SIMTEK CORP
Form 10QSB
August 14, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2003

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

SIMTEK CORPORATION

(Exact name small business issuer as specified in its charter)

Colorado	84-1057605
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4250 Buckingham Dr. #100; Colorado Springs, CO 80907

(Address of principal executive offices)

(719) 531-9444

(issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Class	Outstanding at August 11, 2003
(Common Stock, $.01 par value)	54,489,773

SIMTEK CORPORATION

INDEX

For Quarter Ended June 30, 2003

PART 1. FINANCIAL INFORMATION

		Page
ITEM 1		
	Consolidated Balance Sheets as of June 30, 2003 and December 31, 2002	3
	Consolidated Statements of Operations for the three months and six months ended June 30, 2003 and 2002	4
	Consolidated Statements of Cash Flows for the six months ended June 30, 2003 and 2002	5
	Notes to Consolidated Financial Statements	6-8
ITEM 2	Management's Discussion and Analysis of Results of Operations and Financial Condition	9-16
ITEM 3	Controls and Procedures	17
PART II. OTHER INFORMATION		
ITEM 1	Legal Proceedings	18
ITEM 2	Changes in Securities	18
ITEM 3	Defaults upon Senior Securities	18
ITEM 4	Matters Submitted to a Vote of Securities Holders	18
ITEM 5	Other Information	18
ITEM 6	Exhibits and Reports on Form 8-K	18
SIGNATURES		19

SIMTEK CORPORATION

BALANCE SHEETS

ASSETS	June 30, 2003 (unaudited)	Dec
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,325,672	
Certificate of deposit, restricted	300,000	

Accounts receivable - trade, net	2,006,224
Inventory, net	1,590,810
Prepaid expenses and other	135,719
Total current assets	6,358,425
EQUIPMENT AND FURNITURE, net	934,090
DEFERRED FINANCING COSTS	99,579
OTHER ASSETS	70,800
TOTAL ASSETS	$ 7,462,894

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:	
Accounts payable	$ 1,240,477
Accrued expenses	389,027
Accrued wages	106,840
Accrued vacation payable	218,710
Debentures	3,000,000
Deferred Revenue	-
Obligation under capital leases	161,438
Total current liabilities	5,116,492
NOTES PAYABLE	10,000
DEBENTURES	-
OBLIGATION UNDER CAPITAL LEASES	114,638
Total liabilities	5,241,130
SHAREHOLDERS' EQUITY:	
Preferred stock, $1.00 par value, 2,000,000 shares authorized and none issued and outstanding	-
Common stock, $.01 par value, 80,000,000 shares authorized, 54,461,023 and 54,382,273 shares issued and outstanding at June 30, 2003 and December 31, 2002, respectively	544,611
Additional paid-in capital	37,605,557
Treasury Stock	(12,504)
Accumulated deficit	(35,915,900)
Shareholder's equity	2,221,764
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 7,462,894

The accompanying notes are an integral part of these financial statements.

SIMTEK CORPORATION

STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002
NET SALES	$ 3,419,971	$ 3,550,433
Cost of sales	2,433,655	2,062,433
GROSS MARGIN	986,316	1,488,000
OPERATING EXPENSES:		
Design, research and development	1,225,502	1,276,744
Administrative	204,022	185,176
Marketing	395,444	434,583
Total Operating Expenses	1,824,968	1,896,503
NET LOSS FROM OPERATIONS	(838,652)	(408,503)
OTHER INCOME (EXPENSE):		
Interest income	7,809	7,344
Interest expense	(63,591)	(10,498)
Other income (expense), net	(943)	(81)
Total other income (expense)	(56,725)	(3,235)
NET LOSS BEFORE TAXES	(895,377)	(411,738)
Provision for income taxes	-	-
NET LOSS	$ (895,377)	$ (411,738)
NET LOSS PER COMMON SHARE:		
Basic and diluted EPS	$ (.02)	$ (.01)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic and diluted	54,446,394	54,159,383

The accompanying notes are an integral part of these financial statement

SIMTEK CORPORATION

STATEMENTS OF CASH FLOWS
(unaudited)

	Six Months En
	2003
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	$ (1,453,389)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	245,575
Net change in allowance accounts	1,805
Deferred financing fees	8,298
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	313,731
Inventory	2,451
Prepaid expenses and other	103,737
Increase (decrease) in:	
Accounts payable	152,530
Accrued expenses	188,765
Deferred revenue	(40,500)
Customer deposits	33,075
Net cash used in operating activities	(443,922)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of equipment and furniture	(292,527)
Net cash used in investing activities	(292,527)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Borrowings on notes payable and lines of credit	-
Payments on notes payable and lines of credit	-
Payments on capital lease obligation	(77,081)
Exercise of stock options	11,470
Net cash used in by financing activities	(65,611)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(802,060)
CASH AND CASH EQUIVALENTS, beginning of period	3,127,732
CASH AND CASH EQUIVALENTS, end of period	$ 2,325,672
SUPPLEMENTAL CASH FLOW INFORMATION:	
Purchase of equipment through payables andcapital leases	$ 144,160

The accompanying notes are an integral part of these financial statements.

SIMTEK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements included herein are presented in accordance with the requirements of Form 10-QSB and consequently do not include all of the disclosures normally made in the registrant's annual Form 10-KSB filing. These financial statements should be read in conjunction with the financial statements and notes thereto included in Simtek Corporation's Annual Report and Form 10-KSB filed on March 24, 2003 for fiscal year 2002.

In the opinion of management, the unaudited financial statements reflect all adjustments of a normal recurring nature necessary to present a fair statement of the results of operations for the respective interim periods. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. Results of operations for the interim periods are not necessarily indicative of the results of operations for the full fiscal year.

2. LINE OF CREDIT:

In April 2003, Simtek Corporation ("Simtek" or the "Company") renewed its revolving line of credit in the amount of $250,000.

3. CONVERTIBLE DEBENTURES:

On July 1, 2002, the Company received $3,000,000 in a financing transaction with Renaissance Capital of Dallas, Texas ("Renaissance"). The $3,000,000 funding consists of convertible debentures with a 7-year term at a 7.5% per annum interest rate. The debentures are convertible at the option of the holder into Simtek common stock at $0.312 per share, which was in excess of the market price per share on July 1, 2002. Renaissance has exercised its right to appoint one member to the Simtek Board of Directors. Mr. Robert Pearson was appointed to Simtek's board of directors on July 25, 2002. At June 30, 2003, the Company was in non-compliance of certain covenants set forth in the loan agreement. The Company has received a waiver from Renaissance through October 1, 2003 with respect to such covenants. The Company is attempting to reach compliance with the stipulated covenant requirements by the end of the waiver period, but cannot be sure that it will achieve such compliance. Therefore, the Company has reclassified the note as a current liability as of June 30, 2003. The Company has a long term relationship with Renaissance and believes that it will be able to revise its current covenant requirements prior to October 1, 2003, whereby the loan will not be called on this date. The Company, however, cannot provide assurances that it will be able to meet its covenant requirements by October 1, 2003 or that such covenants will be revised.

4. GEOGRAPHIC CONCENTRATION:

Sales of our semiconductor products by location for the three months and six months ended June 30, 2003 and 2002 were as follows (as a percentage of semiconductor product sales only):

	Three Months Ended June 30,	Six Months Ended June 30,

	2003	2002	2003	2002
United States	29%	48%	39%	49%
Europe	14%	13%	12%	11%
Far East	52%	30%	43%	29%
All others	5%	9%	6%	11%
	100%	100%	100%	100%

SIMTEK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. BUSINESS SEGMENTS:

The Company has two reportable segments. One segment designs and produces semiconductor devices for sale into the semiconductor market. The second segment specializes in advanced technology research and development for data acquisition, signal processing, imaging and data communications that is supported by government and commercial contracts. Although both segments are managed as part of an integrated enterprise, they are reported herein in a manner consistent with the internal reports prepared for management.

Transactions between reportable segments are recorded at cost. Substantially all operating expenses are identified per each segment. Substantially all of the Company's assets are located in the United States of America.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Description				
Net Sales:				
Semiconductor Devices	$ 2,907,713	$ 3,112,363	$ 6,332,296	$ 6,604,
Government Contracts	512,258	438,070	1,022,804	918,
Total	$ 3,419,971	$ 3,550,433	$ 7,355,100	$ 7,523,
Net Income (Loss):				
Semiconductor Devices	$ (862,544)	$ (413,459)	$(1,382,230)	$ (696,
Government Contracts	(32,833)	1,721	(71,159)	29,
Total	$ (895,377)	$ (411,738)	$(1,453,389)	$ (667,

	June 30, 2003	December 31, 2002
Total Assets:		
Semiconductor Devices	$ 7,032,168	$ 7,931,831

Government Contracts	430,726	575,219
Total	$ 7,462,894	$ 8,507,050

6. PRO FORMA STOCK-BASED COMPENSATION DISCLOSURE

The Company applies APB Opinion 25 and related interpretations in accounting for its stock options which are granted to its employees. Accordingly, no compensation cost has been recognized for grants of options to employees since the exercise prices were not less than the market value of the Company's common stock on the grant dates. Had compensation cost been determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS No. 123, the Company's net loss and EPS would have been adjusted to the pro forma amounts indicated below.

SIMTEK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Three Months Ended June 30,		Six Mont June
	2003	2002	2003
Net loss as reported	$ (895,377)	$ (411,738)	$(1,453,389)
Add: stock based compensation included in reported net loss	-	-	-
Deduct: Stock-based compensation cost under SFAS 123	(135,834)	(155,425)	(271,669)
Pro Forma net loss	$(1,031,211)	$ (567,163)	$(1,725,058)
Pro forma basic and diluted net loss per share:			
Pro forma shares used in the calculation of pro forma net loss per common share basic and diluted	54,446,394	54,159,383	54,440,139
Reported net loss per common share basic and diluted	$ (.02)	$ (.01)	$ (.03)
Pro forma net loss per common share basic and diluted	$ (.02)	$ (.01)	$ (.03)

SIMTEK CORPORATION

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Beginning in the fourth quarter 2001, the Company began to experience the downturn that has been occurring in the global semiconductor industry since late fourth quarter 2000, which gave rise to declining revenues in 2001 and 2002. The Company has seen an increase in unit shipments for the three and six months ended June 30, 2003 as compared to the three and six months ended June 30, 2002. The majority of the increase was for large production orders, with competitive bidding, which resulted in a decrease of average selling prices. The Company's net revenue was $7,355,000 for the first six months of 2003 down from $7,524,000 for the comparable period of 2002. The Company's net revenue was $3,420,000 for the second quarter 2003 down from $3,550,000 for the comparable period of 2002. The decreases in revenues for the three month period ending June 30, 2003 as compared to the three month period ended June 30, 2002 were primarily due to a decrease in demand of our logic products and a reduction of revenue of our high end industrial and military products. The reduction of revenues from our high end industrial and military products was due to a slow-down of production related to military systems. The decrease in revenues for the six month period ending June 30, 2003 as compared to the same period in 2002 was primarily due to lower average selling prices of our commercial nonvolatile semiconductor memory products and a decrease in demand of our logic products.

The decline in revenue, along with higher manufacturing costs, for the three and six months ended June 30, 2003 compared to the three and six months ended June 30, 2002 had an impact on our profitability. This decline along with research and development costs related to our 1 megabit product development accounted for losses in the three and six month periods ending June 30, 2003.

RESULTS OF OPERATIONS:

REVENUES - SEMICONDUCTOR DEVICES.

The following table sets forth the Company's net revenues by product markets for the three and six months ended June 30, 2003 and 2002 (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2003	2002	Variance	2003	2002	Variance
Commercial	$2,509	$2,379	$ 130	$5,101	$5,198	$ (97)
High-end industrial and military	$ 203	$ 433	$ (230)	$ 816	$ 810	$ 6
Logic products	$ 196	$ 300	$ (104)	$ 415	$ 597	$ (182)

Total Semiconductor Revenue	$2,908	$3,112	$ (204)	$6,332	$6,605	$ (273)

Commercial revenues increased by $130,000 for the three months ended June 30, 2003 and decreased by $97,000 for the six months ended June 30, 2003 period when compared to the comparable periods in 2002. The increases for the three month periods were due to an increase in unit demand of our commercial nonvolatile semiconductor memory products. The $97,000 decrease for the six month period was due primarily to a decrease in average selling prices of our commercial nonvolatile semiconductor memory products.

High-end industrial and military product revenues accounted for a decrease of $230,000 for the three months ended June 30, 2003 and an increase of $6,000 for the six months ended June 30, 2003 as compared to the previous periods in 2002. The decrease for the three month period was due primarily to a slow-down of production related to military contracts.

Revenues from our logic products decreased by $104,000 and $182,000 for the three and six months ended 2003 as compared to 2002, respectively. The decreases were due to a reduction in demand for this product and the Company's decision to eliminate this product line effective December 31, 2003.

Two distributors and two direct customers accounted for approximately 59% of the Company's semiconductor devices product sales for the quarter ended June 30, 2003. Products sold to distributors are re-sold to various end customers.

COST OF SALES AND GROSS MARGIN - SEMICONDUCTOR DEVICES

The Company recorded cost of sales for semiconductor devices of $2,163,000 and $4,407,000 for the three and six months ended June 30, 2003 as compared with the $1,890,000 and $4,217,000 for the three and six months ended June 30, 2002. These costs reflect an approximate 13% and 6% decrease in gross margin percentages for the second quarter and six months ended June 30, 2003 as compared to the second quarter and six months ended June 30, 2002. Actual gross margin percentages for the second quarter and six month periods ending June 30, 2003 were 26% and 30%, respectively. The decrease in gross margin percentages for the three month period was due to both a decrease in sales of our high end industrial and military products and to higher manufacturing costs of our commercial products attributed to poor production yields at Chartered Semiconductor's wafer fabrication facility #1. The decrease in gross margin percentages for the six month period was also affected by decreased average selling prices.

During the first six months of 2003, the Company purchased wafers built on 0.8 micron technology from Chartered Semiconductor Manufacturing Plc. ("Chartered") of Singapore to support sales of its nonvolatile semiconductor memory products. Sales of the Company's logic products were supported with 0.5 micron wafers purchased from United Microelectronics Corp. ("UMC") of Taiwan and 0.35 micron wafers purchased from Chartered.

In February 2003, the Company received notification from Chartered that they will close their wafer fabrication facility #1 by March 2004. The memory wafers the Company purchases from Chartered are manufactured in facility #1. The Company and Chartered are in the process of transferring the manufacturing of our memory wafers to Chartered's manufacturing facility #2. Facility #2 is newer and more modern than facility #1, processing 8 inch wafers rather than the older 6 inch wafers processed in facility #1. Assuming the transfer can produce memory wafers that meet the Company's specifications, the Company anticipates the transfer to be completed in nine to twelve months. This would provide uninterrupted supply of the Company's current 0.8 micron family of nonvolatile Static Random Access memory products, and would have no material impact on its ability to support our customers. If the Company and Chartered cannot complete the transfer of manufacturing into facility #2 or if the Company cannot contract with another supplier, this will have a material negative impact on our future revenues and earnings.

United Microelectronics and Chartered provide silicon wafers for the Company's programmed semiconductor logic products based on 0.5 micron and 0.35 micron product technology, respectively. In February 2003, the Company received notification from United Microelectronics that they will be unable to supply us with logic wafers after August 2003. The Company plans to support customers with 0.5 micron logic wafers manufactured at United Microelectronics through December

2003 by offering opportunities to purchase their life- time requirements for these products with deliveries scheduled by the end of the year. After this period, the Company does not plan to support sales of 0.5 micron logic products to the market.

RESEARCH AND DEVELOPMENT - SEMICONDUCTOR DEVICES

The Company believes that continued investments into new product development are required for us to remain competitive in the markets we serve. Beginning in the fourth quarter 2001, the Company's research and development department has been focusing its efforts on the installation of our process at Anam Semiconductor for the development of a 1 megabit 3 volt nonvolatile semiconductor memory. During the second quarter 2003, the Company continued to see increased demand for its 3 volt 256 kilobit nonvolatile semiconductor memories. Development of the 1 megabit 3 volt nonvolatile semiconductor memory is continuing and the Company is anticipating samples during the third quarter of 2003.

Total research and development expenses related to the semiconductor portion of the Company's business were $1,050,000 and $2,120,000 for the three and six months ended June 30, 2003 compared to $1,105,000 and $1,965,000 for the three and six months ended June 30, 2002.

The $55,000 decrease for the three month period was related to the net between increases in payroll and payroll overhead costs of $136,000, equipment leases, maintenance agreements for software and depreciation of $62,000, and miscellaneous other expenses of $8,000 and reductions in contract engineering services of $28,000, and new product development costs of $233,000. The increase of $155,000 for the six month period was related to the net between increases in payroll and payroll costs of $278,000, equipment leases, maintenance agreements for software and depreciation of $179,000 and reductions in contract engineering services of $42,000, new product development costs of $252,000 and other expenses of $8,000. The primary increase in payroll costs is related to an increase in employee headcount. Increased headcount and contract engineering services are required in order to meet production schedules of our new products. New product development costs are primarily due to the purchases of silicon wafers and reticles required to develop new products. Equipment leases, maintenance agreements for software and depreciation are related primarily to software licenses and hardware required to design our new products.

ADMINISTRATION - SEMICONDUCTOR DEVICES

Total administration expenses related to the semiconductor portion of the Company's business were $184,000 and $409,000 for the three and six months ended June 30, 2003 as compared to the $160,000 and $338,000 for the three and six months ended June 30, 2002.

The $24,000 and $71,000 increases for the three and six months ended June 30, 2003 compared to June 30, 2002, respectively, were primarily due to an increase in professional services and an increase in payroll costs. Many of these additions were implemented to ensure ongoing compliance with newly enacted regulations resulting from the Sarbanes-Oxley Act.

MARKETING - SEMICONDUCTOR DEVICES

Total marketing expenses related to the semiconductor portion of the Company's business were $317,000 and $671,000 for the three and six months ended June 30, 2003 as compared to the $368,000 and $777,000 for the three and six months ended June 30, 2002.

The $51,000 decrease for the three month period ended June 30, 2003 as compared to June 30, 2002 was due primarily to decreases in payroll and payroll related costs of $20,000, travel of $22,000 and other miscellaneous expenses of $9,000. The decrease of $106,000 for the six month period ended June 30, 2003 as compared to June 30, 2002 was due to decreases in payroll and payroll related costs of $67,000, travel of $29,000 and miscellaneous expenses of $10,000. The

reduction in payroll and payroll related costs was a direct result of reduced headcount. The decrease of travel expenses was due to a reduction in travel within the sales organization.

TOTAL OTHER INCOME (EXPENSES) - SEMICONDUCTOR DEVICES

The increases of $53,000 and $104,000 in total other income (expense) for the three and six month period ended June 30, 2003 as compared to June 30, 2002, respectively, was primarily due to an increase in interest expense, offset by an increase in interest income. These increases are a direct result of the $3,000,000 funding the Company received on July 1, 2002.

NET LOSS - SEMICONDUCTOR DEVICES

The Company recorded a net loss of $862,000 and $1,382,000 for the three and six months ended June 30, 2003 as compared to a net loss of $413,000 and $697,000 for the three and six months ended June 30, 2002. The increase in net loss for the three month period was due primarily to decreased sales and decreased gross margin percentages. The increase in net loss for the six month period was due primarily to increased research and development costs, decreased sales and decreased gross margin percentages.

REVENUES - GOVERNMENT CONTRACTS

The following table sets forth the company's net revenues from its government contracts portion of its business for the three and six months ended June 30, 2003 and 2002 (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2003	2002	Variance	2003	2002	Variance
Government Contracts	$ 512	$ 438	$ 74	$1,023	$ 919	$ 104

The increase of revenue for the three and six month periods ending June 30, 2003 as compared to the same periods in 2002 was the result of increased direct labor costs and increased materials and services that were invoiced against development contracts. Direct labor increased due to the addition of employees needed for additional contracts.

COST OF SALES AND GROSS MARGIN - GOVERNMENT CONTRACTS

The cost of sales for the government contracts portion of the Company's business was $271,000 and $513,000 for the three and six months ended June 30, 2003 as compared to the $172,000 and $400,000 for the same periods in 2002. This was equivalent to gross margin percentages of 47% and 50% for the three and six months ended June 30, 2003 as compared to gross margin percentages of 61% and 56% for the same periods in 2002. The decreases in gross margin percentages were primarily due to an increase in non direct labor which could not be billed as revenue.

RESEARCH AND DEVELOPMENT - GOVERNMENT CONTRACTS

Total research and development expenses related to the government contracts portion of the Company's business were $175,000 and $363,000 for the three and six months ended June 30, 2003 compared to $171,000 and $305,000 for the three and six months ended June 30, 2002.

The $4,000 increase for the three months ended June 30, 2003 as compared to the same period in 2002 was related to a $23,000 decrease in employment related expenses which was offset by an increase of $27,000 in software maintenance contracts. The $58,000 increase for the six month period ending June 30, 2003 as compared to the same period in 2002 was related to a decrease of $5,000 in employment related expenses which was offset by a $63,000 increase in software maintenance contracts.

ADMINISTRATION - GOVERNMENT CONTRACTS

Total administration expenses related to the government contracts portion of the Company's business were $20,000 and $67,000 for the three and six months ended June 30, 2003 as compared to the $26,000 and $55,000 for the three and six months ended June 30, 2002.

The $6,000 decrease for the three months ended June 30, 2003 compared to the same period in 2002 was primarily due to a decrease in outside consulting work. The increase of $12,000 for the six months ended June 30, 2003 as compared to the same period in 2002 was primarily due to a $8,000 decrease in outside consulting work which was offset by a $20,000 increase in payroll related expenses.

MARKETING - GOVERNMENT CONTRACTS

Total marketing expenses related to the government contracts portion of the Company's business were $78,000 and $149,000 for the three and six months ended June 30, 2003 as compared to the $67,000 and $128,000 for the three and six months ended June 30, 2002.

The increases of $11,000 and $21,000 for the three and six month periods ended June 30, 2003 as compared to June 30, 2002 were primarily due to increased bid and proposal activities.

NET INCOME (LOSS) - GOVERNMENT CONTRACTS

The Company recorded a net loss of $33,000 and $71,000 for the three and six months ended June 30, 2003 as compared to a net income of $2,000 and $29,000 for the three and six months ended June 30, 2002. The decreases in net income were primarily due to indirect overhead costs that could not be billed to specific government contracts.

FUTURE RESULTS OF OPERATIONS

The Company's ability to be profitable will depend primarily on its ability to continue reducing manufacturing costs and increasing net product sales by increasing the availability of existing products, by the introduction of new products and by expanding its customer base. The Company is also dependent on the overall state of the semiconductor industry and the demand for semiconductor products by equipment manufacturers.

The Company is continuing its co-development program with Anam

Semiconductor to develop a semiconductor process module that combines the Company's nonvolatile technology with Anam's advanced 0.25 micron digital CMOS fabrication line. The module will incorporate silicon oxide nitride oxide silicon ("SONOS") technology, which will be used to manufacture both high density SONOS flash and nonvolatile static RAM memories, for stand alone and embedded products. The Company's current schedule is to have samples of a 1 megabit 3.0 volt nonvolatile semiconductor memory available during the third quarter of 2003.

As of June 30, 2003, the Company had a backlog of unshipped customer orders of approximately $1,754,000 expected to be filled by December 31, 2003. Orders are cancelable without penalty at the option of the purchaser prior to 30 days before scheduled shipment and therefore are not necessarily a measure of future product revenue.

In February 2003, the Company received notification from Chartered that they will close their wafer fabrication facility #1 by March 2004. The memory wafers the Company purchases from Chartered are manufactured in facility #1. The Company and Chartered are in the process of transferring the manufacturing of our memory wafers to Chartered's manufacturing facility #2. Facility #2 is newer and more modern than facility #1, processing 8 inch wafers rather than the older 6 inch wafers processed in facility #1. Assuming the transfer can produce memory wafers that meet the Company's specifications, the Company anticipates the transfer to be completed in nine to twelve months. This would provide uninterrupted supply of the Company's current 0.8 micron family of nonvolatile Static Random Access memory products, and would have no material impact on its ability to support their customers. If the Company and Chartered cannot complete the transfer of manufacturing into facility #2 or if the Company cannot contract with another supplier, this will have a material negative impact on our future revenues and earnings.

United Microelectronics and Chartered provide silicon wafers for the Company's programmed semiconductor logic products based on 0.5 micron and 0.35 micron product technology, respectively. In February 2003, the Company received notification from United Microelectronics that they will be unable to supply us with logic wafers after August 2003. The Company plans to support customers with 0.5 micron logic wafers manufactured at United Microelectronics through December 2003 by offering opportunities to purchase their life- time requirements for these products with deliveries scheduled by the end of the year. After this period, the Company does not plan to support sales of 0.5 micron logic products to the market.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2003, the Company had net working capital of $1,241,933 as compared to a net working capital of $3,028,618 as of June 30, 2002.

On July 1, 2002, the Company received funding of $3,000,000 in a financing transaction with Renaissance. The $3,000,000 funding consists of convertible debentures with a 7-year term at a 7.5% per annum interest rate. The debentures are convertible at the option of the holder into Simtek common stock at $0.312 per share, which was in excess of the market price per share on July 1, 2002. At

June 30, 2003, the Company was in non-compliance of certain covenants set forth in the loan agreement. The Company has received a waiver from Renaissance through October 1, 2003 with respect to such covenants. The Company is attempting to reach compliance with the stipulated covenant requirements by the end of the waiver period, but cannot be sure that it will achieve such compliance. Therefore, the Company has reclassified the note as a current liability as of June 30, 2003. The Company has a long term relationship with Renaissance and believes that it will be able to revise its current covenant requirements prior to October 1, 2003, whereby the loan will not be called on this date. The Company, however, cannot provide assurances that it will be able to meet its covenant requirements by October 1, 2003 or that such covenants will be revised.

The change in cash flows for the six months ended June 30, 2003 provided by operating activities was primarily a result of a net loss of $1,453,389, which is offset by $245,575 in depreciation and amortization, decreases in accounts receivable, inventory, prepaid expenses and deferred revenue of $313,731, $2,451, $103,737 and $40,500, respectively and increases in accounts payable, accrued expenses and customer deposits of $152,530, $188,765 and $33,075, respectively. The decrease of $313,731 in accounts receivable was directly related to certain customers paying invoices within the Company's terms at the end of second quarter 2003. The increases in accounts payable of $152,530 was primarily due to the timing of payments for standard operating expenses. The increase in accrued expenses was due primarily to increased vacation payable and accrued wages. These increases have occurred due to certain employees foregoing their vacation time until later in 2003. The change in cash flows used in investing activities of $292,527 was primarily due to the purchase of equipment required to test our nonvolatile semiconductor memory products and software acquired for research and development activities. The cash flows used in financing activities of $65,611 were due primarily to payments on a capital lease obligation.

The change in cash flows for the six months ended June 30, 2002 used in operating activities was primarily a result of a net loss of $667,366, which is offset by $225,317 in depreciation and amortization, a decrease in accrued expenses of $28,293, increases in accounts receivable, allowance accounts, deferred financing fees, prepaid expenses and other and deferred revenue of

$133,789, $22,915, $29,700, $16,519 and $2,500, respectively. Increases in inventory and accounts payable of $501,504 and $469,306, respectively, are directly related to each other. The change in cash flows used in investing activities of $145,980 were primarily due to the purchase of equipment required to manufacture our semiconductor devices at Chartered and UMC and hardware and software required for research and development activities. The cash flows provided by financing activities were due primarily to borrowings and payments on notes payable and a capital lease obligation and the exercise of stock options by employees of the Company.

ACCOUNTING STATEMENTS

In October 2001, the FASB also approved SFAS 144, Accounting for the

Impairment or Disposal of Long- Lived Assets. SFAS 144 replaces SFAS 121, Accounting for the Impairment of Long-Lived Assets and for Long- Lived Assets to Be Disposed Of. The new accounting model for long-lived assets to be disposed of by sale applies to all long-lived assets, including discontinued operations, and replaces the provisions of APB Opinion No. 30, Reporting Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, for the disposal of segments of a business. Statement 144 requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. Therefore, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. Statement 144 also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. The provisions of Statement 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001 and, generally, are to be applied prospectively. At this time, we do not believe adoption of this standard will have a material effect on our financial statements.

In April 2002, the FASB approved for issuance Statements of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of SFAS 13, and Technical Corrections" ("SFAS 145"). SFAS 145 rescinds previous accounting guidance, which required all gains and losses from extinguishment of debt be classified as an extraordinary item. Under SFAS 145 classification of debt extinguishment depends on the facts and circumstances of the transaction. SFAS 145 is effective for fiscal years beginning after May 15, 2002 and adoption is not expected to have a material effect on the Company's financial position or results of its operations.

In July 2002, the FASB issued Statements of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146). SFAS 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by SFAS 146 include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. SFAS 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The adoption of SFAS 146 is not expected to have a material effect on the Company's financial position or results of its operations.

In December 2002, the FASB issued Statements of Financial Accounting Standards No.148, "Accounting for Stock-Based compensation - Transition and Disclosure - an amendment of FASB Statement 123" (SFAS 123). For entities that change their accounting for stock-based compensation from the intrinsic method to the fair value method under SFAS 123, the fair value method is to be applied prospectively to those awards granted after the beginning of the period of adoption (the prospective method). The amendment permits two additional transition methods for adoption of the fair value method. In addition to the prospective method, the entity can choose to either (i) restate all periods presented (retroactive restatement method) or (ii) recognize compensation cost from the beginning of the fiscal year of adoption as if the fair value method had been used to account for awards (modified prospective method). For fiscal years beginning December 15, 2003, the prospective method will no longer be allowed. The Company currently accounts for its stock-based compensation using the intrinsic value method as prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and plans on continuing using this method to account for stock options , therefore, it does not intend to adopt the transition requirements as specified in SFAS 148. The Company has adopted the new disclosure requirements of SFAS 148 in these financial statements.

ITEM 3: CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Douglas Mitchell, who serves as the Company's chief executive officer and chief financial officer (acting), after evaluating the effectiveness of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15 as of June 30, 2003, the end of the period covered by this report (the "Evaluation Date"), concluded that as of the Evaluation Date, the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by individuals within those entities, particularly during the period in which this quarterly report was being prepared.

(b) Changes in internal controls.

During the period covered by this report, there were no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's disclosure controls and procedures subsequent to the Evaluation Date, nor any significant deficiencies or material weaknesses in such disclosure controls and procedures requiring corrective actions. As a result, no corrective actions were taken.

SIMTEK CORPORATION

PART II. OTHER INFORMATION

Item 1. Legal Proceedings - None

Item 2. Changes in Securities - None

Item 3. Defaults upon Senior Securities - None

Item 4. Matters Submitted to a Vote of Securities Holders - None

Item 5. Other Information - None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 31	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K - Form 8-K filed May 15, 2003 - Press Release "Simtek Reports First Quarter 2003 Financial Results"

SIMTEK CORPORATION

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SIMTEK CORPORATION
(Registrant)

August 13, 2003

By /s/Douglas Mitchell

DOUGLAS MITCHELL
Chief Executive Officer, President
and Chief Financial Officer (Acting)