



TSO₃ Reports First Quarter 2019 Results

Quebec City, Canada and Myrtle Beach, United States, – May 6, 2019 – TSO₃ Inc. (TSX: TOS) ("TSO₃" or the "Company"), an innovator in sterilization technology for medical devices in healthcare settings, reported financial results for the first quarter ended March 31, 2019.

Business Highlights

TSO₃'s direct sales force continues to increase market adoption of its technology. In the first quarter of 2019, TSO₃ received purchase orders or commitment indications for 14 units of its industry-leading STERIZONE[®] VP4 Sterilizer and shipped nine sterilizers to end-users. The Company ended the quarter with 75 sterilizers installed at end-user locations, seven that have been shipped but not yet installed, and 28 which are under open purchase orders or commitment indications.

"The Company is on a record pace with 35 units sold or committed to within the last two quarters. TSO₃ continues to execute on its goal to sell the 230 sterilizers repurchased from our exclusive distributor last year," stated R.M. (Ric) Rumble, President and CEO of TSO₃. "The Company now has over 450 opportunities in our pipeline and is also investing in contracting efforts with Integrated Delivery Networks (IDN's) and Group Purchasing Organizations (GPO's) to provide further access and credibility with acute care facilities in the USA. We remain singularly focused on commercializing our innovative product and see real signs of progress."

2019 First Quarter Financial Summary

- Revenues equaled \$1.0 million, compared to \$0.3 million in the first quarter of 2018. TSO₃ revenues in the first quarter of 2019 reflect sales of sterilizers and related accessories, service and \$0.4 million from the sale of consumables directly to end customers. The Company shipped nine sterilizers to hospitals in the first quarter of 2019 as compared to none in the first quarter of 2018.
- Gross profit was positive \$0.4 million, or 39% of revenues, as compared to negative (\$0.3) million in the first quarter of 2018. Gross profit in the first quarter of 2019 increased as a result of growth in sterilizers and consumables sales at direct-to-user selling prices rather than the wholesale prices at which the Company sold to its distributor in the first quarter of 2018.
- Research and Development (R&D) expenses amounted to \$0.7 million, as compared to \$1.7 million in the first quarter of 2018. The Company reduced its research and development expenditures as it focused more of its investments on selling and marketing activities.
- Selling, general and administrative (SG&A) includes marketing, sales, service and administrative expenses. SG&A expenses were \$2.6 million, which is comparable to the first quarter of 2018.
- Financial expense was \$0.5 million as compared to an immaterial amount in the first quarter of 2018. The Company recorded \$0.7 million of accrued interest expense in the first quarter of 2019 related to a \$20.0 million debt financing it obtained in August 2018 and a non-cash gain of \$0.2 million on the revaluation of the embedded derivative within the Convertible Note associated with this financing.
- The Company's net loss was \$(3.4) million, or \$(0.04) per share, as compared to \$(4.5) million, or \$(0.05) per share in the first quarter of 2018.

- The Company had \$11.3 million in cash and cash equivalents and \$18.5 million of debt as of March 31, 2019, as compared to \$13.0 million in cash and cash equivalents and \$18.0 million of debt at the end of 2018. The Company used \$1.6 million for operating activities in the first quarter of 2019.

Supplemental Non-IFRS Financial Measures

In addition to IFRS financial measures, management uses non-IFRS financial measures to assess the Company's operational performance. It is likely that the non-IFRS financial measures used by the Company will not be comparable to similar measures reported by other issuers or those used by financial analysts as their measures may have different definitions. The measures used by the Company are intended to provide additional information and should not be considered in isolation or as a substitute for IFRS financial performance measures.

Generally, a non-IFRS financial measure is a numerical measure of an entity's historical or future financial performance, financial position or cash flows that is neither calculated nor recognized under IFRS. Management believes that such non-IFRS financial measures are important as they provide users of the financial statements with a better understanding of the results of the Company's recurring operations and their related trends, while increasing transparency and clarity into its operating results. Management also believes these measures can be useful in assessing the Company's capacity to discharge its financial obligations.

Management is assessing its operational performance using supplemental non-IFRS measures which removes significant unusual items that do not reflect the recurring and ongoing operational results and trends.

IFRS to Non-IFRS adjusted EBITDA Reconciliation

\$000's	2019				2018
	Q1	Q4	Q3	Q2	Q1
Net loss	(3,426)	(2,676)	(2,104)	(3,952)	(4,512)
Financial expenses (income)	479	(1,055)	(599)	(12)	(14)
Amortization and depreciation	269	235	270	292	315
Write-down of tangible and intangible assets	-	1,026	-	-	-
Share-based compensation expense	356	369	688	627	371
Income taxes	32	7	11	7	-
Adjusted EBITDA	(2,290)	(2,094)	(1,734)	(3,038)	(3,840)

Adjusted EBITDA, is adjusted Earnings before Interest, Taxes, Depreciation, and Amortization (Adjusted EBITDA). Adjusted EBITDA adjusts net income for (1) significant realized and unrealized foreign exchange gains or losses, (2) financial expenses (income), (3) amortization and depreciation expenses (4) share-based compensation expense, (5) write-downs of certain tangible and intangible assets, (6) income taxes, and (7) other significant unusual items.

Summary of Results

Periods ended March 31, 2019 and 2018 (Unaudited, IFRS Basis, in thousands of US dollars, except per share amounts)

	2019	First Quarter 2018
	\$	\$
Revenues	960	255
Cost of sales	583	526
Gross profit	377	(271)
Expenses		
Research and development	710	1,704
Selling, general and administrative	2,582	2,551
Financial expenses (income)	479	(14)
Total Expenses	3,771	4,241
Net loss before income taxes	(3,394)	(4,512)
Income taxes	32	-
Net loss and comprehensive loss	(3,426)	(4,512)
Weighted average number of outstanding shares (in thousands)	93,465	92,877
Basic and diluted net loss per share	(0.04)	(0.05)
Basic and diluted net comprehensive loss per share	(0.04)	(0.05)

Consolidated Statements of Financial Position

(Unaudited, IFRS Basis, in thousands of US dollars)

	March 31, 2019	December 31, 2018
	\$	\$
Current Assets		
Cash and Cash Equivalents	11,268	12,961
Accounts Receivable	944	1,591
Inventories	3,438	3,534
Current Tax Assets	-	16
Prepaid Expenses	340	261
	15,990	18,363
Non-current Assets		
Property, Plant and Equipment	2,360	2,039
Intangible Assets	1,793	1,781
	4,153	3,820
	20,143	22,183
Current Liabilities		
Accounts Payable and Accrued Liabilities	1,882	1,858
Warranty Provision	305	273
Current Tax Liabilities	16	-
Lease Liabilities	139	-
Deferred Revenues	185	103
	2,557	2,234
Non-current Liabilities		
Deferred Tax Liabilities	51	51
Lease Liabilities	250	-
Debt	17,453	16,711
Embedded Derivative	1,064	1,319
Deferred Revenues	-	-
	21,345	20,315
Equity		
Share Capital	111,470	111,470
Reserve – Share-based Compensation	8,896	8,540
Deficit	(119,856)	(116,430)
Accumulated Other Comprehensive Loss	(1,712)	(1,712)
	(1,202)	1,868
	20,143	22,183

Consolidated Statements of Cash Flows

As of March 31, 2019 and 2018 (Unaudited, IFRS Basis, in thousands of US dollars)

	2019	First Quarter 2018
	\$	\$
Cash flows from operating activities		
Net loss	(3,426)	(4,512)
Adjustments for:		
Depreciation and amortization	269	315
Loss on disposal of property, plant and equipment	7	-
Income tax	32	-
Share-based Compensation	356	371
Capitalized interest on long term debt	714	-
Gain on re-measurement at fair-value on embedded derivative	(255)	-
Investment income	(44)	(27)
	(2,347)	(3,853)
Changes in non-cash operating working capital items	(657)	(948)
Interest received	(44)	35
Cash flows used by operating activities	(1,646)	(4,766)
Cash flows from investing activities		
Disposal of investments	-	2,326
Acquisition of property, plant and equipment	(8)	(67)
Acquisition of intangible assets	(71)	(41)
Proceed from disposal of property, plant and equipment	4	-
Cash flows (used) generated by investing activities	(75)	2,218
Cash flows from financing activities		
Financing fee	28	-
Options exercised	-	25
Cash flows generated by financing activities	28	25
Increase in cash and cash equivalents	(1,693)	(2,523)
Cash and cash equivalents at the beginning	12,961	8,044
Cash and cash equivalents at the end	11,268	5,521

Conference call

TSO₃ President and CEO R.M. (Ric) Rumble and CFO Glen Kayll, will host the conference call, followed by a question and answer period.

Date: Tuesday, May 7, 2019
 Time: 8:00 a.m. Eastern Daylight Time
 Toll-free dial-in number: 1-888-231-8191
 International dial-in number: 1-514-807-9895 (Montreal); 1-647-427-7450 (Toronto)
 Conference ID: 5423529

Analysts and institutional investors are invited to participate on the call. Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Danielle Ste-Marie at 1-514-465-6701

Other interested parties may listen to the live webcast of the conference call at <https://event.on24.com/wcc/r/1993850/97C1DC5ABD2F78F31B0550ECA1263AEF> which will be available for replay in the Investors section of the Company's website at www.tso3.com.

First Quarter of 2019 Results Disclosure

The first quarter of 2019 Report is available on TSO₃'s website at www.tso3.com and will shortly be available on SEDAR (www.sedar.com).

About the STERIZONE® VP4 Sterilizer

The STERIZONE VP4 Sterilizer is a low-temperature sterilization system that utilizes the dual sterilants of vaporized hydrogen peroxide (H₂O₂) and ozone (O₃) to achieve terminal sterilization of heat and moisture-sensitive medical devices. Its single pre-programmed cycle can sterilize a large number and wide range of compatible devices, creating a cost-effective sterilization process with error-free cycle selection. The

device's unique Dynamic Sterilant Delivery System™ automatically adjusts the quantity of injected sterilant based on the load composition, weight and temperature. This capability removes the guesswork and potential for human error, as there is no need to sort instruments and choose the appropriate cycles as with other machines.

The STERIZONE® VP4 Sterilizer is the only terminal sterilization method that is FDA cleared to sterilize long, multi-channel flexible endoscopes (with a maximum of four channels) of up to 3.5 meters in length - an industry first for any medical device sterilization process.

The STERIZONE® VP4 Sterilizer is also the only cleared low temperature sterilizer that can process a mixed load consisting of general instruments, single channel flexible endoscopes, and single or double channel rigid endoscopes in the same cycle with load weights of up to 75 lb. The ability to run mixed loads significantly reduces labor costs by minimizing the amount of instrument sorting required, while maximizing the device turns (more productivity from increased throughput capacity).

More information about the STERIZONE® VP4 Sterilizer is available through TSO₃'s website, under the Products section at www.tso3.com.

About TSO₃

Founded in 1998, TSO₃'s activities encompass the sale, production, maintenance, research, development and licensing of sterilization processes, related consumable supplies and accessories for heat-sensitive medical devices. The Company designs products for sterile processing areas in the hospital environment that offer an advantageous replacement solution to other low temperature sterilization processes currently used in hospitals. TSO₃ also offers services related to the maintenance of sterilization equipment and compatibility testing of medical devices with such processes.

For more information about TSO₃, visit the Company's website at www.tso3.com.

The statements in this release and oral statements made by representatives of TSO₃ relating to matters that are not historical facts are forward-looking statements that involve certain risks, uncertainties and hypotheses, including, but not limited to, the limited history of sales or distribution of the Company, the evolution in customer demand for the Company's products and services, the plans for sales and marketing including the fact that the Company's customers may not commit to any purchases, the ability of the Company to obtain the required regulatory clearances to market its products, general business and economic conditions, the condition of the financial markets, the ability of TSO₃ to obtain financing on favourable terms and other risks and uncertainties. Although TSO₃ believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. The complete versions of the cautionary note regarding forward-looking statements as well as a description of the relevant assumptions and risk factors likely to affect TSO₃'s actual or projected results are included in the Management's Discussion and Analysis for the year ended December 31, 2018, which is available on the Company's website. The forward-looking statements contained in this press release are made as of the date hereof, and TSO₃ does not assume any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise unless expressly required by applicable securities laws.

-30-

Source: TSO₃ Inc.

For further information

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