



Coretec Inc. reports Q1 earnings per share of \$0.03 on sales of \$20.8 million

***Quarterly revenues reach highest level in three years
Gross Profit improves to 26% of sales
Strong sequential gain in EBITDA***

Toronto, Ontario, May 6, 2004 - Coretec Inc. (TSX: CYY) today reported its financial results for the first quarter of 2004. The Company recorded a net profit of \$0.6 million or \$0.03 per share in the first quarter of 2004 compared to a net loss of \$2.5 million or a loss of (\$0.13) per share in the 2003 first quarter. Sales in the 2004 first quarter were \$20.8 million, at the upper end of the revenue range suggested in the Company's press release dated April 6, 2003 and the highest quarterly revenues since the first quarter of 2001. This sales level represents an 11% increase from sales of \$18.7 million in the first quarter of 2003 and a sequential increase of 7% over fourth quarter 2003 sales of \$19.5 million.

Earnings before interest, taxes, depreciation and amortization (EBITDA) in the first quarter of 2004 was \$2.4 million, compared to EBITDA of negative \$0.5 million in the first quarter of 2003. EBITDA for the first quarter of 2004 is inclusive of the \$0.2 million foreign exchange translation gain previously mentioned.

During the first quarter, free cash flow (defined as net income plus depreciation and amortization less capital expenditures) increased to \$1.8 million, its highest level in over three years and a sequential improvement of \$0.6 million over free cash flow in the fourth quarter of 2003.

Included in the net profit for the first quarter of 2004 is a gain of \$0.2 million or \$0.01 per share related to the foreign exchange translation of the Company's non-Canadian dollar denominated monetary assets and liabilities compared to a loss of \$0.5 million or (\$0.03) per share on foreign exchange translation in the first quarter of 2003.

The Company completed the acquisition of Proto Circuit, Inc. in the first quarter of 2004 for a cash cost of \$4.1 million, including the acquisition of third party debt of Proto Circuit. As previously announced, Coretec expanded its term loan credit facility with its bank to partially finance the acquisition. As a result, long term debt increased by \$2.9 million in the quarter. A portion of the acquisition was paid for through internal cash resources. However, the Company was still able to improve its working capital by \$0.3 million in the quarter to \$8.3 million as a result of strong cash flows generated in the quarter.

"We are pleased with the sequential sales, cash flow and earnings improvements we have experienced over the second half of 2003 and into the first quarter of 2004 and are especially pleased to be able to report positive earnings per share for the first time in over two years. This has been achieved despite the challenges associated with foreign exchange movements over the last year. In the first quarter of 2004 we were able to realize meaningful sequential gains with respect to our financial metrics while at the same time commencing the integration of our new Ohio site which was acquired on March 4, 2004," said Paul Langston, Coretec's President and Chief Executive Officer.

Mr. Langston continued, "We are encouraged by the dynamics unfolding in the PCB marketplace relating to capacity utilization, lead-times, and average selling price.



According to industry analysts, Henderson Ventures, capacity utilization has been consistently in the 75-80% range and trending upwards since the fall of 2003. Lead-times in North America remain at healthy levels (beyond 20 days). The positive movement of each of these factors should continue to favourably impact the operating results of Coretec, given its focus on rapid response manufacturing.”

“The integration and ramp up of our Proto Circuits acquisition is progressing on schedule. We have been impressed with the capability of the team we have inherited as a result of the acquisition and are excited about the potential of this facility given the robust demand we have seen for its products and services. Based on the very positive customer reaction to our acquisition of this operation, we expect it to be accretive to earnings by the fourth quarter of 2004,” continued 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 complete printed circuit board solutions, including design, advanced prototyping and quick turnaround production across an outstanding range of product technologies.

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 currency exchange rate fluctuations; variability of operating results; dependence on certain industries; management 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; 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 listed in Coretec’s public disclosure documents and other filings with securities regulatory authorities found at www.sedar.com.

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Additional information about Coretec Inc. is available at www.coretec-inc.com.

Coretec Inc.

CONSOLIDATED BALANCE SHEETS

[in thousands]

	March 31, 2004	December 31, 2003
	\$	\$
	<i>[unaudited]</i>	
ASSETS		
Current		
Cash	1,278	1,342
Accounts receivable	14,063	12,148
Inventories	5,104	3,996
Income taxes recoverable	—	451
Prepaid expenses	1,356	1,099
Total current assets	21,801	19,036
Long-lived assets held for sale	5,146	5,146
Capital assets, net	29,429	26,441
Other assets	1,094	984
Future income taxes	119	—
	57,589	51,607
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	864	863
Accounts payable and accrued liabilities	10,733	9,037
Current portion of long-term debt	1,939	1,155
Total current liabilities	13,536	11,055
Long-term debt	8,216	5,349
Total liabilities	21,752	16,404
Shareholders' equity		
Share capital	60,979	60,979
Contributed surplus	117	56
Deficit	(25,259)	(25,832)
Total shareholders' equity	35,837	35,203
	57,589	51,607

Coretec Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

[in thousands]

Quarters ended March 31

	2004	2003
	\$	\$
		<i>[unaudited]</i>
Sales	20,789	18,745
Cost of sales	15,406	15,406
Gross profit	5,383	3,339
Expenses		
Selling, general and administrative	3,181	3,347
Depreciation and amortization	1,680	1,804
	4,861	5,151
Income (loss) from operations	522	(1,812)
Interest and other expenses	156	173
Foreign exchange	(207)	479
Income (loss) before income taxes	573	(2,464)
Recovery of income taxes	—	—
Net Income (loss) for the period	573	(2,464)
Earnings (loss) per share		
Basic	\$0.03	\$(0.13)
Diluted	\$0.03	\$(0.13)

Coretec Inc.

CONSOLIDATED STATEMENTS OF DEFICITS

[in thousands]

Quarters ended March 31

	2004	2003
	\$	\$
	<i>[unaudited]</i>	
Deficit, beginning of period	(25,832)	(20,722)
Net income (loss) for the period	573	(2,464)
Deficit, end of period	(25,259)	(23,186)

Coretec Inc.**CONSOLIDATED STATEMENTS OF CASH FLOWS**

[in thousands]

Quarters ended March 31

	2004	2003
	\$	\$
	<i>[unaudited]</i>	
OPERATING ACTIVITIES		
Net income (loss) for the period	573	(2,464)
Non-cash items		
Depreciation and amortization	1,680	1,804
Unrealized foreign exchange loss	116	480
Amortization of deferred finance charges	18	24
Stock-based compensation	61	—
	2,448	(156)
Net change in non-cash working capital balances related to operations	(1,264)	(419)
Cash provided by (used in) operating activities	1,184	(575)
FINANCING ACTIVITIES		
Increase of long-term debt	4,454	—
Repayments of long-term debt	(1,103)	(257)
Increase (decrease) in bank indebtedness	1	(177)
Cash provided by (used in) financing activities	3,352	(434)
INVESTING ACTIVITIES		
Purchase of capital assets	(438)	(2,569)
Decrease (increase) in other assets	(128)	16
Purchase of Proto Circuit loans	(3,759)	—
Advances to Proto Circuit	(39)	—
Acquisition of Proto Circuit, Inc.	(236)	—
Cash used in investing activities	(4,600)	(2,553)
Effect of exchange rate changes on cash	—	(40)
Net decrease in cash during the period	(64)	(3,602)
Cash, beginning of period	1,342	4,196
Cash, end of period	1,278	594
Supplemental cash flow information		
Interest paid	150	137

Coretec Inc.**Selected financial Information (000's)**

	Q1/04	Q1/03	Q4/03
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Reconciliation of EBITDA*

Net Income (loss) for the period	573	(2,464)	(190)
Add/(Deduct):			
Interest	156	173	167
Depreciation and amortization	1,680	1,804	1,764
Income taxes recovered	-	-	(26)
EBITDA for the period	<u>2,409</u>	<u>(487)</u>	<u>1,715</u>

Reconciliation of Free Cash Flow*

	<u>Q1/04</u>	<u>Q1/03</u>	<u>Q4/03</u>
Net Income (loss) for the period	573	(2,464)	(190)
Add:			
Depreciation and amortization	1,680	1,804	1,764
Amortization of deferred finance charges	18	24	21
	<u>2,271</u>	<u>(636)</u>	<u>1,595</u>
Deduct:			
Capital expenditures	(438)	(2,569)	(345)
Free Cash Flow for the period	<u>1,833</u>	<u>(3,205)</u>	<u>1,250</u>

**EBITDA and free cash flow are not measures recognized under Canadian generally accepted accounting principles ("GAAP"). EBITDA is calculated as earnings before interest and certain other expenses, provision for income taxes, depreciation and amortization and impairment of capital assets. Free cash flow is calculated as net income plus depreciation and amortization and impairment of capital assets less capital expenditures. Management believe that many of the Company's shareholders, creditors, other stakeholders and analysts prefer to assess the Company's performance using EBITDA and free cash flow in addition to the GAAP measures. The Company's method of calculating EBITDA and free cash flow may differ from other companies and accordingly may not be comparable to measures used by other companies.*