

Innovotech Inc. Reports 2018 Financial Results

Edmonton, April 26, 2019. Innovotech, a leader in contract research in connection with the susceptibility of medical devices to microbial biofilm formations has released its financial and operating results for the fiscal year ended December 31, 2018.

For the year, Innovotech recorded a net loss of \$127,634 compared to a net profit of \$753,385 in 2017. The decrease from the 2017 net profit was due to the prior year having recorded a gain on debt settlement of \$857,389 compared with \$49,599 in 2018. The net loss for the 2018 year was largely due to a decline in sales revenue from \$990,343 in the prior year to \$826,835 in 2018. Higher general and administrative expenditures derived from increased salaries and wages, and an increase in share-based compensation expenses of \$23,444.

Although the 2018 year was one of financial underperformance, it was also one of constructive change in strategy and direction.

- Recognizing reduced revenues, the Company curtailed its proprietary R&D program, thus reducing R&D costs to selected patent maintenance.
- Prior to curtailing proprietary R&D activities, the Company developed a stable gel formulation as a functional carrier for InnovoSIL™ - 1 so as to enable possible partners to test its performance.
- In a further response to reduced revenues the Company focused on reducing its G&A expenses. The benefits of reductions in both operating expenses and R&D expenses are expected to be evident in 2019.
- Our COO and his team worked all year to successfully obtain ISO 17025 certification early in 2019. While this effort contributed to higher costs in 2018, it was considered essential to enable us to compete with other contract research organizations. ISO 17025 is an audited program that focuses on the excellence and reliability of testing and equipment calibration in laboratories.
- We acquired and improved on a device that enables us to more efficiently conduct our contract research business.
- In the 2018 year, 19.5% of the contract research side of our business came from new accounts opened during the year.

Financial Results of Operation:

	2018	2017
Revenue	826,935	990,343
Cost of Sales	220,614	290,560
Gross Profit	606,321	699,783
Operating Expenses (net of forgiveness of accounts payable)	733,308	633,762
Interest Expense (net)	647	27,829
Debt forgiveness	-	745,193
Net Income	(127,634)	753,385

EBITDAS (Earnings before Interest, taxes, depreciation, amortization and Share-based Compensation)

	2018	2017
Net income (loss) for the year	(127,634)	753,385
Depreciation	15,368	16,827
Loss (gain) on disposal of equipment	1,297	(1,158)
Interest expense (net)	650	27,829
Forgiveness of debts	-	(745,193)
Forgiveness of accounts payable	(49,559)	(112,196)
Share-based compensation	39,595	16,152
	(120,323)	(44,311)

Fourth Quarter, 2018, Results:

	2018
Gross revenue	199,615
Cost of sales	57,937
Gross profit	141,678
Expenses	109,833
Net income	31,845
Net Income per share	0.00

The fourth quarter benefited from lower G&A expenses and a net recovery of R&D expenses of \$33,129 as a result of the forgiveness of accounts payable of \$49,599.

We believe that our focus on our core businesses following R&D curtailment may result in improved revenues, and our focus on controlling G&A costs may allow more of that revenue to reach our bottom line. The Company continues to look for merger or acquisition opportunities to diversify its business activities and provide greater consistency of recurring revenues. It is the Company's intent that becoming a profitable platform will benefit its search for a constructive M&A partner.

On Behalf of the Board of Directors,

Alan C Savage, CFO

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