



NEWS RELEASE

TSX-V: KT

## KREE TECH REPORTS FISCAL 2006 YEAR END FINANCIAL RESULTS

**St. Hubert, Quebec – July 19, 2006** – Kree Tech International Corporation (“Kree” or “the Corporation”) (TSX-V: KT), an established and recognized developer and manufacturer of superior pressure-sensitive products for the healthcare industry, today announced its financial and operating results for the three- and twelve-month periods ended April 30, 2006. All dollar amounts are in Canadian dollars unless otherwise specified.

### **Fiscal 2006 Summary:**

- Reported 9.4% increase in revenue - annual sales up by \$475,000 to \$5.5 million
- Completed establishment of new manufacturing facility in Florida that is allowing the Corporation to expand its production capacity, diversify its product offering, generate new business, and initiate relationships with brand marketers seeking new suppliers
- Continued to pursue growth opportunities in the Advanced Wound Care market segment
- Acquired commercialization license for development and manufacturing of printed bandages to be sold through distribution channels in Europe

“Our progress over the past year has set the foundation that will enable us to pursue further business opportunities in both our traditional and new market segments,” said CEO Greg Moffat. “I am pleased that we were able to increase our revenue despite ongoing exchange rate concerns and considerable time spent by management on setting up our new manufacturing facility in Florida.”

Moffat continued: “Our growth strategy remains focused and involves us introducing further conversion capacity, flexibility and efficiency to our operational processes, while solidifying relationships and pursuing opportunities that exist within our core business. Over the coming year we also anticipate moving further along the supply chain as we develop new Advanced Wound Care product lines based on new technologies and core competencies.”

### **Financial Review**

Net sales for the year ended April 30, 2006 increased by approximately \$475,000 to \$5,504,000 from the \$5,029,000 reported in fiscal 2005, an increase of 9.4%. The increase in revenue was largely attributable to a normalization of sales activities following a slowdown in the second and third quarters of fiscal 2005 due to management’s involvement in the reverse takeover that took Kree public. Management also noted that sales in 2006 were adversely affected by the protracted decline in the value of the US dollar versus the Canadian dollar as Kree records approximately 78% of its sales in US dollars. The actual impact of this change in currency rates was approximately \$300,000 or 5.4% of revenues. Had the exchange rate been consistent throughout 2005 and 2006, Kree’s management estimated that sales would have increased by 15.4% in fiscal 2006.

Total sales for the fourth quarter of fiscal 2006 decreased by approximately \$61,000 (3.9%) to \$1,475,000, from \$1,536,000 in Q4 of 2005. As above, management estimated that without the impact

of the rate exchange, the Corporation would have realized a sales increase of 1.2% in Q4 when compared to the fourth quarter in 2005.

Kree's gross margin was relatively unchanged at 28.2% in fiscal 2006, compared to 28.0% in 2005. The decline in the exchange rate had less impact on margins as the decline in sales was partially offset by a decline in the costs of sales.

Gross margin for the fourth quarter of 2006 was 23.6%, compared to 26.9 in 2005. This decrease was attributable to an increase in fixed costs related to operating Kree's new facility in Florida.

Kree's overall administrative expenses increased from \$896,000 in fiscal year 2005 to \$1,380,000 in 2006. The increase was largely due to costs related to the Florida expansion as well as to increase costs of being a public company. In addition, Kree took a provision in the amount of \$168,000 following a ruling by the Commission de Relations du Travail du Quebec rendered against the Corporation in April 2006. The ruling is currently under appeal and the Corporation has only been required to pay an amount of \$30,000 pending further review of the case.

For reasons above, administrative expenses in the fourth quarter of fiscal 2006 rose by approximately \$216,000 to \$462,000, compared to Q4 2005 expenses of \$246,000.

The Corporation posted a net loss for the year ended April 30, 2006 of \$349,000 (\$0.0161 per share) compared to a net loss of \$29,000 (\$0.0032 per share) in 2005. The decrease reflects the impact of the fluctuating U.S. dollar, the increased cost of sales, and the increases in administrative expenses described earlier.

Similarly, the Corporation reported a net loss in Q4 2006 of \$244,000 (\$0.0111 per share) compared to a net loss of \$19,000 (\$0.0013 per share) in the same period of fiscal 2005.

Kree's cash balance decreased by \$166,000 during fiscal year 2006 and by \$273,000 in the fourth quarter, leaving the Corporation with a cash balance at year-end of 668,000. The Corporation's management is of the opinion that cash and cash equivalents currently on hand are sufficient to meet normal operating requirements throughout fiscal year 2007.

Full financial information is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Outlook**

Through vertical integration of its operations, Kree is pursuing its strategy of improved production efficiency, accelerated growth and maximized profitability. Throughout the coming year the Corporation expects to begin production out of its Florida facility while leveraging its relationships with smaller clients who are in the initial stages of building their business and are looking to outsource manufacturing. The Advanced Wound Care market segment is robust and growing, and represents a substantial opportunity for Kree to use its development capacity and in-house expertise while building an agile and successful corporation.

## **About Kree**

Headquartered in St. Hubert, Quebec, Kree Tech International Corporation is an established and recognized developer of superior pressure-sensitive products for the health care industry. For over a decade, Kree has developed innovative and cost-efficient medical tape products including printed vinyl, coated plastic and fabric substrates, and bulk finished goods. Kree has also developed proprietary coating formulations giving its medical bandages greater effectiveness and versatility. These and other innovations have resulted in Kree becoming a key supplier to a number of branded

and private label companies. Kree is registered under a number of quality management programs including ISO 9001-2000 as well as FDA certification required for medical device manufacturing.

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