



## **Coretec Announces Fourth Quarter 2006 & Full Year Results**

**Fourth quarter year-over-year revenues up 7%**  
**Fourth quarter profit of \$0.6 million and eps of \$0.03**  
**2006 versus 2005 full year revenues up 14%**  
**Full year profit of \$2.1 million and eps of \$0.11**

**Toronto, Ontario, March 8, 2007** - Coretec Inc. (TSX: CYY) today reported its financial results for the fourth quarter and the year ended December 31, 2006.

Coretec reported revenues from continuing operations of \$23.2 million in the quarter ended December 31, 2006, a 7.2% increase over the prior year period and an increase of 7.9% as compared to the third quarter of 2006. Gross profit in the quarter was 22.7% of sales compared to 21.4% in the prior year period and 23.4% in the third quarter of 2006. Net income from continuing operations for the quarter was \$0.6 million or \$0.03 per share as compared to a net profit of \$0.2 million or \$0.01 per share for the same period in 2005 and sequentially, an increase of \$0.2 million from a net profit of \$0.4 million or \$0.02 per share in the third quarter of 2006. Earnings before interest, taxes, depreciation and amortization (EBITDA) was \$1.9 million, a \$0.2 million increase as compared to the same period in 2005 and sequentially an increase of \$0.1 million from the third quarter of 2006.

“We are pleased with the sequential revenue growth that we experienced in the quarter and are particularly encouraged by the strength in our US operations. Both our Denver and Cleveland sites experienced meaningful improvement across all operating metrics in Q4. Demand at each of these sites was strong throughout the fourth quarter and continues to be so. In contrast, our Toronto operations more closely mirror the conditions in the overall industry, due to a greater customer diversity and broader product mix. As such we are somewhat concerned about the weakness that the industry has experienced recently. For the first time since 2004 the book-to-bill ratio as reported by IPC, the industry association, has been below parity (1.0) for consecutive months (October 0.99; November 0.92; December 0.92; January 0.91). Although most analysts are expecting the contraction in demand to be short lived we are concerned about the impact on margins in the near term as a result of price competition and reduced demand for quick turn services”, said Paul Langston, President and CEO.

For the twelve-month period ended December 31, 2006, the Company reported sales from continuing operations of \$92.0 million, a 14.2% increase from sales of \$80.6 million in 2005. Gross profit increased \$4.7 million to \$21.7 million or

23.6% of sales compared to \$17.0 million or 21.1% of sales in 2005. Net profit from continuing operations for the year was \$2.1 million or \$0.11 per share compared to a net loss of \$3.6 million or \$0.19 per share in 2005. In the prior year period the Company recorded a gain from Discontinued Operations in the UK of \$0.3 million bringing the net loss for 2005 to \$3.3 million or \$0.17 per share. EBITDA for the 2006 full year was \$7.8 million, an increase of \$4.6 million versus 2005 EBITDA of \$3.2 million.

“2006 was a relatively strong year for the rigid PCB industry in North America. Shipments in 2006, according to IPC, were up 8.8% versus 2005. However much of the industry’s growth in shipments occurred in the first half of the year. For the period January – June industry shipments grew by 11.3% versus the prior year period. Comparatively, Coretec’s revenues were up 14.2% in 2006 versus 2005. Although we are pleased with the revenue growth that we achieved in 2006 we are disappointed that we did not realize the expansion in operating margin that we expected from the increased throughput. Raw material price increases and escalating energy costs impacted our margins in 2006 and continue to be of concern to us in 2007,” continued Mr. Langston.

Mr. Langston added, “With regards to the near term, the softness in the PCB industry in late 2006 and early 2007 does have us somewhat cautious about the first half of this year. From a longer term perspective we remain optimistic about the market as relates to demand for the types of services that we provide.”

Coretec will hold its Annual General Meeting at 4:30pm. on May 1, 2007 at the Sheraton Centre, Toronto, Ontario. The Company will release its Q1 2007 results after the close of trading on that same day.

*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:

Andre Kern  
Chief Financial Officer  
[akern@coretec-inc.com](mailto:akern@coretec-inc.com)  
416-208-2165

Susan Nemchin  
Executive Assistant  
[snemchin@coretec-inc.com](mailto:snemchin@coretec-inc.com)  
416-208-2157

**Coretec Inc.****CONSOLIDATED BALANCE SHEETS**

[in thousands - unaudited]

As at December 31	2006 \$	2005 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash	1,721	1,728
Restricted short-term deposit	—	1,057
Accounts receivable	14,536	14,471
Inventories	4,795	4,312
Income taxes recoverable	118	182
Prepaid expenses	509	1,341
<b>Total current assets</b>	<b>21,679</b>	<b>23,091</b>
Mortgage receivable	1,050	1,050
Property, plant and equipment, net	26,262	25,478
Other assets	1,040	633
	<b>50,031</b>	<b>50,252</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Bank indebtedness	—	2,599
Accounts payable and accrued liabilities	11,085	10,257
Current portion of long-term debt	1,699	1,554
<b>Total current liabilities</b>	<b>12,784</b>	<b>14,410</b>
Long-term debt	4,447	5,214
<b>Total liabilities</b>	<b>17,231</b>	<b>19,624</b>
<b>Shareholders' equity</b>		
Share capital	61,064	61,036
Share capital held by long-term incentive plan	(118)	—
Contributed surplus	661	459
Deficit	(28,807)	(30,867)
<b>Total shareholders' equity</b>	<b>32,800</b>	<b>30,628</b>
	<b>50,031</b>	<b>50,252</b>

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

[in thousands, except for share data - unaudited]

	<b>Three months ended</b>		<b>Year ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	\$	\$	\$	\$
<b>Sales</b>	23,171	21,610	92,047	80,603
Cost of sales	17,904	16,975	70,326	63,574
<b>Gross profit</b>	5,267	4,635	21,721	17,029
<b>Expenses</b>				
Selling, general and administrative	3,392	2,946	13,720	13,119
Depreciation and amortization	1,211	1,378	5,000	5,822
	4,603	4,324	18,720	18,941
Income (loss) from operations	664	311	3,001	(1,912)
Terminated merger costs	—	—	—	576
Interest and other expenses	158	195	696	957
Foreign exchange (gain) loss	(120)	49	(39)	208
Loss (gain) on disposal of equipment	69	(31)	284	(31)
Income (loss) before income taxes	557	98	2,060	(3,622)
Recovery of income taxes	—	(69)	—	(69)
Net income (loss) from continuing operations	557	167	2,060	(3,553)
Net income from discontinued operations	—	19	—	300
<b>Net income (loss) for the period</b>	557	186	2,060	(3,253)
<b>Earnings (loss) per share:</b>				
From continuing operations				
basic and diluted	\$0.03	\$0.01	\$0.11	\$(0.19)
Earnings (loss) per share				
basic and diluted	\$0.03	\$0.01	\$0.11	\$(0.17)

**Coretec Inc.**

**CONSOLIDATED STATEMENTS OF DEFICIT**

[in thousands - unaudited]

Years ended December 31

	<b>2006</b>	<b>2005</b>
	\$	\$
Deficit, beginning of year	(30,867)	(27,614)
Net income (loss) for the year	2,060	(3,253)
<b>Deficit, end of year</b>	<b>(28,807)</b>	<b>(30,867)</b>

**Coretec Inc.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

[in thousands - unaudited]

	<b>Three months ended</b>		<b>Year ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net income (loss) for the period	557	167	2,060	(3,553)
Non-cash items				
Depreciation and amortization	1,211	1,378	5,000	5,822
Stock-based compensation	73	(196)	202	119
Long-term incentive plan compensation	12	—	12	—
Unrealized foreign exchange (gain) loss	(429)	(160)	(115)	475
Amortization of deferred finance charge	19	24	75	185
Purchase of common shares held in trust by long-term incentive plan	(130)	—	(130)	—
(Gain) loss on disposal of capital assets	69	(31)	284	(31)
	1,382	1,182	7,388	3,017
Net change in non-cash working capital balances related to operations	2,302	529	1,048	653
<b>Cash provided by operating     activities</b>	<b>3,684</b>	<b>1,711</b>	<b>8,436</b>	<b>3,670</b>
<b>FINANCING ACTIVITIES</b>				
Repayments of long-term debt	(317)	(277)	(2,147)	(1,578)
Increase (decrease) in bank indebtedness	(40)	613	(2,599)	991
Repayment of shareholder loan	5	7	28	44
<b>Cash provided by (used in) financing     activities</b>	<b>(352)</b>	<b>343</b>	<b>(4,718)</b>	<b>(543)</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of capital assets	(1,306)	(791)	(3,900)	(3,176)
Proceeds on disposal of capital asset	—	1,050	—	1,050
Decrease (increase) in restricted short-term deposit	—	(1,057)	1,057	(1,057)
Decrease (increase) in other assets	(703)	112	(891)	(432)
<b>Cash used in investing activities</b>	<b>(2,009)</b>	<b>(686)</b>	<b>(3,734)</b>	<b>(3,615)</b>
Effect of exchange rate changes on cash	39	26	9	38
<b>Net increase (decrease)     in cash during the period</b>	<b>1,362</b>	<b>1,394</b>	<b>(7)</b>	<b>(450)</b>
Change in cash from discontinued operations	—	19	—	1,824
Cash, beginning of period	359	315	1,728	354
<b>Cash, end of period</b>	<b>1,721</b>	<b>1,728</b>	<b>1,721</b>	<b>1,728</b>