGR). e. In 2014 the share price rose to \$14.61 from \$8.29 due to news of the Spansion merger. f. The low share price for the period was \$2.72, in 2008, when I disclosed my open market purchase of one million shares (my current holding is 8.7 million shares).

Cypress's 2008-2014 non-GAAP P&L statements are shown in *Figure 1*. During the 2008-2014 period, Cypress's revenue was flat at about \$800 million due to strong growth in our PSoC business offset by a rapid decline in the SRAM market. The revenue peak in 2010 and 2011 was driven by the broad worldwide acceptance of capacitive touchscreens on cell phones at a relatively high chip price (\$1.20), a peak that will never be repeated because touchscreen chips now sell for \$0.50 or less. The good news is that the SRAM market contraction appears to be over. With all factors included, Old Cypress's board-approved, standalone 2015 annual plan—now obsolete—was to grow to \$756 million in revenue in 2015 from \$725 million in 2014. Taking the Spansion merger into account, we're going to do a lot better than that.

OPERATING EXPENSES AND EPS

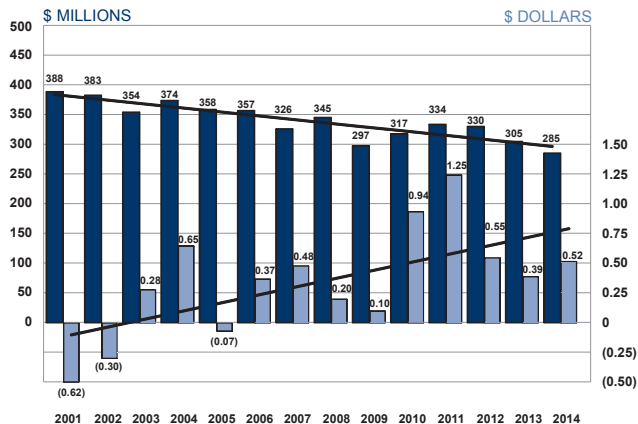


Figure 2. Since the 2001 dot-com crash, Cypress has relentlessly driven down opex at the rate of \$6.7 million (about \$0.039 EPS equivalent) per year for 13 years, accounting for approximately half of our average EPS improvement of \$0.073 per year. The other half of the EPS improvement was due to increased gross margin.

CYPRESS RELATIVE SHARE PRICE



Figure 3. In the six years since the SunPower spinout, Cypress shares have appreciated 180% (CAGR 17.9%) vs. the SOX semiconductor index, which appreciated 127% (CAGR 14.0%). The large spike and fall of our touchscreen revenue in the 2010-2013 timeframe are due to the rise and fall of our touchscreen revenue, while the last spike is due to the Spansion merger.

Cypress's DNA has also evolved due to a 12-year diet of Japanese Lean Methodology, the process of identifying and understanding the value customers will pay for and grinding down non-value-added costs. As *Figure 2* shows, our EPS has increased an average of \$0.073 per year for 13 years, and we have not had a loss since 2005, when we said "No More Moore" and stopped building new wafer fabrication plants to chase Moore's Law. The rise in EPS over the 2008-2014 period and the initiation of a dividend in 2011 enabled Cypress shares to outperform the SOX index on 1,428 of the 1,572 trading days during that period, as shown in *Figure 3*. Despite the 17.9% share-price CAGR over that period, the stock underperformed badly in 2012 and 2013.

CAPITAL RETURN TO SHAREHOLDERS

YEAR	SHARES BOUGHT (MILLIONS)	COST/SHARE	COST (MILLIONS)	DIVIDEND (MILLIONS)
2014	0.0	\$10.16	\$0	\$69
2013	0.4	\$10.47	\$5	\$65
2012	18.0	\$12.88	\$232	\$63
2011	36.0	\$18.08	\$651	\$29
2010	12.6	\$12.29	\$155	N/A
2009	7.7	\$8.03	\$62	N/A
2008	25.1	\$4.17	\$105	\$2,554
TOTAL	99.8	\$12.12	\$1,210	\$2,780

Figure 4. Cypress is committed to returning capital to shareholders. We returned \$3.99 billion to shareholders in the 6¼-year post-SunPower era in the form of share buybacks (\$1.21 billion), cash dividends (\$226 million) and the SunPower stock dividend (\$2.55 billion).

Cypress intends to be a shareholder-friendly company. That focus started in earnest in 2008 when we had to make the tough choice of whether to keep our hard-won SunPower revenue or spin out SunPower to shareholders. We chose to distribute \$2.55 billion in SunPower stock to our shareholders. And in March 2015, we accelerated the closing of the Spansion merger to get the first dividend to Spansion shareholders one quarter early.

P/S RATIO

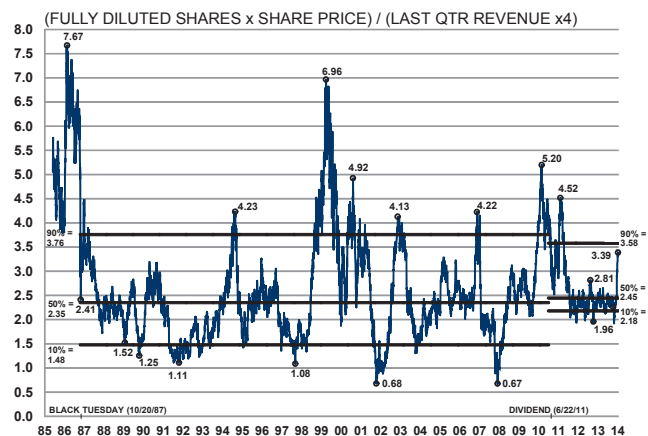


Figure 5. Cypress's price-to-sales (P/S) ratio fluctuated between 1.48 (10%-ile) and 3.76 (90%-ile) between October 1987 and June 2011, the month when we began to pay a quarterly dividend. Since then, the downside risk (10%-ile) of the stock has risen from 37% below the median to just 11% below the median, while the upside potential (90%-ile) remains at 46% above the median. Investors who buy Cypress shares at the median P/S ratio now see significantly higher upside than downside.

We are proud of our accomplishments in the 2008-2014 post-SunPower era. And we are proud to be entering the Spansion era as a better company.

T.J. Rodgers

T.J. Rodgers
President and CEO