



September 20, 2019

Dear Shareholder,

BIOQUAL completed fiscal year 2019 (June 1, 2018 to May 31, 2019) with an increase in revenues of \$3,593,114 to \$39,478,079. The increase in revenues represents a 10% increase over fiscal year 2018. In fiscal year 2019, the Company realized net income of \$2,830,875 (\$3.17 basic earnings per share) compared to net income of \$3,662,070 (\$4.10 basic earnings per share) for fiscal year 2018. For more detailed information related to our financial statements, please visit our website at www.bioqual.com.

During fiscal year 2019, the increase in revenues was primarily due to growth of our commercial contracts, including work from several major drug and vaccine manufacturers. Although BIOQUAL continues to bid on government contracting opportunities, we believe that the primary way to foster increased revenues and profits is by developing stronger relationships with existing commercial clients as well as earning new business from the commercial sector. The \$1,688,852 decrease in operating income primarily reflects the larger increase in contract and G&A expenses than revenues. Contract and G&A expenses increased in a disproportionate amount compared to revenue due to several factors. The updates and additions described in the previous paragraph required a complete overhaul of the Company's IT infrastructure. Also during the fiscal year, to take full advantage of the ongoing IT infrastructure upgrade, it was determined to replace the obsolete, but still functioning, telephone and security systems. There was a significant amount of one-time implementation and training costs related to the new systems as well as new continuing monthly costs. We do not expect to incur significant additional costs for these systems in FY 2020.

During FY 2019 we continued to expand and improve our infectious disease models, including influenza, respiratory syncytial virus (RSV), Chikungunya, Dengue, Mayaro, malaria, and bacterial infections, while maintaining our successful HIV research programs. We also continue to develop small animal cancer models.

BIOQUAL also continued our focus on research on effective vaccines and treatments for HIV/AIDS. This work primarily includes active research with government and commercial investigators to advance new research focused on novel vaccines, and new drugs and potential treatments for curing HIV/AIDS infected patients.

During 2018 and 2019, BIOQUAL scientists co-authored 15 peer reviewed scientific articles involving HIV, Zika, parasitic diseases and characterization of these diseases. All of these papers were published in top-tier, peer reviewed scientific journals including Nature and Science.

In FY 2019, we leased new laboratory and office space, which will expand our capacity to grow our small animal models unit. Also, by using the new space for the small animal models unit, we will be able to re-allocate existing space to increase our large animal holding capacity. We anticipate moving our in-vitro laboratories and administrative offices into newly renovated space later this calendar year. In addition, we continue to upgrade equipment in our laboratories to improve our offered services. Over this last year we upgraded our internet and computer systems, which allowed us to improve our accounting, data collection and administrative/personnel management system software and to move them to cloud based platforms.

Our revenue growth in fiscal year 2019 can principally be attributed to continued interest in animal model utilization by Government, academic and commercial entities, and we have not seen any indications that this trend is unlikely to continue into the 2020 fiscal year.

BIOQUAL's Board of Directors declared a cash dividend of \$0.70 per share for stockholders of record on September 25, 2019, payable at close of business on October 16, 2019. This is the eighteenth dividend declared by BIOQUAL.

Statements herein that are not descriptions of historical facts are forward-looking and subject to risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors including risks relating to the ability to continue to extend current government contracts; the Company's ability to obtain new commercial contracts; continued demand for the use of animal models in scientific research; the Company's ability to perform under its contracts in accordance with the requirements of the contracts; the actual cost incurred in performing the Company's contracts and its ability to manage its costs, including its capital expenditures; dependence on third parties; future capital needs; the ability to fund its capital needs through the use of its cash on hand and line of credit; and the future availability and cost of financing/capital sources to the Company.

Sincerely,



Mark G. Lewis, Ph.D.

President and CEO