



## **Coretec Announces Second Quarter 2009 Results** **Toronto consolidation and restructuring 95% complete** **Annual cost savings estimated at \$6 million**

Toronto, Ontario, August 14, 2009 - Coretec Inc. (TSX: CYY) today reported its financial results for the second quarter ended June 30, 2009. Sales in the 2009 second quarter were \$17.9 million, a decrease of \$2.3 million sequentially or 11% as compared to sales of \$20.2 million in Q1 2009. Compared to the same period in 2008, sales were down \$1.5 million or 8% from sales of \$19.4 million.

In the second quarter of 2009, the Company recorded gross profit of \$1.2 million or 7% of sales, a decrease of \$0.8 million sequentially or 40% as compared to gross profit of \$2.0 million in Q1 2009. Compared to Q2 2008 gross profit was down 54% or \$1.4 million from gross profit of \$2.6 million or 13% of sales.

A loss of \$2.4 million or \$0.13 per share was recorded in the second quarter of 2009, a decrease of \$1.5 million sequentially as compared to a loss of \$0.9 million or \$0.05 per share in Q1 2009. In the prior year period the Company recorded a net loss of \$0.2 million or \$0.01 per share. The 2009 second quarter included \$0.5 million of foreign exchange losses, \$0.3 million of termination and severance costs and \$0.1 million of unusual professional fees.

“The Company’s unsatisfactory financial performance relates to both macro and micro-economic issues. From a macro-economic perspective the Company suffered from the general slowdown in the PCB industry and general electronics sector. According to IPC (the North American PCB industry association), industry shipments and bookings through to the end of June 2009 were off 29% and 30% respectively versus the first half of 2008. It is worthy to note however, that the North American book to bill ratio, as computed by IPC, has shown steady improvement since April 2009. Furthermore from a macro-economic perspective, the strengthening Canadian dollar compressed revenues and margins in the quarter relative to earlier in the year as well as precipitated a significant foreign exchange loss. Also of significance in the quarter was the Company’s operational execution at its Toronto site primarily resulting from the Toronto consolidation. During the second quarter the Company was negatively impacted by process start-up and process transfer challenges and costs as it relocated operations from its Toronto-Ellesmere site to its Sheppard location. The Toronto consolidation is now 95% complete and hereinafter will provide us with significant cost and efficiency improvement”, said Mr. Langston, Coretec’s President and CEO.



Mr. Langston continued, “Our two US sites and Asia operations performed well during the second quarter despite market softness. The business pipeline for these operations are strong going forward as a result of excellent operational execution and end market focus. Our Denver and Cleveland sites have both realized new account qualifications in the key defense and aerospace segments. Furthermore, our Coretec-Asia business is realizing on significant opportunities with existing and new customers’ alike.

“As for our Toronto site we have executed a series of major cost cutting measures to meaningfully lower our breakeven point, conserve cash and align our cost structure to the current market demand reality. The facility consolidation has enabled us to execute on productivity improvement and labour rationalization measures as planned as a well as realize meaningful base facility cost savings. Additionally in July we implemented significant reductions in hourly and salaried staff levels as a result of migrating from four to three shift operations in Toronto. Also our materials management team has been able to negotiate new supply contracts that will reduce our annual spend on materials and supplies as well as on equipment and IT maintenance. In total the Company estimates that its savings from these measures will be more than \$6 million annually”, said Mr. Langston.

Mr. Langston continued, “Of further significance, we installed more effective leadership at our Toronto site. We believe this will drive the required performance improvements and optimize the consolidation efforts. Effective August 1, Mr. Craig Barrett, our Denver General Manager, has assumed the General Manager role for the Toronto operations with Mr. Nick Rallis operating as Assistant GM. We believe that these measures will return the Toronto business to positive cashflow quickly, and perhaps more importantly to operational excellence, consistent with what is being achieved at the Company’s other divisions”, said Mr. Langston.

As at June 30, 2009 the Company was in breach of certain covenants on its revolver and term debt facilities. The Company received waivers from both financial institutions and has established revised covenants. As of August 14, the Company had approximately US\$900,000 of availability on its USD term loan facility with BDC, and approximately \$1.0 million of availability on its revolver. The Company is also researching other sources of capital to shore up its working capital position and position it for future growth.

“We are very appreciative of the support we have received from our banking partners, suppliers, customers and employees during this difficult period in the general economy, the PCB industry and our business development. The implementation of our Sheppard site and the transfer of processes and equipment from our Ellesmere plant to the new facility have been extremely challenging, disruptive and resource consuming. This new plant is a world-class platform that will provide customers with outstanding technological capability; our supply partners with significant growth opportunities; and our financial stakeholders with improving metrics and return on investment prospects. We believe that our consolidation and technology upgrade strategy in Toronto is well timed. We believe these strategic initiatives combined with the renewed focus and investments that we are making in our Coretec-Asia business, will position us to realize on improvements in market conditions”, said Mr. Langston.



*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).*

For further information please contact:

Paul Langston  
**Chief Executive Officer**  
langston@coretec-inc.com  
416-208-2160

Aaron Ames  
**Chief Financial Officer**  
aames@coretec-inc.com  
416-208-2165