



FOR IMMEDIATE RELEASE

## **CORETEC INC. Q1 REVENUES UP 15% YEAR OVER YEAR**

**Toronto, Ontario, May 6, 2003 (TSE: CYY)** – Coretec Inc. today reported its financial results for the first quarter of 2003. Sales in the 2003 first quarter were \$18.7 million, at the upper end of the revenue range suggested in the Company's press release dated March 3, 2003. This sales level represents a 15% increase from sales of \$16.3 million in the first quarter of 2002 and a sequential increase of 1% over Q4 2002 sales of \$18.6 million. This still compares favourably against a North American industry, that has seen ongoing revenue compression since early 2001 and more specifically a Q1 2003 versus Q1 2002 decline in shipments of greater than 20%.

A net loss of \$2.5 million (\$0.13 per share) was recorded in the first quarter of 2003 compared to a net loss of \$1.7 million (\$0.10 per share) in the 2002 first quarter. Included in the net loss for the first quarter of 2003 is a charge of \$0.5 million related to the foreign exchange translation of the Company's non-Canadian dollar denominated net assets.

EBITDA in the first quarter of 2003 was negative \$0.5 million, compared to EBITDA of negative \$0.2 million in the 2002 first quarter. EBITDA for the first quarter of 2003 is also inclusive of the \$0.5 million foreign exchange translation charge previously mentioned.

"We are quite pleased with our revenue performance in Q1 and the fact that we once again outperformed our sector. However, Q1 was not without its challenges. Two factors specific to Coretec significantly impacted our top and bottom line results in the quarter; namely currency and program startup challenges. With respect to the former, a dramatic strengthening of the Canadian dollar versus the US dollar and the British pound negatively affected our revenues and our earnings as well as caused significant devaluation of our non-Canadian assets on our balance sheet. As a result we have implemented a hedging program to help offset further appreciation in the Canadian dollar. The other issue that we faced in Q1 involved significant challenges with the production of a series of extremely difficult products for new customers. We are pleased with our progress to date in terms of working with the various stakeholders involved and are looking forward to improved contribution from these programs through future periods," said Paul Langston, Coretec's President and Chief Executive Officer.

Mr. Langston continued, "The pattern of declining average selling prices across the industry combined with erratic consumption patterns continued in Q1 2003. In fact we have seen particularly inconsistent demand patterns in Toronto since early March. As a result we have made further adjustments to our cost structure as relates to direct labour, our sales organization and other overheads. The Company's management expects to incur a charge related to this latest

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restructuring in the second quarter of 2003 in the amount of approximately \$0.4 million. It is expected that annualized labour costs will be reduced by \$1.5 - \$2.0 million as a result of this move. In addition, after aggressively expanding our customer base over the past two years we have adjusted our focus from gaining market share and penetrating new accounts to mining our existing customer base”.

“We continue to believe that a real opportunity is developing in the circuit board industry as a result of continuously advancing technology requirements against a backdrop of diminishing relevant capacity. We remain excited about our prospects given the foundations that we have put in place and the alignment of the industry dynamics to our brand commitment of time, technology and value added services,” continued Mr. Langston.

For the second quarter of 2003, the Company's management is projecting sales in the \$16-\$19 million range.

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 highly engineered design, advanced prototyping and quick turnaround production.

“This news release may include statements about future expectations, plans and prospects that may constitute forward-looking statements. 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 industry contraction and slow economic growth; variability of operating results; dependence on certain industries; management of growth and expansion; 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; currency exchange rate fluctuations; technological change and process development; environmental liability; need for additional financing; product liability; pricing pressure; ability to reduce costs; and other risks listed in Coretec's public disclosure documents and other filings with securities regulatory authorities found at [www.sedar.com](http://www.sedar.com).

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Additional information about Coretec Inc. is available at [www.coretec-inc.com](http://www.coretec-inc.com).

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

[in thousands]

	<b>March 31, 2003</b>	<b>December 31, 2002</b>
	\$	\$
	<i>[unaudited]</i>	
<b>ASSETS</b>		
<b>Current</b>		
Cash	594	4,196
Accounts receivable	13,154	11,840
Inventories	4,811	4,882
Income taxes recoverable	862	1,193
Prepaid expenses	1,014	1,066
<b>Total current assets</b>	<b>20,435</b>	<b>23,177</b>
Capital assets, net	36,010	37,269
Other assets	1,009	1,049
	<b>57,454</b>	<b>61,495</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Bank indebtedness	—	177
Accounts payable and accrued liabilities	10,134	11,270
Current portion of long-term debt	1,029	1,029
Current portion of notes payable	1,900	1,900
<b>Total current liabilities</b>	<b>13,063</b>	<b>14,376</b>
Future income taxes	79	86
Long-term debt	6,343	6,600
<b>Total liabilities</b>	<b>19,485</b>	<b>21,062</b>
Commitments and contingencies		
<b>Shareholders' equity</b>		
Share capital	61,155	61,155
Deficit	(23,186)	(20,722)
<b>Total shareholders' equity</b>	<b>37,969</b>	<b>40,433</b>
	<b>57,454</b>	<b>61,495</b>

**Coretec Inc.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

[in thousands]

Quarters ended March 31

	2003	2002
	\$	\$
		<i>[unaudited]</i>
<b>Sales</b>	18,745	16,342
Cost of sales	15,406	12,926
<b>Gross profit</b>	3,339	3,416
<b>Expenses</b>		
Selling, general and administrative	3,347	3,647
Depreciation and amortization	1,804	1,984
	5,151	5,631
Loss from operations	(1,812)	(2,215)
Interest and other expenses	173	95
Foreign exchange	479	4
Loss before income taxes	(2,464)	(2,314)
Recovery of income taxes	—	(583)
<b>Loss for the period</b>	(2,464)	(1,731)
<b>Loss per share</b>		
Basic	\$(0.13)	\$(0.10)
Diluted	\$(0.13)	\$(0.10)

Coretec Inc.

**CONSOLIDATED STATEMENTS OF DEFICITS**  
[in thousands]

Quarters ended March 31

	2003	2002
	\$	\$
		<i>[unaudited]</i>
<b>Deficit, beginning of period</b>	(20,722)	(2,284)
Loss for the period	(2,464)	(1,731)
<b>Deficit, end of period</b>	<b>(23,186)</b>	<b>(4,015)</b>

**Coretec Inc.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

[in thousands]

Quarters ended March 31

	<b>2003</b>	<b>2002</b>
	\$	\$
	<i>[unaudited]</i>	
<b>OPERATING ACTIVITIES</b>		
Loss for the period	(2,464)	(1,731)
Non-cash items		
Depreciation and amortization	1,804	1,984
Unrealized foreign exchange loss	480	51
Amortization of deferred finance charges	24	13
Future income taxes	—	17
	(156)	334
Net change in non-cash working capital balances related to operations	(419)	1,427
<b>Cash provided by (used in) operating activities</b>	(575)	1,761
<b>FINANCING ACTIVITIES</b>		
Increase (decrease) of long-term debt	(257)	5,000
Decrease in bank indebtedness	(177)	(5,876)
Proceeds of shares issued, net of share issue costs	—	7,864
<b>Cash provided by (used in) financing activities</b>	(434)	6,988
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(2,569)	(1,916)
Decrease (increase) in other assets	16	(812)
<b>Cash used in investing activities</b>	(2,553)	(2,728)
Effect of exchange rate changes on cash	(40)	(11)
<b>Net increase (decrease) in cash during the period</b>	(3,602)	6,010
Cash, beginning of period	4,196	663
<b>Cash, end of period</b>	594	6,673
<b>Supplemental cash flow information</b>		
Interest paid	137	20
Income taxes paid	—	111
Capital asset purchases included in accounts payable and accrued liabilities	—	169