

From A Very Modest Debut In 2002 As A Private Ultrasound Scanners Company, Noveko International Inc. Has Become A Public Company And Grown Organically As Well As Through 4 Acquisitions That Have Changed The Face Of The Company And This Includes Hand Sanitizers, Air Filters, Surgical Masks And Respirators



Consumer Products
Biotechnology & Pharmaceuticals
(EKO-TSX)



André Leroux
Chairman and CEO

BIO:

André Leroux, Chairman of the Board and Chief Executive Officer

Mr. Leroux has served as Chairman of the Board since March 2007 and as Chief Executive Officer and Director of Noveko International since January 2004. He is also a member of the Compensation Committee. Founder of the group, Mr. Leroux served as Chairman and President of Noveko Inc. from 2002 to 2004. Prior to founding Noveko, Mr. Leroux served as Chairman of Alliance Medical Inc. from 1999 to 2002. Before that, he held

various senior positions at Acier Leroux Inc., including Chairman and Chief Executive Officer from 1996 to 1999. Mr. Leroux also serves on various boards including the board of the Fondation de l'UQAM and of the Fondation de l'Hôpital Pierre-Boucher. He is additionally involved with a number of other charitable organizations including the foundations for Sainte-Justine Hospital and Montreal Children's Hospital, as well as the Fondation des Auberges du Cœur. Mr. Leroux holds a Bachelor in Business Administration from the Université du Québec à Montréal (UQAM).

Company Profile:

Noveko International Inc. offers innovative solutions in the environmental and medical fields worldwide. Through its subsidiaries, the Company specializes primarily in the following business segments: the development, manufacturing and marketing of derivative products from its patented antimicrobial filtration technology, including air filters, surgical masks and respirators, along with other products with antimicrobial properties such as AZURO(TM) hand sanitizers - and the development, manufacturing and marketing of medical equipment, primarily portable real-time ultrasound scanners for use in human and veterinary medicine.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Leroux, how has Noveko grown under your leadership?

Mr. Leroux: I founded this company back in the summer of 2002. For the first

four years we were dedicated only to developing, manufacturing and distributing portable ultrasound scanners for animals and humans. We are a small company. We became a publicly traded company January of 2004 and that allowed us to make acquisitions to grow by acquisitions and organically as well. From a very modest debut, we have grown and done pretty well. We have done some acquisitions and the first one was acquiring a competitor in the ultrasound scanner domain in France. As of right now we are still involved with scanners, but everything for our scanner business is done through our French subsidiary. Our most significant acquisition was in April of 2006, when we acquired a company called BLI. Very strangely, these people were involved in steel products processing, but the reason for the acquisition was because they had developed throughout the years, an antimicrobial technology for air filters, surgical masks and respirators. This is the reason we have acquired that company. So the result three years later is that the technology has been transferred to Noveko and now we are divesting the steel activities, because it is not related at all with our biomedical activities. Since that time we obtained patents for this antimicrobial technology, actually we obtained the patents the same year we acquired the company, just a few months later from US patent office. That is a unique technology that gives us the worldwide exclusivity for the antimicrobial fiber for air filters and masks. We have developed this technology and right now we have partnered to commercialize our filters and of course as well our masks. At this very moment the worldwide demand for masks is tremendous. A

recent event in Mexico in April and then throughout the world kind of accelerated our development. We had no choice but to try to supply the demand. That is why in this fiscal year 2009-2010 we have had what I don't think we can even call a ramping up, it is rather a phenomenal growth because of the demand for the masks and sanitizers. We acquired in July of 2007 a little company that was manufacturing hand sanitizers. They had a special formula, but there is no patent on the technology and we acquired that hand sanitizer company because I thought it was very complementary with the facemasks.

CEOFCO: What do you like about the sanitizer business; what is the synergy with your other products?

Mr. Leroux: Well these two products are two of our four core units; the mask and the hand sanitizers. At this moment, these are our two products that are very much in demand. The hands sanitizers are commercialized under the name of Azuro™ and very soon, in just a few weeks, it is going to be renamed and rebranded under another name to better face the worldwide demand. It is really tremendous. In our last fiscal year we had sold 23,000 liters of the sanitizers in six different formats. At this very moment, we produce 20,000 liters a day. That gives you an idea of the demand. By the end of October, our outsourcer's capacity will increase to 30,000 liters a day.

CEOFCO: Is that sold on a retail basis?

Mr. Leroux: We sell to mass distributors and these people then are reselling into a

mass market, including drug stores, pharmacies or large surface, Targets or Wal-Mart. Some others have niche markets like the governmental institutions for instance. Some others are more specialized into office buildings or into hospitals or clinics.

CEOFCO: What is it about your sanitizer that is different?

Mr. Leroux: Without naming any one, there is one more popular brand on the market now that is a very largely distrib-

find yourself at the end of the day with cracked skin on your hands, so it is very popular. As soon as you introduce it in foreign countries it starts growing tremendously. This is why right now in a couple of day's production is going to be 30,000 liters a day and we expect that within six months we will be selling about 100,000 liters a day.

CEOFCO: What is the strategy for your rebranding and for Noveko in general?

Mr. Leroux: At this very moment in the

The global mask demand or market worldwide before the epidemic threat was around \$6 billion a year, now we don't have a precise figure, but it is at least double and maybe triple. We are talking about a market of about \$15 billion a year. So it is a huge market, but the sanitizer market is about \$3 billion, so both together is a really large market with lots of room for us and for others. The most interesting market, our strategy mid and long term is really going to be focused on the air filter; this is the most important part. As we speak right now it is a \$60 billion a year market. Just think about it, everywhere there is ventilation or air conditioning, in every building, or house there are filters. Transportation is also huge, with airplanes, trains, and automobiles. This is the market we should be even more successful with. Of all the filters now being used, none of them are antimicrobial. Our technology allows us to impregnate or bond an antimicrobial agent into the filter fibers. So this is where we expect the most important breakthroughs in the coming years. Just to give you an example, five years ago nobody would have thought we would have to filter the ventilation in farm buildings. However, swine breeders are losing lots of their herds because of different airborne viruses or bacteria, so now they are starting to bio-secure their buildings and one of the means is putting filters at the air intake in order to stop and neutralize the viruses and bacteria. There is no such notion anymore about pure and fresh air; this is a notion that is disappearing. Pretty often the animals like swine or poultry are very sensitive to the airborne viruses or bacteria. This is a market that even five years ago no one would have thought about and it is really a booming new market. - André Leroux

uted brand and a good sanitizer. However, it is only 62% alcohol, ours is 70% alcohol, and this is what is recognized for better neutralizing or killing the germs. This is an alcohol based product and the usage of this will dry up the skin. So let's say that you are a nurse or a doctor and you use that pretty often in the day, it would really dry up your hands. However, our sanitizer, with a formula that has an emollient in the product, on the contrary would soften the skin. You would not

very short-term the most popular products on our four core units are really the hand sanitizers. Mid and long term we don't expect this epidemic threat that the world experiences right now, to last all the time. Although, once it is going to be resorbed, we really don't think that the level, the sales or requirement levels are going to come back to what it was a year ago. The demand will eventually diminish, but it would still be higher than what it was because peoples' consciousness is changing. For example, the big corporations now have a contingency plan that includes hand sanitizers, and this will never

get back to zero again. So there is a tremendous demand right now and it is going to slow down eventually, maybe in a year from now, but it will never come back to the traditional level.

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CEO CFO: How does the company effectively focus on so many areas?

Mr. Leroux: It is all related. Let's say you take the mask and you focus on a hospital, well the mask is a closed protection, it is an individual protection force.

So when you use a mask, before putting it on it is a normal protocol in a hospital or clinic that people will sanitize their hands. So there you are with two products. In that hospital or clinic there is also the air in the room that is being ventilated and filtered. Therefore, if you want to make sure that there aren't so many germs in the air, our filters are more efficient and offer a better protection for viruses. Finally, there is our fourth unit, which is the portable ultrasound scanner. This is not core, but it is related to the medical business, as you usually find scanners in hospitals.

CEO CFO: What is the financial picture like at Noveko today?

Mr. Leroux: Today is pretty good because we have just closed a second private placement. So we have raised a little over \$15 million a few days ago. Back in spring of 2007, we had raised \$23 million plus \$17 million coming from the warrants, for a total of \$40 million. This was really for completing research and development on our products. This money has been used to bring the products to the commercial stage. Since April of this year (2009), with the tremendous demand for our product and experiencing a growth in our sales volumes right now, we needed working capital for basic commercial activities. In other words, purchasing raw materials and sending it to outsourcers to have them produce these products and then sell them to distributors. It came very suddenly and we were facing important financial needs to really be able to support inventory and sales. This time the \$15 million we have raised was really to help us with working capital needs. It creates leverage also to enable us to ask for more traditional banking, and normal working capital finance. We were very successful since it took only 2 months

from the decision-making and closing of the placement.

CEO CFO: You have the products and some nice orders to back it up!

Mr. Leroux: Our backlog is just incredible.

CEO CFO: With your outsourcing of manufacturing, can you ramp up production as needed?

Mr. Leroux: Yes, we are outsourcing, because otherwise if we wanted to be fully integrated it would require very large financing to CAPX. So we don't want to go into this. We have a sufficient amount of people now to assemble the mask for us and produce the hand sanitizer. So there is no need for us to CAPX; we figure it is not our role. Eventually our business plan is to use other people and license them and they would produce for us and pay us royalties. Therefore, this how we believe that our future revenues will come. At this very moment because we are still pretty much new to this business, we have to prove ourselves and we have to start commercializing. But as we already are talking to major people interested in our technology we believe we will eventually license them.

CEO CFO: Why should potential investors pick Noveko out of the crowd?

Mr. Leroux: Investors should be interested in Noveko because there is no limit to our growth. We have to do things correctly and it is a very regulated business we are in, especially with the masks and sanitizers, of course air filters also. It is the future because more and more people are conscious about their health and very sadly, the notion of fresh air doesn't exist anymore.. People are getting less and less strong in the face of viruses, so this is why there is a big opportunity, and we are there at the right time.



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