



SIMTEK REPORTS POSITIVE NET INCOME FOR FOURTH QUARTER AND EX-ITEM PROFIT FOR FISCAL YEAR 2006

- **GAAP Net Income – \$598 thousand for Q4 2006**
- **Ex-item Net Income – \$319 thousand for FY 2006**
- **Record Revenue for Fourth Quarter and FY 2006**
- **Gross Margins Improve 500 Basis Points from Q3 2006**

COLORADO SPRINGS, Colorado – February 22, 2007 – Simtek Corporation (NASDAQ: [SMTK](#)), the inventor, pioneer, and world's premier supplier of nonvolatile static random access memory (nvSRAM) integrated circuits, today announced its financial results for the fourth quarter and year ended December 31, 2006.

Key Highlights

- Product revenue of \$9.1 million for Q4 2006, a 227% increase over Q4 2005
- Product revenue of \$28.6 million for the full year 2006, a 175% increase over 2005
- Total revenue of \$30.6 million for 2006, a 195% increase over 2005
- Booking of new orders in 2006 were a record \$35.2 million, with a book-to-bill ratio of 1.23
- Gross product margin increased to 45% for Q4 2006 from 25% a year ago and 40% in Q3 2006
- Net income of \$598 thousand, or \$0.04 per share for Q4 2006 versus a loss from continuing operations of \$1.8 million or \$(0.25) per share for Q4 2005. First time in 23 quarters the Company has reported positive net income.
- Ex-item profit for the year of \$319 thousand compared to a \$7.5 million loss from continuing operations in 2005
- Over 100 new design wins
- Company applied for NASDAQ listing (subsequently approved in 2007)
- Hired Ron Sartore as Executive Vice President to spearhead new product development

Financial Results

Total revenue for the fourth quarter of 2006 was \$9.7 million, consisting of \$9.1 million of product revenue and \$552 thousand of royalty revenue. Product revenue represents a 227% increase over \$2.8 million in Q4 2005. The Company reported net income for Q4 2006 of \$598 thousand, or \$0.04 per share, compared to a net loss from continuing operations of \$1.8 million, or \$(0.25)

per share for Q4 2005. Excluding the effects of stock options and amortization of acquisition related costs, the Company generated ex-item (non-GAAP) net profit of \$1.2 million, or \$0.07 per share, for Q4 2006. There were no such charges in the 2005 period.

Total revenue for 2006 was a record \$30.6 million, consisting of \$28.6 million of product revenue and \$2.0 million of royalty revenue. Product revenue represents a 175% increase over \$10.4 million, and inclusive of royalty revenue, total revenue represents a 195% increase over \$10.4 million reported in 2005. The Company reported a GAAP net loss for the year ended December 31, 2006 of \$2.0 million, or a (\$0.13) per share, compared to a net loss from continuing operations of \$7.5 million, or (\$1.09) per share in 2005. Ex-item net profit was \$319 thousand or \$0.02 per share for 2006. All per share amounts reflect the effect of the 1 for 10 reverse stock split that was completed on October 5, 2006.

"Team Simtek did a phenomenal job in creating and supporting growth and operational improvements during 2006," stated Harold Blomquist, Simtek President and CEO. "We are proud of the significant strides we have made as a company, and look forward to continuing to progress and grow in 2007. Looking ahead we anticipate continued strong top-line growth in 2007, as well as continued improvement in gross margins and positive net income for 2007 as a whole. We look forward to delivering on these goals in the upcoming quarters."

Outlook for 2007

For 2007, Simtek expects product revenue growth in the range of 60% to 75% year over year, and anticipates that Q1 2007 as compared to Q1 2006 will be in this range. The Company does not expect any royalty revenue in 2007. Gross margins are projected to increase to approximately 50% by the end of 2007. Investment in engineering and product development is expected to increase nearly 100% from 2006 levels. Ex-item profit for 2007 is expected to be in the range of \$0.18-\$0.21 per share.

"Simtek has under-invested in engineering, research and development for several years and in 2006 began a somewhat more aggressive investment plan to fuel a stronger platform of intellectual property and products. In 2007 we plan to increase investment in baseline product development by as much as \$3 million over 2006 focusing on the launch of the 4 megabit family of products. We also anticipate investing in engineering R&D to go beyond baseline products. To that end we are tremendously excited to have set up a business development and design center in San Diego, California under the leadership of Ron Sartore. We anticipate investing up to an additional \$3 million in products and technologies that we believe can place the company on track to serve far larger markets than ever before," concluded Blomquist.

Conference Call

Simtek management will host a conference call at 5:00 p.m. ET (2:00 p.m. PT) today to discuss these results. The call can be accessed by dialing **800-257-3401** and giving the company name, "Simtek." Participants are asked to call the assigned number approximately 10 minutes before the conference call begins. A replay of the conference call will be available two hours after the call for the following five business days by dialing 800-405-2236 and entering the following pass code: 11084026#. Also, the conference call together with supplemental financial information will be available over the Internet at <http://www.simtek.com> in the Investor Info area of the site or by going to <http://www.mkr-group.com>.

About Simtek Corporation

Simtek Corporation designs and markets high-speed, re-programmable, nonvolatile semiconductor memory products, for use in a variety of systems including RAID servers, industrial automation, GPS navigational systems, robotics, medical instrumentation, and networking and telecommunications equipment. Information on Simtek products can be obtained from its web site: www.simtek.com; email: information@simtek.com. The Company is headquartered in Colorado Springs, Colorado.

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-K and subsequent Form 10-Q and Form 8-K filings.

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Ex-item Information

Simtek reports net income or loss in accordance with GAAP and additionally uses ex-item (non-GAAP) financial measures which are adjusted from the most directly comparable GAAP financial measures to exclude charges related to new, non-operating, unusual or non-recurring expenses the Company may incur from time to time, in order to provide additional comparative information between periods. Management believes that these ex-item measures are important to investor understanding of the Company's disclosures regarding past, current and future operating results.

Following is reconciliation* of the Ex-item (non-GAAP) financial measures to the most comparable GAAP financial measures:

Unaudited (Amounts in thousands, except per share amounts)	Three Months Ended December 31, 2006	Year Ended December 31, 2006
Income (Loss) from Continuing Operations as reported	\$ 598	\$ (2,007)
Adjusted-GAAP items:		
Amortization of Non-compete Agreement	445	1,784
Costs associated with employee stock options	125	542
Ex-item Income from Continuing Operations	<u>\$ 1,168</u>	<u>\$ 319</u>
Per Share Data:		
Income (Loss) from Continuing Operations as reported	\$ 0.04	\$ (0.13)
Amortization of Non-compete Agreement	\$ 0.02	\$ 0.12
Costs associated with employee stock options	<u>\$ 0.01</u>	<u>\$ 0.03</u>
Ex-item Income Per Share from Continuing Operations	<u>\$ 0.07</u>	<u>\$ 0.02</u>

* Pursuant to the requirements of Regulation G.

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As of December 31, 2006 there were 16,145,679 shares outstanding.

SIMTEK CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Amounts in thousands, except par value and share amounts)

ASSETS

	December 31, <u>2006</u>	December 31, <u>2005</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,522	\$ 1,766
Restricted investments	1,775	2,281
Accounts receivable - trade, net	5,537	1,456
Inventory, net	6,596	2,068
Prepaid expenses and other current assets	312	99
Deposits	-	<u>600</u>
Total current assets	18,742	8,270
EQUIPMENT AND FURNITURE, net	1,239	571
DEFERRED FINANCING COSTS	54	111
GOODWILL	992	876
NON-COMPETITION AGREEMENT	7,126	8,910
OTHER ASSETS	<u>89</u>	<u>20</u>
TOTAL ASSETS	<u>\$ 28,242</u>	<u>\$ 18,758</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable	\$ 3,771	\$ 2,822
Accrued expenses	939	1,419
Accrued vacation payable	229	145
Accrued wages	814	40
Obligation under capital leases	-	13
Line of credit	681	-
Debentures, current	<u>480</u>	<u>240</u>
Total current liabilities	6,914	4,679
DEBENTURES, NET OF CURRENT	<u>2,220</u>	<u>2,760</u>
Total liabilities	9,134	7,439
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock, \$1.00 par value; 200,000 shares authorized, none issued	-	-
Common stock, \$.0001 par value; 30,000,000 shares authorized, 16,146,679 and 16,145,679 shares issued and outstanding at December 31, 2006 and 14,692,082 and 14,691,082 shares issued and outstanding at December 31, 2005	2	2
Additional paid-in capital	67,173	57,509
Treasury stock, at cost; 1,000 shares	(1)	(1)
Accumulated deficit	(48,198)	(46,191)
Accumulated other comprehensive income:		
Cumulative translation adjustment	<u>132</u>	<u>-</u>
Total shareholders' equity	<u>19,108</u>	<u>11,319</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 28,242</u>	<u>\$ 18,758</u>

SIMTEK CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Amounts in thousands, except share and per share amounts)

	<u>Three Months Ended</u>		<u>Year Ended</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
REVENUE:				
Product sales, net	\$ 9,124	\$ 2,794	\$ 28,560	\$ 10,385
Royalty revenue	552	-	2,070	-
Total revenue	<u>9,676</u>	<u>2,794</u>	<u>30,630</u>	<u>10,385</u>
Cost of sales	<u>5,008</u>	<u>2,101</u>	<u>18,024</u>	<u>7,591</u>
GROSS MARGIN	4,668	693	12,606	2,794
OPERATING EXPENSES:				
Research and development costs	1,277	1,672	5,855	6,369
Sales and marketing	1,446	329	4,679	1,493
General and administrative	1,266	516	3,861	2,275
Total operating expenses	<u>3,989</u>	<u>2,517</u>	<u>14,395</u>	<u>10,137</u>
INCOME (LOSS) FROM CONTINUING OPERATIONS	679	(1,824)	(1,789)	(7,343)
OTHER INCOME (EXPENSE):				
Interest income	50	36	162	92
Interest expense	(123)	(61)	(370)	(238)
Exchange rate variance	1	-	(3)	-
Other expense	24	-	26	(1)
Total other income (expense)	<u>(48)</u>	<u>(25)</u>	<u>(185)</u>	<u>(147)</u>
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE PROVISION FOR INCOME TAXES	631	(1,849)	(1,974)	(7,490)
Provision for income taxes	<u>(33)</u>	<u>-</u>	<u>(33)</u>	<u>-</u>
INCOME (LOSS) FROM CONTINUING OPERATIONS	598	(1,849)	(2,007)	(7,490)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS (including gain on disposal of \$1,689)	-	(2)	-	1,704
NET INCOME (LOSS)	<u>\$ 598</u>	<u>\$ (1,851)</u>	<u>\$ (2,007)</u>	<u>\$ (5,786)</u>
NET INCOME (LOSS) PER COMMON SHARE:				
Basic and diluted				
Income (loss) from continuing operations	\$.04	\$ (.25)	\$ (0.13)	\$ (1.09)
Income from discontinued operations	.00	.00	.00	.25
Total	<u>\$.04</u>	<u>\$ (.25)</u>	<u>\$ (.13)</u>	<u>\$ (.84)</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic and diluted	<u>16,123,904</u>	<u>7,301,065</u>	<u>15,125,847</u>	<u>6,861,309</u>