



C O R E T E C

*how far, how fast?*

## **Coretec Announces First Quarter 2007 Results**

***First quarter year-over-year revenues decline 7.3%***

***Loss of \$0.03 per share incurred***

Toronto, Ontario, May 1, 2007 - Coretec Inc. (TSX: CYY) today reported its financial results for the first quarter ended March 31, 2007. Sales in the first quarter of 2007 were \$22.8 million, a decrease of \$0.4 million sequentially or 1.7% as compared to sales of \$23.2 million in Q4 2006, and down \$1.8 million or 7.3% from sales of \$24.6 million in the same period of the prior year.

In the first quarter of 2007 (global change), the Company recorded gross profit of \$4.6 million or 20.2% of sales, a decrease of \$0.7 million sequentially or 13.2% as compared to gross profit of \$5.3 million in Q4 2006, and down \$1.6 million or 25.8% from gross profit of \$6.2 in the comparable period in 2006.

A loss of \$0.5 million or \$0.03 per share was recorded in the first quarter of 2007, a decrease of \$1.1 million sequentially as compared to income of \$0.6 million or \$0.03 per share in Q4 2006, and down \$1.3 million as compared to the prior year quarter which had income of \$0.8 million or \$0.04 per share. The first quarter of 2007 included \$0.4 million of severance costs, as compared to \$0.1 million in the fourth and \$0.1 million in the first quarter of 2006.

Earnings before interest, taxes, depreciation and amortization (EBITDA) in the first quarter of 2007 was \$0.8 million, a decrease of \$1.1 million sequentially or 57.9% as compared to EBITDA of \$1.9 million in Q4 2006, and a decrease of \$1.4 million or 63.6% as compared to EBITDA of \$2.2 million in the first quarter of 2006.

Paul Langston, President and CEO of Coretec Inc. said "In Q1 2007 the Company was impacted by the deterioration in industry-wide demand which started in the final three months of 2006. The key indicator for the industry is the book-to-bill ratio as reported by IPC. Since October 2006 the metric has been below 1.0 and has remained so for 5 consecutive months. From a shipments perspective, IPC estimates that year to date North American activity is down 9.8% (January – March) versus the same period in 2006. This industry-wide compression has not only impacted capacity utilization at our Toronto operations in particular but has also reduced the demand for prototypes and quickturn production and compressed the associated time premiums. Additionally, our Toronto operations experienced weaker than expected yield performance in Q1 especially related to newer technology products. In January 2007 we also commenced the relocation of the major processes from our Lawrence site to the Sheppard facility. This initiative has been disruptive to capacity and precipitated some process shutdown and start up difficulties that increased cost and caused product yields to deteriorate. Regardless of the industry conditions we are disappointed with our results in Toronto",

Mr. Langston continued, "On a more positive note, our US operations are performing at plan and have not experienced the same degree of demand softness as Toronto due to their particular military/aerospace end market focus. As a result we are continuing to invest in equipment and skilled personnel at these sites to take advantage of their respective growth opportunities. In Toronto we are forging ahead with our facility consolidation initiative and will have exited fully from our Lawrence site by the end of May 2007. This will not only reduce our cost structure but will also improve capacity in several key processes."

*Coretec is one of the leading designers and fabricators of printed circuit boards for the prototype and quick turnaround production segments of the North American and European markets. Coretec distinguishes itself from its competitors by providing an extensive suite of printed circuit board services including field applications engineering support and education; technology roadmap consulting, CAD layout; rapid response manufacturing for prototypes; quick turn production for small-to-middle volume quantity requirements; and facilitation of higher volume requirements via partnerships in lower cost jurisdictions. The Company is also differentiated by its broad range of PCB technologies.*

*This news release contains "forward-looking statements" within the meaning of the United States Securities Litigation Reform Act of 1995, and applicable Canadian Securities Legislation. Forward-looking statements include, but are not limited to, statements with respect to financial performance, opportunities, new market for growth and financial position. Generally these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecast", "intends", "anticipates", or "does not anticipate", or "believes" or variations of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur", or "be achieved". Please be cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties. Actual results or developments may vary materially from those projected or implied in the forward-looking statements as a result of any number of factors, including currency exchange rate fluctuations; variability of operating results; dependence on certain industries; management of growth and expansion; integration of operations; ability to attract and retain key personnel; nature of sales; product complexity and product defects; international operations; material cost fluctuations and limited availability of raw materials; potential loss of customers; competition; industry contraction and slow economic growth; technological change and process development; environmental liability; need for additional financing; product liability; pricing pressure; ability to reduce costs; and other risks discussed in the section entitled "Risk Factors" in Coretec's Annual Information Form dated March 8, 2007 which can be obtained at [www.sedar.com](http://www.sedar.com).*

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**Coretec Inc.**  
**CONSOLIDATED BALANCE SHEETS**  
[in thousands - unaudited]

	<b>March 31,</b> <b>2007</b>	<b>December 31,</b> <b>2006</b>
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash	804	1,721
Accounts receivable	14,560	14,536
Inventories	5,375	4,795
Income taxes recoverable	118	118
Prepaid expenses	660	509
<b>Total current assets</b>	<b>21,517</b>	<b>21,679</b>
Mortgage receivable	1,050	1,050
Property, plant and equipment, net	28,408	26,262
Other assets	933	1,040
	<b>51,908</b>	<b>50,031</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Bank indebtedness	1,580	—
Accounts payable and accrued liabilities	10,512	11,085
Current portion of long-term debt	1,860	1,699
<b>Total current liabilities</b>	<b>13,952</b>	<b>12,784</b>
Long-term debt	5,715	4,447
<b>Total liabilities</b>	<b>19,667</b>	<b>17,231</b>
Commitments and contingencies		
<b>Shareholders' equity</b>		
Share capital	61,067	61,064
Share capital held by long-term incentive plan	(108)	(118)
Contributed surplus	636	661
Deficit	(29,354)	(28,807)
<b>Total shareholders' equity</b>	<b>32,241</b>	<b>32,800</b>
	<b>51,908</b>	<b>50,031</b>

**Coretec Inc.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

[in thousands except share amounts - unaudited]

	Three months ended March 31,	
	2007	2006
	\$	\$
<b>Sales</b>	22,818	24,559
Cost of sales	18,194	18,329
<b>Gross profit</b>	4,624	6,230
<b>Expenses</b>		
Selling, general and administrative	3,758	3,580
Depreciation and amortization	1,216	1,303
	4,974	4,883
Income (loss) from operations	(350)	1,347
Interest and other expenses	194	181
Foreign exchange loss	74	192
Loss (gain) on disposal of equipment, net	(56)	215
Income/(loss) before income taxes	(562)	759
Recovery of income taxes	(15)	—
<b>Net income/(loss) for the quarter</b>	(547)	759
<b>Earnings (loss) per share:</b>		
From continuing operations basic and diluted	(\$0.03)	\$0.04
Net loss per share basic and diluted	(\$0.03)	\$0.04

**Coretec Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
[in thousands - unaudited]

	<b>Three months ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Income (loss) for the year from continuing operations	(547)	759
Non-cash items		
Depreciation	1,216	1,303
Stock-based compensation	(25)	79
Loss (gain) on disposal of equipment	(56)	215
Unrealized foreign exchange (gain) loss	64	56
Long-term incentive plan compensation	10	—
Amortization of deferred finance charges	25	14
	687	2,426
Net change in non-cash working capital balances related to operations	(1,762)	(2,322)
<b>Cash provided (used in) operating activities</b>	<b>(1,075)</b>	<b>104</b>
<b>FINANCING ACTIVITIES</b>		
Increase in long-term debt	1,774	—
Repayments of long term debt	(300)	(454)
Increase in bank indebtedness	1,580	425
Repayment of shareholder loan	—	8
Issuance of share capital	3	—
<b>Cash provided by (used in) financing activities</b>	<b>3,057</b>	<b>(21)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(2,974)	(1,376)
Increase in short-term deposit	—	(7)
Increase in other assets	82	159
<b>Cash used in investing activities</b>	<b>(2,892)</b>	<b>(1,224)</b>
Effect of exchange rate changes on cash	(7)	2
<b>Net increase (decrease) in cash during the period</b>	<b>(917)</b>	<b>(1,139)</b>
Cash, beginning of period	1,721	1,728
<b>Cash, end of period</b>	<b>804</b>	<b>589</b>
<b>Supplemental cash flow information</b>		
Interest paid	121	170
Income taxes paid	—	—