



Coretec Announces First Quarter 2005 Results
First quarter year-over-year revenue growth of 5%

Toronto, Ontario, May 5, 2005 - Coretec Inc. (TSX: CYY) today reported its financial results for the first quarter ended March 31, 2005. The Company recorded sales from continuing operations of \$19.3 million in the quarter, a 5% increase over sales of \$18.4 million in the first quarter of 2004, although a 7% decrease sequentially from the fourth quarter of 2004. Gross profit for the quarter was \$4.1 million or 21% of sales compared to \$5.3 million or 29% of sales in the first quarter of 2004 and, sequentially, gross profit of \$4.6 million or 22% of sales in the fourth quarter of 2004. The Company recorded a loss per share in the quarter of \$0.05 compared to earnings per share of \$0.04 in the first quarter of 2004 and, sequentially, compared to a loss of \$0.03 per share in the fourth quarter of 2004.

Earning before interest, taxes, depreciation and amortization ("EBITDA") was \$0.8 million in the quarter, a decrease of \$1.7 million compared to EBITDA of \$2.6 million in the first quarter of 2004 and, sequentially, a decrease of \$1.3 million compared to EBITDA of \$2.1 million in the fourth quarter of 2004. Free cash flow, defined as earnings (loss) plus depreciation and amortization less capital expenditures, was negative \$0.5 million in the quarter, compared to positive free cash flow of \$2.1 million in the first quarter of 2004 and, sequentially, \$1.1 million in the fourth quarter of 2004.

In the quarter, the Company received a payment of \$1.4 million from the liquidation proceeds of its discontinued operations in the UK. The Company anticipates a final payment from the liquidation of \$0.1 million to be received before the end of the year.

"According to North American PCB industry association IPC, the industry posted a slow start to the year with relatively flat sales. Industry analysts are also suggesting that business activity levels in the far east have also been weak in Q1. These two factors have precipitated an erosion in margins industry-wide. In addition, demand for PCBs in the defense and aerospace end market has softened measurably since the third quarter of 2004. This dynamic has negatively impacted capacity utilization across our entire facility network. The combination of industry specific factors plus operational challenges at our Ohio plant resulted in a disappointing quarter from both a top and bottom line perspective," said Paul Langston, President and CEO.

Mr. Langston continued, "On a more positive note, the retooling of our sales organization which is ongoing, resulted in a meaningful improvement in prototype and quickturn activity at our Toronto operations during the quarter, which has continued into the second quarter of 2005. In addition we have seen a steady improvement in bookings activity at our Denver operation since mid March. Coupled with a series of key operational initiatives in Toronto, we anticipate meaningful improvement in operational results as the year progresses."

Mr. Langston continued, "While the 2005 analyst projections for the industry remain cautious, we believe we can continue to grow market share by focusing on the relevant differentiators in the North American market; speed and value added services."

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 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 listed in Coretec's public disclosure documents and other filings with securities regulatory authorities found at www.sedar.com.

For further information:

Paul Colin Langston
Chief Executive Officer
(416) 208-2157
langston@coretec-inc.com

Mark Thornley
Chief Financial Officer
(416) 208-2165
mthornley@coretec-inc.com

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

CONSOLIDATED BALANCE SHEETS

[in thousands – unaudited]

	March 31, 2005 \$	December 31, 2004 \$
ASSETS		
Current		
Cash	1,182	354
Accounts receivable	13,241	13,903
Inventories	5,402	5,002
Income taxes recoverable	621	631
Prepaid expenses	1,465	1,752
Note receivable from discontinued operations	146	1,524
Total current assets	22,057	23,166
Property, plant and equipment, net	29,824	30,193
Other assets	263	386
	52,144	53,745
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	2,914	1,608
Accounts payable and accrued liabilities	8,063	9,969
Current portion of long-term debt	4,907	5,044
Total current liabilities	15,884	16,621
Long-term debt	3,252	3,406
Total liabilities	19,136	20,027
Shareholders' equity		
Share capital	60,992	60,992
Contributed surplus	446	340
Deficit	(28,430)	(27,614)
Total shareholders' equity	33,008	33,718
	52,144	53,745

CONSOLIDATED STATEMENTS OF OPERATIONS

[in thousands – unaudited]

	Three months ended	
	March 31,	
	2005	2004
	\$	\$
Sales	19,349	18,433
Cost of sales	15,254	13,149
Gross profit	4,095	5,284
Expenses		
Selling, general and administrative	3,343	2,846
Depreciation and amortization	1,527	1,612
	4,870	4,458
Income (loss) from continuing operations	(775)	826
Interest and other expenses	248	156
Foreign exchange gain	(81)	(124)
Income (loss) from continuing operations	(942)	794
Income (loss) from discontinued operations	126	(221)
Net income (loss) for the year	(816)	573
Earnings (loss) per share:		
From continuing operations, basic and diluted	\$(0.05)	\$0.04
Net income (loss) per share, basic and diluted	\$(0.04)	\$0.03

CONSOLIDATED STATEMENTS OF DEFICIT

[in thousands – unaudited]

Quarters ended March 31

	2005	2004
	\$	\$
Deficit, beginning of year	(27,614)	(25,832)
Net income (loss) for the year	(816)	573
Deficit, end of year	(28,430)	(25,259)

CONSOLIDATED STATEMENTS OF CASH FLOWS

[in thousands – unaudited]

	Three months ended	
	March 31,	
	2005	2004
	\$	\$
OPERATING ACTIVITIES		
Income (loss) for the year from continuing operations	(942)	794
Non-cash items		
Depreciation	1,527	1,612
Stock-based compensation	106	61
Unrealized foreign exchange loss	285	66
Amortization of deferred finance charges	53	18
	1,029	2,551
Net change in non-cash working capital balances related to operations	(1,593)	(693)
Cash provided by (used in) operating activities	(564)	1,858
FINANCING ACTIVITIES		
Increase of long-term debt	—	4,454
Repayment of long-term debt	(316)	(1,103)
Increase in bank indebtedness	1,306	1
Cash provided by financing activities	990	3,352
INVESTING ACTIVITIES		
Purchase of capital assets	(1,158)	(331)
Increase (decrease) in other assets	70	(128)
Advance to Proto Circuit	—	(3,798)
Acquisition of Proto Circuit	—	(236)
Cash used in investing activities	(1,088)	(4,493)
Effect of exchange rate changes on cash	(14)	7
Net increase (decrease) in cash during the year	(676)	724
Change in cash from discontinued operations	1,504	(356)
Cash, beginning of year	354	910
Cash, end of year	1,182	1,278
Supplemental cash flow information		
Interest paid	195	150

Coretec Selected financial Information

	<u>Q1/05</u>	<u>Q1/04</u>	<i>% Change</i>	<u>Q4/04</u>	<i>% Change Q1/Q4</i>
Continuing operations:					
Revenue	19,349	18,433	5%	20,755	-7%
Gross profit	4,095	5,284	-23%	4,637	-12%
Income (loss)	(942)	794	219%	(562)	68%

Reconciliation of EBITDA from continuing operations

	<u>Q1/05</u>	<u>Q1/04</u>	<i>% Change</i>	<u>Q4/04</u>	<i>% Change Q1/Q4</i>
Income (loss) for the period from continuing operations	(942)	794		(562)	
Add/(Deduct):					
Interest	248	156		252	
Depreciation and amortization	1,527	1,612		1,634	
Loss on disposal of capital assets	-	-		150	
Income taxes expense	-	-		(294)	
Restructuring costs	-	-		913	
EBITDA from continuing operations	833	2,562	-67%	2,093	-60%

Reconciliation of Free Cash Flow from continuing operations

	<u>Q1/05</u>	<u>Q1/04</u>	<i>% Change</i>	<u>Q4/04</u>	<i>% Change Q1/Q4</i>
Income (loss) for the period from continuing operations	(942)	794		(562)	
Add:					
Depreciation and amortization	1,527	1,612		1,634	
Amortization of deferred finance charges	53	18		51	
Loss on disposal of capital assets	-	-		150	
Restructuring costs	-	-		913	
	638	2,424		2,186	
Deduct:					
Capital expenditures	(1,158)	(331)		(1,063)	
Free Cash Flow from continuing operations	(520)	2,093	-125%	1,123	-146%