



NEWSrelease

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FOR IMMEDIATE RELEASE
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SMTc Reports 2008 First Quarter Results Continuing Profitability and Debt Reduction

TORONTO – May 6, 2008 -- SMTc Corporation (Nasdaq: SMTX, TSE: SMX), a global electronics manufacturing services provider, today reported revenue of \$55.1 million and net income of \$0.4 million, or \$0.03 per share, for the first quarter ended March 30, 2008, compared with revenue of \$69.5 million and net income of \$2.8 million, or \$0.19 per share, for the quarter ended April 1, 2007. Net income for the first quarter of 2007 included a \$1.8 million tax recovery and related interest. In the fourth quarter of 2007, the Company reported revenue of \$66.8 million and net income of \$1.0 million, or \$0.07 per share.

Gross profit for the first quarter of 2008 was \$4.4 million, or 8.0% of revenue, compared with \$6.4 million, or 9.6% of revenue, for the previous quarter and \$6.5 million, or 9.4% of revenue, for the first quarter of 2007. SMTc generated \$1.7 million in positive cash flow from operations in the first quarter

“Despite lower first quarter revenue, we continued to be profitable and generate cash. Importantly, we retained our proportionate share of business with our customers. Through the quarter, several new customers began to ramp production”, stated John Caldwell, President and Chief Executive Officer. “As expected, our first quarter revenues were lower than the previous quarter and the comparable period last year; the result of seasonality in certain larger customer end markets combined with the effect of weaker economic conditions and certain product life cycle fluctuations.”

“Our continuing focus on profitability and cash generation yielded positive results. For five successive quarters we have generated cash and significantly reduced debt. In the first quarter,

net debt was reduced to \$19.5 million, the lowest level since 1998”, stated Jane Todd, Senior Vice President and Chief Financial Officer.

“The results for the quarter do not reflect the important activity underway,” stated John Caldwell, President and Chief Executive Officer. “We have made considerable progress in successfully qualifying production at our two new strategic locations; printed circuit board assembly in China and enclosure systems in Mexico. The China operations will significantly ramp production in the second quarter while Mexico is expected to increase activity levels in the second half of the year.”

“In the second quarter of 2008, we expect significantly higher sequential revenues and correspondingly improved earnings. We reaffirm our guidance for the full 2008 year with both revenue and earnings growth over 2007 on stronger revenue in the second half of the year.”

Expressed in U.S. dollars

About SMTC Corporation: SMTC Corporation, founded in 1985, is a mid-size provider of end-to-end electronics manufacturing services (EMS) including PCBA production, systems integration and comprehensive testing services, enclosure fabrication, as well as product design, sustaining engineering and supply chain management services. SMTC facilities span a broad footprint in the United States, Canada, Mexico, and China, with more than 1500 full time employees. SMTC services extend over the entire electronic product life cycle from the development and introduction of new products through to the growth, maturity and end-of-life phases. SMTC offers fully integrated contract manufacturing services with a distinctive approach to global original equipment manufacturers (OEMs) and emerging technology companies primarily within industrial, computing and communication market segments.

SMTC is a public company incorporated in Delaware with its shares traded on the Nasdaq National Market System under the symbol SMTX and on the Toronto Stock Exchange under the symbol SMX. For further information on SMTC Corporation, please visit our website at www.smtc.com (<http://www.smtc.com/>)

Note for Investors: The statements contained in this release that are not purely historical are forward-looking statements which involve risk and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. These statements may be identified by their use of forward-looking terminology such as "believes", "expect", "may", "should", "would", "will", "intends", "plans", "estimates", "anticipates" and similar words, and include, but are not limited to, statements

regarding the expectations, intentions or strategies of SMTC Corporation. For these statements, we claim the protection of the safe harbor for forward-looking statements provisions contained in the Private Securities Litigation Reform Act of 1995. Risks and uncertainties that may cause future results to differ from forward-looking statements include the challenges of managing quickly expanding operations and integrating acquired companies, fluctuations in demand for customers' products and changes in customers' product sources, competition in the EMS industry, component shortages, and others discussed in the Company's most recent filings with securities regulators in the United States and Canada. The forward-looking statements contained in this release are made as of the date hereof and the Company assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ materially from those projected in the forward-looking statements.

For further information:

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Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

Three months ended

| <i>(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)</i> | March 30, | 2008 | April 1, | 2007 |
|--|------------------|-------------|-----------------|-------------|
| Revenue | \$ | 55,140 | \$ | 69,477 |
| Cost of sales | | 50,739 | | 63,000 |
| Gross profit | | 4,401 | | 6,477 |
| Selling, general and administrative expenses | | 3,189 | | 3,572 |
| Restructuring recoveries | | (225) | | - |
| Operating earnings | | 1,437 | | 2,905 |
| Interest expense | | 913 | | 1,682 |
| Earnings before income taxes | | 524 | | 1,223 |
| Income tax expense (recovery) | | | | |
| Current | | 112 | | (1,480) |
| Deferred | | (9) | | (98) |
| Net earnings, also being comprehensive income | \$ | 421 | \$ | 2,801 |
| Basic earnings per share | \$ | 0.03 | \$ | 0.19 |
| Diluted earnings per share | \$ | 0.03 | \$ | 0.19 |
| Weighted average number of shares outstanding | | | | |
| Basic | | 14,646,333 | | 14,646,333 |
| Diluted | | 14,662,931 | | 14,871,043 |

Consolidated Balance Sheets as of

(Unaudited)

| <i>(Expressed in thousands of U.S. dollars)</i> | March 30, 2008 | December 31, 2007 |
|---|---------------------------|------------------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 473 | \$ 182 |
| Accounts receivable - net | 34,202 | 38,658 |
| Inventories | 38,895 | 30,879 |
| Prepaid expenses | 1,115 | 940 |
| | <u>74,685</u> | <u>70,659</u> |
| Property, plant and equipment - net | 22,123 | 22,295 |
| Deferred financing fees | 1,306 | 1,410 |
| Deferred income taxes | 492 | 483 |
| | <u>\$ 98,606</u> | <u>\$ 94,847</u> |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 40,370 | \$ 37,172 |
| Accrued liabilities | 7,825 | 7,272 |
| Income taxes payable | 590 | 604 |
| Current portion of long-term debt | 3,071 | 3,071 |
| Current portion of capital lease obligations | 874 | 736 |
| | <u>52,730</u> | <u>48,855</u> |
| Long-term debt | 16,893 | 17,913 |
| Capital lease obligations | 1,639 | 1,244 |
| Shareholders' equity: | | |
| Capital stock | 7,757 | 7,854 |
| Warrants | 10,372 | 10,372 |
| Loans receivable | (5) | (5) |
| Additional paid-in capital | 249,073 | 248,888 |
| Deficit | (239,853) | (240,274) |
| | <u>27,344</u> | <u>26,835</u> |
| | <u>\$ 98,606</u> | <u>\$ 94,847</u> |

Consolidated Statements of Cash Flows

(Unaudited)

Three months ended

(Expressed in thousands of U.S. dollars)

| | March 30, 2008 | April 1, 2007 |
|--|----------------|---------------|
| Cash provided by (used in): | | |
| Operations: | | |
| Net earnings | \$ 421 | \$ 2,801 |
| Items not involving cash: | | |
| Depreciation | 1,124 | 1,309 |
| Deferred income taxes | (9) | (88) |
| Non-cash interest | 104 | 313 |
| Stock-based compensation | 208 | 66 |
| | 1,848 | 4,401 |
| Change in non-cash operating working capital: | | |
| Accounts receivable | 4,456 | 244 |
| Inventories | (8,016) | (1,942) |
| Prepaid expenses | (175) | 13 |
| Income taxes payable | (14) | (1,657) |
| Accounts payable | 3,198 | 2,785 |
| Accrued liabilities | 433 | 154 |
| | 1,730 | 3,998 |
| Financing: | | |
| Repayment of long-term debt | (1,020) | (3,559) |
| Principal payment of capital lease obligations | (176) | (130) |
| | (1,196) | (3,689) |
| Investing: | | |
| Purchase of property, plant and equipment | (243) | (309) |
| | (243) | (309) |
| Increase in cash and cash equivalents | 291 | - |
| Cash and cash equivalents, beginning of period | 182 | - |
| Cash, end of the period | \$ 473 | \$ - |

Supplementary Information:

Reconciliation of EBITDA

| | Three months ended | |
|--------------------|--------------------|------------------|
| | March 30, 2008 | April 1, 2007 |
| Operating earnings | \$ 1,437 | \$ 2,905 |
| Add: | | |
| Depreciation | 1,124 | 1,309 |
| EBITDA | 2,561 | 4,214 |