



SIMTEK REPORTS SECOND QUARTER 2005 FINANCIAL RESULTS

Record Orders Received for Its Flagship .25 Micron Product Family

Plan to Raise Working Capital through Sale of Q-Dot Subsidiary

Readies Production Launch of 0.25 micron Family of Products

COLORADO SPRINGS, Colorado – August 11, 2005, – Simtek Corporation (OTC Bulletin Board: [SRAM](#)), the inventor, pioneer, and world's leading supplier of advanced nonvolatile static random access memory (nvSRAM) products, today announced its financial results for the second quarter ended June 30, 2005.

Company Highlights in the second quarter

- \$4 million equity investment and development agreement with Cypress Semiconductor
- Strengthened management and Board of Directors
- Working capital helped by waiver on repayment of Renn Cap debenture
- Yield on legacy products stabilized and improved ~20%
- Shippable units per wafer on 1 Megabit devices increased by 3x to 5x
- Record new orders for 1 Megabit devices nearing 10% of total bookings
- Plans to outsource sort and test underway
- Plan to raise working capital by selling Q-Dot subsidiary announced
- Annual Shareholders' meeting anticipated for October 27, 2005
- Positive book to bill ratio of 1.23 for second quarter

Simtek announces its intention to raise working capital by selling its Q-Dot subsidiary. In accordance with FAS 144 Q-Dot will be treated as an asset held for sale in the financial reporting for this fiscal period and year. All discussions of the financial results below refer to continuing operations.

Revenue for the second quarter of 2005 was \$2.2 million compared to \$3.7 million in the second quarter of 2004, and \$3.0 million in the first quarter of 2005. Net loss for the second quarter of 2005 was \$2.9 million, or (\$0.05) per share. The net loss in the current quarter compares with a net loss of \$.8 million, or (\$0.02) per share, in the second quarter of 2004, and with a net loss of \$.9 million, or (\$0.02) per share, in the first quarter of 2005.

In the quarter the company included a \$49 thousand expense to Cypress Semiconductor as part of the company's process development agreement. In addition, the company recorded charges totaling \$1.5 million in

connection with significant design and process revisions of the company's 0.25 micron product family and costs associated with the management restructuring announced in May. Excluding the effect of the \$1.5 million charges described above and the expenses related to the Cypress Semiconductor development, adjusted-GAAP net loss for the second quarter of 2005 was \$1.4 million, or (\$0.02) per basic share, compared with adjusted-GAAP net loss of \$.8 million, or (\$0.02) per share, in the second quarter of 2004, and with adjusted-GAAP net losses of \$.9 million, or (\$0.02) per basic share, in the first quarter of 2005. There was no difference between GAAP and adjusted-GAAP net income/loss in the first quarter of 2005 or in the second quarter of 2004.

Simtek reports net income or loss in accordance with GAAP and additionally uses adjusted-GAAP financial measures which are adjusted from the most directly comparable GAAP financial measures to exclude charges related to unusual or non-recurring expenses the Company may incur from time to time, such as costs related to expenses from Cypress Semiconductor under the companies' process development agreement, restructuring, and other non-recurring costs. Management does not believe that these items are part of the core operational activities of the business. Management also believes that these adjusted-GAAP measures are important to investor understanding of the Company's disclosures regarding current and future operating results. These adjusted-GAAP measures are not in accordance with, or an alternative for GAAP, and may be different from adjusted-GAAP measures used by other companies.

Pursuant to the requirements of Regulation G, following is a reconciliation of the adjusted-GAAP financial measures to the most comparable GAAP financial measures:

(Amounts in thousands, except per share amounts)

	Three Months 2005	Three Months 2004	Six Months 2005	Six Months 2004
Loss from Continuing Operations as reported	\$ (2,869)	\$ (845)	\$ (3,850)	\$ (1,911)
Adjusted-GAAP items:				
Costs associated with Cypress development	49	-	49	-
Costs associated with .25 micron product and management restructuring	1,456	-	1,456	-
Adjusted-GAAP Loss from Continuing Operations	<u>\$ (1,364)</u>	<u>\$ (845)</u>	<u>\$ (2,345)</u>	<u>\$ (1,911)</u>
Per Share Data:				
Loss from Continuing Operations as reported	\$ (0.05)	\$ (0.02)	\$ (0.06)	\$ (0.03)
Costs associated with Cypress development	\$ -	\$ -	\$ -	\$ -
Costs associated with .25 micron product and management restructuring	\$ 0.03	\$ -	\$ 0.03	\$ -
Adjusted-GAAP Loss Per Share from Continuing Operations	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>

The book to bill ratio for the quarter was 1.23 representing strong orders for legacy and 0.25 micron devices in the company's traditional RAID controller market as well as expansion of adoption of products into more diverse market segments.

Harold A. Blomquist, president, chairman, and chief executive officer, stated, "Simtek has embarked on a plan to raise working capital through the sale of Q-Dot, and to significantly improve operating efficiencies and cost of manufacturing through an expansion of the relationship with Amkor (NASDAQ:AMKR), outsourcing back end operation, and through improved management of fab processes by both primary fab partners, Chartered Semiconductor (NASDAQ:CHRT) and DongbuAnam Semiconductor. Early test results show yields on the new 0.25 micron products are now at levels that make this a very cost effective product. Yields on legacy products have stabilized and are significantly improved in Chartered's Fab 2. We expect to see improvement in the gross margins from these products in the third and fourth quarters."

"First time production orders were received in the quarter from two of the world's leading RAID controller companies, building on the long-time relationships with these customers in the past. Initial revenue from these orders will be realized in the third and fourth quarters. New orders for 1 megabit products booked in June were more than \$200,000, representing an increase of more than 175% over any single month so far this year," Blomquist went on to say.

Thomas Surette, managing director of the non-volatile memory business at Cypress Semiconductor Corp. (NYSE: CY), and a director of Simtek stated, "Cypress is excited about the early results achieved with Simtek as a process development partner. On July 1st, we jointly achieved the first of several major process and product development milestones on the 0.13-micron Silicon-Oxide-Nitride-Oxide-Silicon (SONOS) nonvolatile memory process targeted for 2006 production in our Minnesota fab. We are also pleased with the developing business relationship with Simtek and are confident that by combining our strengths in the market, both Simtek and Cypress can enjoy significantly improved business prospects."

Simtek anticipates holding its 2005 Annual Shareholder's Meeting on Thursday, October 27th, 2005. Further information will be announced separately.

Conference Call

Simtek management's teleconference will be webcast live at www.companyboardroom.com and at www.simtek.com and will be available thereafter on both websites for replay for 90 days, several hours after the completion of the call. Simtek is introducing a new teleconference webcast with today's call, which will reach a much broader population of parties who are interested in semiconductors and Simtek.

How to participate on the teleconference portion

Simtek Second-Quarter and First Six Month's 2005 Results Teleconference

August 11, 10:30a.m. Eastern time, call 1-800-474-8920 (U.S. toll-free number) or 719-457-2727 (local) and mention ID code: SRAM. The conference call will also be webcast live.

ASSETS

	<u>June 30, 2005</u> (Unaudited)	<u>December 31, 2004</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,721,000	\$ 2,147,000
Restricted investments	3,000,000	-
Accounts receivable - trade, net	973,000	2,439,000
Inventory, net	1,472,000	1,870,000
Prepaid expenses and other current assets	130,000	85,000
Assets from discontinued operations	<u>112,000</u>	<u>384,000</u>
Total current assets	7,408,000	6,925,000
EQUIPMENT AND FURNITURE, net	769,000	772,000
DEFERRED FINANCING COSTS	66,000	75,000
OTHER ASSETS	28,000	33,000
OTHER ASSETS FROM DISCONTINUED OPERATIONS	<u>163,000</u>	<u>171,000</u>
TOTAL ASSETS	<u>\$ 8,434,000</u>	<u>\$ 7,976,000</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable	\$ 1,545,000	\$ 2,054,000
Accrued expenses	1,000,000	357,000
Accrued vacation payable	149,000	160,000
Accrued wages	101,000	30,000
Obligation under capital leases	38,000	47,000
Liabilities from discontinued operations	<u>153,000</u>	<u>326,000</u>
Total current liabilities	2,986,000	2,974,000
DEBENTURES, NET OF CURRENT	3,000,000	3,000,000
OBLIGATIONS UNDER CAPITAL LEASES, NET OF CURRENT PORTION	-	13,000
Total liabilities	<u>5,986,000</u>	<u>5,987,000</u>
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock, \$1.00 par value; 2,000,000 shares authorized, none issued	-	-
Common stock, \$.01 par value; 300,000,000 shares authorized, 70,699,973 and 70,689,973 shares issued and outstanding at June 30, 2005 and 62,881,679 and 62,871,679 shares issued and outstanding at December 31, 2005	707,000	629,000
Additional paid-in capital	46,076,000	41,778,000
Treasury stock, at cost; 10,000 shares	(12,000)	(12,000)
Accumulated deficit	<u>(44,323,000)</u>	<u>(40,406,000)</u>
Total shareholders' equity	<u>2,448,000</u>	<u>1,989,000</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 8,434,000</u>	<u>\$ 7,976,000</u>

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
NET SALES	\$ 2,204,000	\$ 3,686,000	\$ 5,180,000	\$ 6,621,000
Cost of sales	1,675,000	2,378,000	3,683,000	4,491,000
GROSS MARGIN	529,000	1,308,000	1,497,000	2,130,000
OPERATING EXPENSES :				
Research and development costs	1,917,000	1,396,000	3,126,000	2,601,000
Sales and marketing	444,000	418,000	844,000	802,000
General and administrative	987,000	284,000	1,274,000	531,000
Total operating expenses	3,348,000	2,098,000	5,244,000	3,934,000
LOSS FROM CONTINUING OPERATIONS	(2,819,000)	(790,000)	(3,747,000)	(1,804,000)
OTHER INCOME (EXPENSE):				
Interest income	7,000	5,000	12,000	13,000
Interest expense	(57,000)	(60,000)	(114,000)	(120,000)
Other expense	-	-	(1,000)	-
Total other income (expense)	(50,000)	(55,000)	(103,000)	(107,000)
LOSS FROM CONTINUING OPERATIONS BEFORE PROVISION FOR INCOME TAXES	(2,869,000)	(845,000)	(3,850,000)	(1,911,000)
Provision for income taxes	-	-	-	-
LOSS FROM CONTINUING OPERATIONS	(2,869,000)	(845,000)	(3,850,000)	(1,911,000)
LOSS FROM DISCONTINUED OPERATIONS	(36,000)	(85,000)	(68,000)	(56,000)
NET INCOME (LOSS)	\$ (2,905,000)	\$ (930,000)	\$ (3,918,000)	\$ (1,967,000)
NET LOSS PER COMMON SHARE:				
Basic and diluted				
Loss from continuing operations	\$ (.05)	\$ (.02)	\$ (.06)	\$ (.03)
Loss from discontinued operations	(.00)	(.00)	(.00)	(.00)
Total	\$ (.05)	\$ (.02)	\$ (.06)	\$ (.03)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic and diluted	63,226,984	57,395,172	65,299,377	57,209,142

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements predicting Simtek's future growth. These forward-looking statements are inherently difficult to predict and involve risks and uncertainties that could cause actual results to differ materially, including, but not limited to, projections of future performance including predictions of future profitability and expectations of the business environment in which Simtek operates. For a detailed discussion of these and other risk factors, please refer to Simtek's filings with the Securities and Exchange Commission (SEC), including its Annual Report on Form 10-KSB and subsequent Form 10-Q and Form 8-K filings.

SOURCE: Simtek Corporation

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