



C O R E T E C

how far, how fast?

Coretec Announces Fourth Quarter 2005 and Full Year Results

Fourth quarter revenues up 9% sequentially versus third quarter

Fourth quarter year-over-year revenues up 4%

Fourth quarter EBITDA of \$1.7 million

Fourth quarter eps of \$0.01

Toronto, Ontario, March 28, 2006 - Coretec Inc. (TSX: CYY) today reported its financial results for the fourth quarter and the year ended December 31, 2005.

Coretec reported revenues from continuing operations of \$21.6 million in the quarter ended December 31, 2005, a 4% increase over the prior year period and an increase of 8% from the third quarter of 2005. Gross profit in the quarter was 21.4% of sales compared to 22.3% in the prior year period and 20.0% in the third quarter of 2005. Net income from continuing operations for the quarter was \$0.2 million or \$0.01 per share compared to a net loss of \$0.6 million or \$0.03 per share for the same period in 2004 and sequentially, an increase of \$1.6 million from a net loss of \$1.4 million or \$0.08 per share in the third quarter of 2005. Earnings before interest, taxes, depreciation and amortization (EBITDA) before foreign exchange gains/losses was \$1.7 million, a \$1.0 million increase from the same period in 2004 and sequentially an increase of \$1.4 million from the third quarter of 2005.

“We are pleased with the sequential revenue growth that we experienced in the quarter and the fact that we are tracking ahead of the industry growth rate. Industry shipments, according to IPC, showed year over year growth for the first time in 2005 during the months of November (2.2%) and December (9.5%). We were able to achieve market share gains despite a strengthening Canadian dollar relative to the US dollar and other major currencies. Approximately 70% of our sales are denominated in currencies other than the Canadian dollar which suggests that our market share gains have been significantly higher on a year over year basis. This is a testament to our brand and suggests that we are realizing the benefits of some of the key investments in sales and engineering personnel that we have made over the past 12 months. Additionally we believe our scale, broad product portfolio, higher technology capability and outstanding environmental governance model are contributing to share gains versus our competitors. In regards to the latter, we are particularly bullish about 2006 because we are one of only a handful of PCB manufacturers in North America that are positioned to meet the environmental (RoHS) compliance needs of the marketplace”, said Paul Langston, President and CEO.

For the twelve-month period ended December 31, 2005, the Company reported sales from continuing operations of \$80.6 million, a 2% decrease from sales of \$81.9 million in 2004. Gross profit decreased \$4.5 million to \$17.0 million or 21.1% of sales compared to \$21.5 million or 26.3% of sales in 2004. The net loss from continuing operations for the year was \$3.6 million or \$0.19 per share compared to net income of \$1.6 million or \$0.09 per share in 2004. Net loss for the year was \$3.3 million or \$0.17 per share compared to a net loss of \$1.8 million or \$0.10 per share in the prior year. In 2005 the net loss included a \$0.3 million gain from our discontinued operations in the UK compared to a \$3.4 million loss from the UK discontinued operations in 2004. EBITDA for 2005, prior to foreign exchange gains/losses was \$3.4 million or 4% of sales compared to \$8.4 million or 10% of sales in 2004.

“2005 began with considerable market weakness that persisted into Q3. In fact industry shipments for the first six months versus the same period in 2004 were off 6.4% and bookings compressed by 3.8% according to IPC. The second half of the year however provided meaningful demand growth resulting in cumulative bookings for 2005 up 3.9%. These strong market dynamics have continued into Q1 2006 creating opportunities for price premiums on expedited delivery services. Although the improved industry conditions are being welcomed by all PCB manufacturers it is also bringing with it price increases at the raw material and supplies level. The inflation trend is however a global phenomenon which is enabling the PCB industry in general to pass price increases on to the end user,” continued Mr. Langston.

Mr. Langston added, “we believe that we can continue to grow our market share through further differentiating ourselves, be it through speed, technology or value added services. In particular, in 2006 we will be continuing to execute on a series of strategic manoeuvres that will further distinguish us from our competitors. We will:

- continue to focus our marketing efforts and manufacturing capacity on time-premium work;
- increase the capacity of our value added programs, namely design and field engineering, in order to assist customers with their RoHS compliance and new product introduction efforts;
- intensify our off-shore PCB outsourcing program, where Coretec acts as a project manager for specific clients on medium-to-high volume requirements;
- aggressively pursue cycle time improvements at all sites through selected capacity increases, outsourcing where appropriate and the implementation of advanced manufacturing methodologies.
- invest approximately \$3 million in 2006 at our existing sites on advanced fabrication equipment and systems;
- continue to refine the product mix at our Denver and Cleveland facilities with the objectives of increased yields, greater productivity and improved average selling price per panel.”

In other developments, the Company has approved, in principle, the consolidation of its Toronto manufacturing operations into its Sheppard facility. The planning and costing of

this key initiative will be complete in Q2 2006. The project will be undertaken in four phases over the next three years. Phase 1 will include the relocation of all processes now installed at the Company's Lawrence facility. Phase 2 will involve the relocation of all innerlayer and multilayer processes from the Company's Ellesmere site. Phase 3 will be a 35,000 sq ft addition to the 93,000 sq ft Sheppard building and phase 4 will complete the relocation of the remaining Ellesmere processes to Sheppard.

Coretec will release its Q1 2006 results after the close of trading on May 17, 2006. The Company's Annual General Meeting will also be held the 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 complete printed circuit board solutions, including design, advanced prototyping and quick turnaround production across an outstanding range of product technologies.

This news release includes forward-looking statements related to Coretec's future growth, industry trends, performance and financial and operational results. Such forward-looking statements are based on assumptions and expectations and involve significant risks and uncertainties which would cause actual results to vary materially from those contained in the forward-looking statements. Such risks and uncertainties include, but are not limited to, potential changes in the economy and the electronics and printed circuit board industries, customer order levels, product mix and inventory build-up; lower than expected or delayed sales; currency fluctuations; pricing and other competitive pressures in the electronics and printed circuit board industries; Coretec's ability to reduce costs; Coretec's ability to integrate past and any future acquisitions; and other risks and uncertainties listed in Coretec's various public filings at www.sedar.com including Coretec's most recent AIF and MD&A. These and other factors should be considered carefully and undue reliance should not be placed on Coretec's forward-looking statements. Coretec does not undertake to update any forward-looking statement that is contained in this press release or other communications.

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Additional information about Coretec Inc. is available at www.coretec-inc.com.
Additional industry information is available at the IPC website: www.ipc.org

Coretec Inc.**CONSOLIDATED BALANCE SHEETS**

[in thousands - unaudited]

	December 31, 2005	December 31, 2004
	\$	\$
ASSETS		
Current		
Cash	1,728	354
Restricted short-term deposit	1,057	—
Accounts receivable	14,471	13,903
Inventories	4,312	5,002
Income taxes recoverable	182	631
Prepaid expenses	1,341	1,752
Note receivable from discontinued operations	—	1,524
Total current assets	23,091	23,166
Mortgage receivable	1,050	—
Capital assets, net	25,478	30,193
Other assets	633	386
	50,252	53,745
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	2,599	1,608
Accounts payable and accrued liabilities	10,257	9,969
Current portion of long-term debt	1,554	5,044
Total current liabilities	14,410	16,621
Long-term debt	5,214	3,406
Total liabilities	19,624	20,027
Shareholders' equity		
Share capital	61,036	60,992
Contributed surplus	459	340
Deficit	(30,867)	(27,614)
Total shareholders' equity	30,628	33,718
	50,252	53,745

Coretec Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

[in thousands, except for share data - unaudited]

	Three months ended		Year ended	
	December 31		December 31	
	2005	2004	2005	2004
	\$	\$	\$	\$
Sales	21,610	20,755	80,603	81,850
Cost of sales	16,975	16,118	63,574	60,304
Gross profit	4,635	4,637	17,029	21,546
Expenses				
Selling, general and administrative	2,946	2,811	13,119	12,116
Depreciation and amortization	1,378	1,634	5,822	6,592
Restructuring charges	—	913	—	913
	4,324	5,358	18,941	19,621
Income (loss) from operations	311	(721)	(1,912)	1,925
Terminated merger costs	—	—	576	—
Interest and other expenses	195	252	957	891
Foreign exchange (gain) loss	49	(267)	208	(495)
(Gain) loss on disposal of capital assets	(31)	150	(31)	150
Income (loss) before income taxes	98	(856)	(3,622)	1,379
Recovery of income taxes	(69)	(294)	(69)	(261)
Net income (loss) from continuing operations	167	(562)	(3,553)	1,640
Net income (loss) from discontinued operations	19	1,705	300	(3,422)
Net income (loss) for the period	186	1,143	(3,253)	(1,782)
Earnings (loss) per share:				
From continuing operations				
basic and diluted	\$0.01	\$(0.03)	\$(0.19)	\$0.09
Earnings (loss) per share				
basic and diluted	\$0.01	\$0.06	\$(0.17)	\$(0.10)

Coretec Inc.

CONSOLIDATED STATEMENTS OF DEFICITS

[in thousands - unaudited]

	Year ended	
	December 31	
	2005	2004
	\$	\$
Deficit, beginning of period	(27,614)	(25,832)
Loss for the period	(3,253)	(1,782)
Deficit, end of period	(30,867)	(27,614)

Coretec Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

[in thousands - unaudited]

	Three months ended		Year ended	
	December 31		December 31	
	2005	2004	2005	2004
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net income (loss) for the period	167	(562)	(3,553)	1,640
Non-cash items				
Depreciation and amortization	1,378	1,634	5,822	6,592
Stock-based compensation	(196)	74	119	284
Unrealized foreign exchange (gain) loss	(160)	(270)	475	(131)
Amortization of deferred finance charge	24	51	185	146
(Gain) loss on disposal of capital assets	(31)	150	(31)	150
	1,182	1,077	3,017	8,681
Net change in non-cash working capital balances related to operations	529	(1,062)	653	(4,263)
Cash provided by operating activities	1,711	15	3,670	4,418
FINANCING ACTIVITIES				
Increase (decrease) of long-term debt	172	—	(95)	4,454
Repayments of long-term debt	(449)	(219)	(1,483)	(2,466)
Increase in bank indebtedness	613	673	991	745
Repayment of shareholder loan	7	—	44	—
Proceeds of shares issued, net of share issue costs	—	—	—	13
Cash provided by (used in) financing activities	343	454	(543)	2,746
INVESTING ACTIVITIES				
Purchase of capital assets	(791)	(1,063)	(3,176)	(2,521)
Proceeds on disposal of capital asset	1,050	258	1,050	258
Increase in short-term deposit	(1,057)	—	(1,057)	—
Decrease (increase) in other assets	112	(14)	(432)	(338)
Advance to Proto Circuit	—	—	—	(3,798)
Acquisition of Proto Circuit	—	—	—	(236)
Cash used in investing activities	(686)	(819)	(3,615)	(6,635)
Effect of exchange rate changes on cash	26	24	38	11
Net increase (decrease) in cash during the period	1394	(326)	(450)	540
Change in cash from discontinued operations	19	169	1,824	(1,096)
Cash, beginning of period	315	511	354	910
Cash, end of period	1,728	354	1,728	354