

Full Year 2018 Results

RNS Number : 4745X

Novacyt S.A.

30 April 2019

NOVACYT FULL YEAR 2018 RESULTS

Paris, France and Camberley, UK - 30 April 2019 - Novacyt (EURONEXT GROWTH: ALNOV; AIM: NCYT), an international specialist in clinical diagnostics, today announces its audited financial results for the year ended 31 December 2018 and restated financial results for the year ended 31 December 2017 following the impact of the discontinuing operations of NOVAprep®.

In 2018, Novacyt delivered material financial and operational progress as it focused on integrating the Omega Infectious Diseases business unit ("Omega ID") acquired in June 2018 and undertook a strategic review resulting in the decision to sell the NOVAprep® business unit. Novacyt took the decision to focus on its core and more profitable reagent diagnostic product development manufacturing units of Primerdesign and Lab21. This core continuing business of Novacyt delivered sales growth of 9% at CER, improved gross margin 63% (FY17: 62%) and adjusted EBITDA profitability for both FY2017 and FY2018, with the NOVAprep® business unit eliminated from the operating results for continuing operations, under the provisions of IFRS 5.

Financial and recent highlights

- Decision taken during the year to exit the NOVAprep® business unit to allow the Group to focus on diagnostic reagent product development, commercialisation, contract design and manufacturing
- Delivered full year adjusted EBITDA for FY18 of €0.6 million with adjusted EBITDA of €0.9 million in 2017, demonstrating the underlying financial strength of the continuing operations of Novacyt
 - o The reduction in adjusted EBITDA reflects investment in commercial and manufacturing capacity, including two new manufacturing facilities, as well as the additional costs of being dual listed on Euronext and AIM markets
- Group consolidated revenue increased by 8% (9% at CER) to €13.7m (£12.1m) compared with €12.7m (£11.2m) in 2017
 - o Sales momentum continued in H2 2018, up 7% year-on-year to €7.3m and up 13% on H1 2018
 - o Excluding the acquisition of Omega ID, pro forma growth for the year was 1% CER
- Group gross margin increased to 63% in 2018 from 62% in 2017 driven by product mix, sales volumes and cost of sales improvements within Primerdesign
 - o Primerdesign's gross margin grew 3% year-on-year to 84%
- Following the successful acquisition in late June 2018 of Omega ID, Novacyt has almost tripled Omega ID's adjusted EBITDA margin to 28%
- Novacyt ended the year with €1.1m (£1.0m) in cash

Note: 1) All references to 2017 results within this release are to the restated position under IFRS 5, unless otherwise stated

| €'000 | 2018 | 2017 | 2016 |
|---|---------|---------|---------|
| | Consol | Consol* | Consol |
| Revenue | 13,721 | 12,749 | 11,076 |
| Gross profit | 8,604 | 7,909 | 6,080 |
| Gross margin % | 63% | 62% | 55% |
| Adjusted EBITDA ** | 579 | 902 | (2,295) |
| Recurring operating (loss)/profit *** | (425) | 62 | (3,074) |
| Operating loss | (1,385) | (2,119) | (4,461) |
| Loss after tax | (2,112) | (3,491) | (5,710) |
| Loss from discontinued operations | (2,626) | (1,951) | - |
| Loss after tax attributable to the owners | (4,738) | (5,442) | (5,710) |

* 2017 Consolidated results have been restated as per IFRS 5 rules, with the discontinuing operations results now below the operating result

** Adjusted EBITDA is the recurring operating result adjusted for amortisation, depreciation and long-term employee incentive plan (LTIP)

*** Recurring operating result is stated before €1.0m of exceptional charges as follows:

- Acquisition & Business sale related expenses of €0.5m charged to the income statement
- Other non-recurring costs totalling €0.3m, including IPO listing costs & French legal costs
- Group employee restructuring costs of €0.2m

The loss after tax attributable to the owners is stated after the loss attributable to the discontinuing operations of NOVAp[®]. While NOVAp[®] is being held for sale, it is expected to remain loss making, but materially reduced compared to 2018 due to careful management of operational costs with a view to keeping cash outflows to a minimum.

Divisional revenues

- Primerdesign sales increased to €6.2m (£5.5m), up 2% (3% CER) in 2018

o Revenue growth in the core molecular business was strong at over €0.5m (£0.5m) or 11%, which was offset by reduced business to business ("B2B") sales as a result of a large one-off sale to China in late 2017 of over \$1m (£0.9m)

- Lab21 revenues were €7.5m (£6.6m), up 14% on 2017 at CER, mainly reflecting the acquisition of Omega ID which accounted for 13% of the 14% year-on-year growth. Lab21 has €1.0m of confirmed tender orders received at the end of 2018 which will now be completed in 2019.

- On 2 August 2018 the Board announced that it had placed the NOVAp[®] business under a strategic review. Subsequently, on 11 December 2018 the Board announced the decision to sell the NOVAp[®] business unit due the material investment required in this early stage business at odds with the other more mature businesses within the Group. The planned divestment for the NOVAp[®] business unit continues to make progress and a further update is expected later in the quarter or as soon as a binding position has been established with a buyer

- As part of the strategic review of Novacyt it was also decided to sell the Clinical Lab business based in Cambridge as it is now considered non-core. Solid progress is being made in the sale of this business and management expect to update the market by the end of Q2 2019

Operational highlights

- Primerdesign completed a substantial q16 molecular instrument order, expanding the Group's clinical diagnostic reach in the fast-growing Chinese market
- New molecular CE Mark genesig[®] BKV Kit and genesig[®] EBV Kit assays were developed expanding the Group's clinical diagnostic menu
- Exclusive supply agreement signed by Primerdesign with US-based full-service diagnostic laboratory Genesis Diagnostics worth a minimum \$3.0m over five years

- Recently completed the rapid development of an African Swine Flu assay to help address the current swine flu food supply-chain limitations in China, Vietnam and certain European countries

Post Balance Sheet Funding Event

On the 23 April 2019, the Company entered into a Convertible Bond Financing, for up to €5.0 million (net of expenses) (the "Agreement") with Park Partners GP and Negma Group LTD (together the "Investment Managers"). Under the terms of the Agreement, the Company will be able to access capital in seven tranches which oblige the Investment Managers to immediately subscribe for an initial tranche of €2.0 million, followed by six further tranches, each of an aggregate nominal value of €500,000, drawable at the Company's option subject to certain terms and conditions. The Company has immediately exercised its right to the initial tranche of funding giving rise to the subscription of €2.0 million of convertible bonds with warrants by the Investment Managers. The remaining €3.0 million of convertible bonds can be issued by the Company over the next 36 months following the signing of the Agreement.

The €5.0m convertible bond financing facility with the immediate draw down of €2.0m was a factor in preparing the audited financial statements on a going concern basis, while emphasising that certain conditions attached to the draw down of further tranches could place uncertainty on this principal as discussed later in this release.

Current Trading and Outlook

The first quarter of 2019 has started well operationally, with sales meeting management expectations and continuing strong double-digit growth from 2018.

However, sales are expected to temporarily slow during Q2 due to the availability of stock, which has been directly impacted by lack of working capital prior to execution of the Agreement and associated capital draw down. Nonetheless, the outlook for the full year continues to be very encouraging, with the full impact of the acquisition of Omega ID and the visibility from the current sales pipeline also looking strong. Overall, the Company's financial performance is meeting management expectations.

Following completion of the Convertible Bond Financing, the Company has cash and cash equivalents of approximately €2.4 million as at 29 April 2019, being the latest practicable date ahead of this announcement.

Graham Mullis, Group CEO of Novacyt, commented:

"The Group made good operational progress over the course of 2018, continuing its growth trajectory and R&D development. During this period we took the difficult decision to exit the NOVAprep® business unit as we believe greater long-term value for our shareholders can be realised by focusing our resources on reagent development and manufacturing.

We remain committed to our three strategic growth pillars with the delivery of strong organic sales growth from Primerdesign and Lab21 and the recent launch of our CE-Mark approved molecular products, the genesig® BKV Kit

and genesig® EBV Kit.

"We have begun to see the full benefit from the acquisition of the Infectious Disease Business from Omega Diagnostics Plc., which, has contributed to EBITDA profitability in the first six months of ownership and further significant synergies in respect of sales channels, overheads and direct costs are anticipated.

"The Group, on a continued operations basis, is now EBITDA profitable and we aim to build on the operational progress made in 2018 to continue to deliver double-digit revenue growth from this base, further increase margins with the medium target to become self-sustainable on a free cash-flow basis and look at the potential for further acquisitions.

"On 23 April 2019 we announced the completion of an up to €5.0m financing facility which will enable management to drive the business forward knowing there is sufficient working capital to support growth. The business has started well operationally in 2019 and, with the new financing now in place, management can fully focus on the business which we expect to see the benefit of in the second half of the year."

The information included in this announcement is extracted from the Annual Report. Defined terms used in the announcement refer to terms as defined in the Annual Report unless the context otherwise requires. This announcement should be read in conjunction with, and is not a substitute for, the full Annual Report. The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain

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About Novacyt Group

The Novacyt Group is a rapidly growing, international diagnostics business generating an increasing portfolio of in vitro and molecular diagnostic tests. Its core strengths lie in diagnostics product development, commercialisation, contract design and manufacturing. The Company's lead business units comprise of Primerdesign and Lab21 Products, supplying an extensive range of high quality assays and reagents worldwide. The Group directly serves oncology, microbiology, haematology and serology markets as do its global partners, which include major corporates.

For more information please refer to the website: www.novacyt.com

CHIEF EXECUTIVE OFFICER'S REVIEW

Overview

Novacyt has achieved the major milestone of adjusted EBITDA profitability within its continuing operations for both FY2018 and the restated results of FY2017, following its announced intention to divest the non-core NOVAprep® business unit. This reinforces the financial strength of its core, continuing reagent manufacturing businesses: Primerdesign (molecular diagnostics) and Lab21 Products (protein diagnostics). In the current challenging financial markets, we believe this places Novacyt into a strong competitive position as an adjusted EBITDA profitable, technology focused, high growth diagnostics company.

During 2018, Novacyt commenced a strategic review to explore ways to maximise the future value of certain non-core assets within the Group. A decision was reached to sell the NOVAprep® and Lab21 Clinical Lab businesses: processes which remain ongoing. The continuing businesses within the Group are, therefore, focused on the development, manufacture, sales and distribution of diagnostic reagents used in infectious disease markets. The decision to move away from large instrumentation means Novacyt can capitalise on its core expertise in reagents and continue to drive stronger, premium margins.

The Group has been reorganised internally from a divisional to a centralised structure, enabling us to align the organisation to create greater integration and synergies across each of the core business units during 2019 and beyond, to further enhance financial performance. I would like to extend my thanks and appreciation to colleagues involved in these changes who have shown continued commitment and support for the Novacyt business with some outstanding leadership from the executive management team.

Novacyt remains committed to its growth strategy based on the three strategic pillars of organic growth, acquisitive growth and growth from new product development.

Organic Growth

The core reagent products are based on molecular and protein diagnostic technologies and the Group's extensive product menu generates sales from clinical testing, food testing and animal testing diagnostics. The Group will continue to invest in commercial infrastructure for its clinical and food sales channels and will look for a strategic partner in the animal testing market.

The molecular products business provides the Group's most significant growth opportunity which continues to develop following the successful acquisition of Primerdesign. In 2018, molecular sales increased to €6.2m (£5.5m), up 3% (CER) year-on-year, with revenue growth in the core international business strong at over €0.5m (£0.5m) or 11%. Total molecular sales growth in 2017 was positively impacted by a large one-off sale to China in excess of \$1m (£0.9m). Excluding this one off sale in 2017 would have resulted in a year-on-year growth of over 20% for the Primerdesign business in 2018. In 2019, further investment is planned to expand the Group's direct sales channel.

Lab21 revenues in the year were €7.5m (£6.6m), an increase of 14% on 2017 at CER, with growth being driven by the acquisition of Omega ID.

Acquisitive Growth

The Company has always been clear that significant opportunities exist in the diagnostics market to acquire new high growth products and accelerate financial performance with attractive and accretive M&A. The Company has been able to demonstrate this during the past five years through the acquisitions of Lab21, Primerdesign and Omega ID as it has significantly increased sales from €1.2m to €13.7m and turned losses into EBITDA profitability. With attractive buying multiples and the Group's demonstrated ability to integrate assets successfully, acquisitions

are expected to continue be significantly accretive to sales growth, gross margins and earnings.

In May 2018, the Company successfully raised €4.0 million through bonds to fund the acquisition of the profitable Omega ID business which helped the Group accelerate its EBITDA profitability during the second half of 2018 and give the Group greater access to certain key markets to help create operational synergies. During the first six months of integrating the business assets, Novacyt was able to generate an EBITDA margin of 28% from this acquisition, which has almost tripled its underlying EBITDA margin due to manufacturing and overhead cost savings. This level of performance is expected to continue into 2019 where the full year benefit of the acquisition will be seen.

While the financial markets remain uncertain, Novacyt has no current immediate plans for further acquisitions but will continue to monitor and assess opportunities that have the potential to benefit the Group.

R&D

During 2018, a number of significant B2B opportunities were secured and new products and further CE-IVD marked molecular diagnostic kits were launched. This reflects the Group's commitment to our core strengths of in-vitro diagnostics product development, commercialisation and contract manufacturing as we focus on our molecular and protein reagent manufacturing business units Primerdesign and Lab21 Products.

A key target is to expand our clinical molecular menu following the launch in 2018 of two new molecular CE Mark assays (BKV and EBV), with three additional complementary molecular assays for immunosuppressed patients set to be launched in 2019.

During the year, significant operational development of the qPCR instrument, the q16 was made, allowing Novacyt to reduce test cycle times further from 120 minutes to for some assays down to 45 minutes which the Company believes is class-leading. Further developments are planned in 2019 with the launch of the next-generation and larger qPCR instrument: the q32. In addition, Primerdesign has just launched the newly developed African Swine Flu assay where significant demand is currently experienced in China, Vietnam and some Eastern European countries, again showing how responsive its development capabilities are to market demands.

Graham Mullis

Chief Executive Officer

Novacyt S.A.

FINANCIAL REVIEW

Overview

During the year, Novacyt continued to grow revenue and gross margin and the steps we took to refocus the

business helped us deliver EBITDA profitability. It has also been an important year in which the Group has completed its first full year as a dual-listed AIM and Euronext Growth Paris company. We have set ourselves an objective of continuing to drive high sales growth, improve the gross margin whilst balancing ongoing investment with sustained EBITDA profitability goals and ultimately deliver free cash flow generation.

Following the issuance of a bond to finance the acquisition of the Infectious Disease business of Omega Diagnostics, which has increased Group borrowings, Novacyt has continued to reduce the level of indebtedness of the Company through debt repayments of €3.2m during the year including €0.6m of interest.

On 23 April 2019, Novacyt entered into the convertible bond Agreement with an immediate investment of €2.0 million. The initial €2.0 million of funding, will be used primarily for general working capital purposes and support the planned growth of the business in the short and medium term. The full facility funding, if drawn down would also be used to further service outstanding debt and earn out obligations. Ultimately, the Directors believe that the full facility funding would support Novacyt in becoming cash flow self-sufficient in the longer term.

Financial performance

Revenue growth of 8% (9% CER) compared to 2017 was underpinned by improvements in the two continuing operating divisions:

- Primerdesign FY18: €6.2m (£5.5m), FY17: €6.1m (£5.3m), +3% at CER
- Lab21 Group FY18: €7.5m (£6.6m), FY17: €6.7m (£5.8m), +14% at CER

Primerdesign sales growth was driven by a strong core business delivering over 11% or €0.5m of growth, offset by reduced B2B revenues as a result of a large one-off sale in late 2017 for over \$1m. Removing this one-off sale in 2017 would have resulted in a year-on-year growth of over 20% for the Primerdesign business. During 2018 Primerdesign signed a multi-year exclusive B2B supply agreement worth a minimum in excess of \$3m over five years with a US customer with material revenue streams expected to commence in 2019. As sales have increased, the impact of high margin genesig® testing reagent kits have ensured the divisional gross margin remains above 80% and have increased by three percentage points to 84%.

Lab21 sales grew by 14% (CER) for the full year, primarily due to the accretive effect of the Omega ID business, which drove 13% of the 14% year-on-year growth. Revenue growth was achieved while maintaining the divisional gross margin, which at 45%, is good for a mature products business.

Group operating costs have increased year-on-year to support the continued growth of the business following a profitable 2017 adjusted EBITDA position for the continuing operations of the Group. A number of new staff have been hired across different functions in 2018 to ensure the business is structured to build on historical growth.

The Group's underlying adjusted EBITDA remains positive in 2018 at €0.6m, €0.3m lower than the restated 2017 position, due primarily to the €0.3m of additional costs associated with being dual listed on AIM and Euronext from

November 2017. Improvements to EBITDA from the acquisition of Omega ID were broadly offset by increased investment in commercial and manufacturing capacity. The decision to dispose of the NOVAprep® business has a significant impact on the financial results of the Group for 2018 and on an ongoing basis.

The recurring operating result has decreased to a loss of €0.4m during 2018 from a profit of €0.1m in 2017. The reduction is due to two main factors: i) the €0.3m reduction in EBITDA as explained above, and ii) an annual increase in amortisation and depreciation of €0.2m following the Omega ID business and asset purchase, primarily customer relationships and brands. Total depreciation charges of €317k (2017: €248k) and amortisation charges of €685k (2017: €574k) are higher than in 2017 due to the impact of the Omega ID acquisition and the full year effect of significant capital expenditure investment in the second half of 2017.

The operating loss in 2018 was reduced to €1.4m from €2.1m in 2017 and is stated after non-recurring charges amounting to €1.0m. The 2018 charges comprise €0.5m of acquisition and business sale related expenses, €0.2m of Group restructuring costs and €0.3m of other non-recurring charges, including delayed IPO listing costs and French employee litigation costs. Significant listing costs in 2017 were not repeated in 2018, helping drive the improved EBIT in 2018.

The total net loss was €4.7m in 2018, reduced from €5.4m in 2017, and is stated after €0.7m of gross borrowing costs (2017: €1.2m), other financial expenses and tax of €0.05m (2017: €0.2m) and the loss from discontinued operations of €2.6m (2017: €2.0m). The discontinued operations loss represents the financials of the NOVAprep® business that is available for sale and is accounted for under IFRS 5 - non-current assets held for sale and discontinued operations. Other financial expenses in 2017 comprised items such as exchange gains and losses, change in fair value of the Primerdesign warrants and the Primerdesign contingent consideration.

The loss per share significantly improved during 2018 to -€0.13 (2017: -€0.24) due to increased revenue and reduced net loss.

Financial position

Goodwill has reduced to €16.1m in 2018 from €16.5m in the previous year. This reflects a €316k increase in the year as a result of the residual goodwill attributed to the Omega ID acquisition following the Purchase Price Allocation process and fair valuing of the assets, and a €648k reduction in Goodwill as a result of allocating a portion of the overall Lab21 Goodwill to the Cambridge Clinical Labs (asset held for sale) as part of the accounting requirements of IFRS 5.

Trade and other receivables have increased slightly in the year by €0.1m (3%) to €3.9m in line with revenue growth.

Inventory has increased by €0.4m (21%) year-on-year, predominantly following the acquisition of the Omega ID business resulting in an additional circa €0.5m of stock compared with 2017. Additionally, the underlying inventory holding for the group has increased by €0.4m to meet the greater sales demand of the growing business. Partially offsetting these increases, €0.5m of inventory has been transferred to the assets of discontinued operations.

The assets of discontinued operations consist of:

- Clinical Lab goodwill of €648k - representing the portion of Lab21 Goodwill that has been allocated to the Clinical lab (approximately 7%),
- €825k of other intangibles in relation to NOVAprep® patents,
- €281k of tangible fixed assets in relation to NOVAprep® comprising instrument development, moulds and instrument equipment, and
- €459k of inventories and WIP in relation to NOVAprep®, instrument stock (€256k) and vials (€154k).

Borrowings have increased from €3.9m to €5.4m during the year due to issuing a new three year €4.0m bond, offset by capital repayments of €2.6m against outstanding borrowings. Total borrowings in 2018 include two main items: Kreos bonds totalling €1.1m (two bonds originally valued at €3.5m and €3.0m amortising monthly) and Vatel convertible bonds totalling €4.2m (two bonds originally valued at €1.5m and €4.0m, amortising monthly until March 2020 and May 2021 respectively).

The final Primerdesign earn out milestone of £1.0m (disclosed under Contingent Considerations in the financial statements) will be paid over the next 12 months. The increase of €0.4m in contingent consideration compared to 2017 is caused by the two earn out milestones associated with the Omega ID acquisition.

Cash reduced by €3.2m to €1.1m during 2018. Net cash used in operating activities decreased from €4.6m to €1.2m due to one off 2017 costs relating to the IPO of €1.8m not repeating in 2018, a large aged debtor receipt of €0.4 in 2018 received from a single customer and improved terms with suppliers.

Net cash outflow from investing activities reduced slightly to €2.7m in 2018 from €2.8m in 2017. This movement was caused by a €1.7m earn out payment made in relation to the Primerdesign acquisition, offset by the €2m cash consideration paid for the Omega ID assets offset by a €0.4m reduction in capital expenditure due significant investment in 2017 on leasehold improvements as part of the move to new upgraded headquarters in Camberley.

Novacyt raised €4.0m in 2018 through the issuance of convertible bonds. There were no equity capital increases in 2018 and as a result year-on-year cash inflows from financing activities have reduced between 2017 and 2018 by €8.2m as Novacyt moves towards being cash self-sustaining. The significant reduction in 2018 is largely explained by the equity financing of €9.7m before expenses (€7.9m net of expenses) upon the Group's successful listing on AIM and the issuance of €2.7m in convertible bonds (net of fees), both of which took place in 2017.

Repayments of capital and interest for all borrowings have decreased in 2018 by €1.6m to €3.2m, consisting of repayments on Kreos bonds totalling €1.9m, Vatel repayments totalling €1.2m and other small loan repayments of €0.1m.

Audited financial statements will be released on 30 April 2019.

Anthony Dyer

Chief Financial Officer

Novacyt S.A.

Consolidated statement of comprehensive income

| Figures in €'000 | | Year ended | Year ended |
|--|-----|------------------------|--------------------|
| | | Notes 31 December 2018 | 31 December 2017 * |
| Revenue | 3 | 13,721 | 12,749 |
| Cost of sales | | -5,116 | -4,840 |
| Gross profit | | 8,604 | 7,909 |
| Sales, marketing and distribution expenses | | -2,454 | -1,974 |
| Research and development expenses | | -406 | -626 |
| General and administrative expenses | | -6,119 | -5,492 |
| Government subsidies | | -51 | 245 |
| Operating loss/profit before exceptional items | | -425 | 62 |
| Costs related to acquisitions | 4,5 | -201 | - |
| Other operating income | 5 | - | 16 |
| Other operating expenses | 5 | -759 | -2,197 |

| | | | |
|---|----|--------|--------|
| Operating loss after exceptional items | | -1,385 | -2,119 |
| Financial income | 6 | 225 | 466 |
| Financial expense | 6 | -919 | -1,839 |
| Loss before tax | | -2,080 | -3,492 |
| Tax income/(expense) | | -32 | 2 |
| Loss after tax | | -2,112 | -3,491 |
| Loss from discontinued operations | 13 | -2,626 | -1,951 |
| Loss after tax attributable to owners of the company | | -4,738 | -5,442 |
| Loss per share (€) | 7 | -0.13 | -0.24 |
| Diluted loss per share (€) | 7 | -0.13 | -0.24 |
| Loss per share from the continuing operations (€) | 7 | -0.06 | -0.15 |
| Diluted loss per share from the continuing operations (€) | 7 | -0.06 | -0.15 |
| Loss per share from the discontinued operations (€) | 7 | -0.07 | 0.09 |
| Diluted loss per share from the discontinued operations (€) | 7 | -0.07 | -0.09 |

* 2017 financials are restated as per IFRS 5 - Non-current Assets held for sale and discontinued operations.

Statement of financial position

| Figures in €'000 | | Year ended | Year ended |
|---|-------|------------------|------------------|
| | Notes | 31 December 2018 | 31 December 2017 |
| Goodwill | 2.4 | 16,134 | 16,466 |
| Other intangible assets | | 4,944 | 4,840 |
| Property, plant and equipment | | 1,191 | 1,573 |
| Non-current financial assets | | 234 | 238 |
| Non-current assets | | 22,503 | 23,116 |
| Inventories and work-in-progress | | 2,347 | 1,942 |
| Trade and other receivables | | 3,900 | 3,804 |
| Tax receivables | | 94 | 271 |
| Prepayments | | 233 | 537 |
| Short-term investments | | 10 | 10 |
| Cash & Cash equivalents | | 1,132 | 4,345 |
| Current assets | | 7,716 | 10,908 |
| Assets of discontinued operations | 13 | 2,294 | - |
| Total assets | | 32,513 | 34,024 |
| Bank overdrafts and current portion of long-term borrowings 9 | | 3,115 | 2,778 |
| Contingent consideration (current portion) | 10 | 1,569 | 1,126 |
| Short-term provisions | | 100 | 50 |
| Trade and other liabilities | | 4,647 | 3,692 |

| | | | |
|--|-----|---------|---------|
| Other current liabilities | | 379 | 137 |
| Total current liabilities | | 9,809 | 7,783 |
| | | | |
| Liabilities of discontinued operations | 13 | 85 | - |
| | | | |
| Net current assets/(liabilities) | | -2,008 | 3,125 |
| | | | |
| Borrowings and convertible bond notes | 9 | 2,259 | 1,115 |
| Retirement benefit obligations | | - | 14 |
| Long-term provisions | | 168 | 158 |
| Deferred tax liabilities | | 54 | 41 |
| Total non-current liabilities | | 2,481 | 1,327 |
| | | | |
| Total liabilities | | 12,375 | 9,111 |
| | | | |
| Net assets | | 20,138 | 24,914 |
| | | | |
| Share capital | 11a | 2,511 | 2,511 |
| Share premium account | 11b | 58,249 | 58,281 |
| Own shares | | -178 | -176 |
| Other reserves | 11c | -2,819 | -2,815 |
| Equity reserve | 11d | 422 | 422 |
| Retained losses | 11e | -38,047 | -33,309 |
| Total equity | | 20,138 | 24,914 |

Statement of changes in equity

| Figures in € '000 | Notes | Other group reserves | | | | | | | | | Total | Retained loss | Total equity |
|--|----------|----------------------|---------------|------------|-----------------|---|---------------------|---|--|--------|---------|---------------|--------------|
| | | Share capital | Share premium | Own shares | Equity reserves | Acquisition of the shares of Primerdesign | Translation reserve | Other comprehensive income on retirement benefits | | | | | |
| Balance at 1 January 2017 | | 1,161 | 47,120 | -165 | 345 | -2,948 | 135 | -12 | | -2,825 | -27,867 | 17,768 | |
| Actuarial gains on retirement benefits | | - | - | - | - | - | - | 2 | | 2 | - | 2 | |
| Translation differences | | - | - | - | - | - | 8 | - | | 8 | - | 8 | |
| Loss for the period | 11e | - | - | - | - | - | - | - | | - | -5,442 | -5,442 | |
| Total comprehensive income / (loss) for the period | | - | | - | - | - | 8 | 2 | | 10 | -5,442 | -5,432 | |
| Issue of share capital | 11a, 11b | 1,218 | 9,685 | - | - | - | - | - | | - | - | 10,903 | |
| Own shares acquired/sold in the period | | - | - | -11 | - | - | - | - | | - | - | -11 | |
| Other changes | | 132 | 1,476 | - | 77 | - | - | - | | - | - | 1,685 | |
| Balance at 31 December 2017 | | 2,511 | 58,281 | -176 | 422 | -2,948 | 143 | -11 | | -2,815 | -33,309 | 24,914 | |
| Actuarial gains on retirement benefits | | - | - | - | - | - | - | - | | - | - | - | |
| Translation differences | | - | - | - | - | - | - 4 | - | | -4 | - | -4 | |
| Loss for the period | 11e | - | - | - | - | - | - | - | | - | -4,738 | -4,738 | |

| | | | | | | | | | | |
|--|----------|--------|------|-----|--------|-----|-----|--------|---------|--------|
| Total comprehensive income / (loss) for the period | - | - | - | - | - | - 4 | - | -4 | -4,738 | -4,738 |
| Issue of share capital | 11a,11b- | - | - | - | - | - | - | - | - | - |
| Own shares acquired/sold in the period | - | - | -2 | - | - | - | - | - | - | -2 |
| Other changes | - | -32 | - | - | - | - | - | - | - | -32 |
| Balance at 31 December 2018 | 2,511 | 58,249 | -178 | 422 | -2,948 | 139 | -11 | -2,819 | -38,047 | 20,138 |

Statement of cash flows

| Figures in €'000 | | Year ended | Year ended |
|---|-------|------------------|------------------|
| | Notes | 31 December 2018 | 31 December 2017 |
| Net cash used in operating activities | | -1,246 | -4,646 |
| Investing activities | | | |
| Purchases of patents and trademarks | | -307 | -64 |
| Purchases of property, plant and equipment | | -377 | -914 |
| Purchases of trading investments | | 3 | -101 |
| Acquisition of subsidiary net of cash acquired | 12 | -2,034 | -1,747 |
| Net cash used in investing activities | | -2,716 | -2,826 |
| Investing cash flows from discontinued activities | | -130 | -97 |
| Investing cash flows from continuing operations | | -2,586 | -2,729 |

| | | |
|--|----------|--------|
| Repayment of borrowings | -2,561 | -3,296 |
| Proceeds on issue of borrowings and bond notes | 3,960 | 2,722 |
| Proceeds on issue of shares | 11a,11b- | 11,080 |
| Purchase of own shares | -2 | -11 |
| Paid interest expenses | -632 | -1,506 |
| Net cash generated from financing activities | 765 | 8,989 |
| Financing cash flows from discontinued activities | - | -3 |
| Financing cash flows from continuing operations | 765 | 8,992 |
| | | |
| Net increase/decrease in cash and cash equivalents | -3,197 | 1,517 |
| Cash and cash equivalents at beginning of year | 4,345 | 2,856 |
| Effect of foreign exchange rate changes | -16 | -27 |
| Cash and cash equivalents at end of year | 1,132 | 4,345 |

Anthony Dyer

Chief Financial Officer

Novacyt S.A.

Notes

1. Corporate Information

Novacyt S.A is incorporated in France and its principal activities are specialising in cancer and infectious disease diagnostics. Its registered office is located at 13 Avenue Morane Saulnier, 78140 Vélizy Villacoublay.

2. Basis of announcement

2.1 Basis of Preparation

The consolidated financial statements for the fiscal year ended December 31, 2018 were prepared in accordance with the international accounting standards and interpretations (IAS / IFRS) adopted by the European Union and applicable on December 31, 2018. They are prepared and presented in '000s of Euros.

2.2 Key accounting policies

- IFRS 5: Non-current Assets Held for Sale and Discontinued Operations

Discontinued operations and assets held for sale are restated in accordance with IFRS 5.

A discontinued operation is a component of an entity that has been disposed of or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations,
- Is part of a plan to dispose of, or
- Is a subsidiary acquired solely with a view to resale.

As per IFRS 5 we have presented discontinued operations as follows:

In the statement of profit and loss and other comprehensive income: a single amount comprising the total of:

- The post-tax profit or loss of the discontinued operation,
- The post-tax gain or loss recognised on the measurement to fair value less costs to sell, and
- The post-tax gain or loss recognised on the disposal of assets or the disposal group making up the discontinued operation.

The analysis of the single amount is presented in the note.

This restatement, which concerns only the NOVAprep activity, is made for both years to ensure comparability.

In the statement of cash flows: the net cash flow attributable to the operating, investing and financing activities of discontinued operations have been disclosed separately.

In the statement of financial position: the assets and liabilities of a disposal group have been presented separately from other assets. The same applies for liabilities of a disposal group classified as held for sale.

This restatement is made in the accounts 2018 to reflect the intention to dispose of the NOVAprep activity (held by Novacyt S.A.) and of the Clinical Lab business (held by Lab21 Ltd.).

- Standards, interpretations and amendments to standards with mandatory application for periods beginning on or after 1 January 2018

- IFRS 15: "Revenues from contracts with customers". This standard came into effect on 1st January 2018. Its application had no impact on the way revenues are recognized by the companies of the group.

2.3 Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they adopt the going concern basis of accounting in preparing the financial statements.

The going concern model covers the period up to and including April 2020. In making this assessment the Directors have considered the following elements:

- the working capital requirements of the business;
- a positive cash balance at 31 December 2018 of €1,132,000;
- the repayment of the current bond borrowings according to the agreed repayment schedules;
- earn out payments in respect of previous acquisitions
- draw down of funds from time to time from the €5,000,000 convertible bond facility including the initial €2,000,000 received upon completion.

Further bond issuances beyond the initial €2,000,000 upon signing are dependent on certain conditions, such as a cool down period, average daily volume and minimum share price prior to each draw down request. The Company

anticipates being able to draw sufficient funds to support its working capital requirements, but as they are outside of the Company's direct control, complete certainty cannot be given and waivers may be used where necessary.

Additional capital receipts from the disposals of the Clinical labs and NOVAprep businesses and the potential strategic partnering of the Primerdesign animal health business have not been factored into the Group's cash flow forecast. Any such funds received would help reduce the need and mitigate the risk of further bond issuances.

Failure to meet the conditions within the convertible bond facility could place uncertainty on the going concern principle applied in preparing the financial statements insofar as the company may in this case not be able to repay its debts and dispose of its assets in the ordinary course of its business. The going concern principle applied for the period ended 31 December 2018 could in that case prove inappropriate.

2.4 Critical accounting judgements and key sources of estimate uncertainty

The preparation of the financial information in accordance with IFRS requires management to exercise judgement on the application of accounting policies, and to make estimates and assumptions that affect the amounts of assets and liabilities, and income and expenses. The underlying estimates and assumptions, made in accordance with the going concern principle, are based on past experience and other factors deemed reasonable in the circumstances. They serve as the basis for the exercise of judgement required in determining the carrying amounts of assets and liabilities that cannot be obtained directly from other sources. Actual amounts may differ from these estimates. The underlying estimates and assumptions are reviewed continuously. The impact of changes in accounting estimates is recognised in the period of the change if it affects only that period, or in the period of the change and subsequent periods if such periods are also affected.

- Measurement of goodwill

Goodwill is tested for impairment on an annual basis. The recoverable amount of goodwill is determined mainly on the basis of forecasts of future cash flows.

The total amount of anticipated cash flows reflects management's best estimate of the future benefits and liabilities expected for the relevant cash-generating unit (CGU).

The assumptions used and the resulting estimates sometimes cover very long periods, taking into account the technological, commercial and contractual constraints associated with each CGU.

These estimates are mainly subject to assumptions in terms of volumes, selling prices and related production costs, and the exchange rates of the currencies in which sales and purchases are denominated. They are also subject to the discount rate used for each CGU.

The value of the goodwill is tested whenever there are indications of impairment and reviewed at each annual closing date or more frequently should this be justified by internal or external events.

The carrying amount of goodwill at the balance sheet and related impairment loss over the periods are shown below:

| Amounts in '000 € | Year ended 31 December 2018 | Year ended 31 December 2017 |
|------------------------|-----------------------------|-----------------------------|
| | | |
| | | |
| Goodwill Lab21 | 17,709 | 19,042 |
| Impairment of goodwill | - 9,101 | - 9,786 |
| Net value | 8,608 | 9,256 |
| | | |
| Goodwill Primerdesign | 7,210 | 7,210 |
| Impairment of goodwill | - | - |
| Net value | 7,210 | 7,210 |
| | | |
| Goodwill Omega ID | 316 | - |
| Impairment of goodwill | - | - |
| Net value | 316 | - |
| | | |
| Total Goodwill | 16,134 | 16,466 |

3. Operating Segments

Segment reporting

Pursuant to IFRS 8, an operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the Group's chief executive and the managers of the various entities to make decisions regarding the allocation of resources to the segment and to assess its performance;
- for which discrete financial information is available.

The Group has identified three operating segments, whose performances and resources are monitored separately:

o Corporate and Cytology

Previously, this segment represented the NOVAprep and French Group central costs. Following the announcement of the sale proceedings for NOVAprep, this segment now only shows the French Group central costs and the results of NOVAprep are shown in a single line - Discontinued Operations.

o Corporate and Diagnostics

This segment corresponds to diagnostic activities in laboratories, and the manufacturing and distribution of reagents and kits for bacterial and blood tests. This is the activity conducted by Lab21 and its subsidiaries. This segment also includes UK Group central costs.

o Molecular testing

This segment represents the activities of recently acquired Primerdesign, which designs, manufactures and distributes test kits for certain diseases in humans, animals and food products. These kits are intended for laboratory use and rely on "polymerase chain reaction" technology.

Reliance on major customers

The Group is not dependent on a particular customer, there are no customers generating sales accounting for over 10% of revenue.

Breakdown of revenue by operating segment and geographic area

o At 31 December 2018

| Amounts in '000 € | Corporate & Cytology | Corporate & Diagnostics | Molecular Products | Total |
|-------------------|----------------------|-------------------------|--------------------|--------|
| | | | | |
| | | | | |
| Geographical area | | | | |
| Africa | | 715 | 285 | 1,000 |
| Europe | | 3,304 | 2,811 | 6,115 |
| Asia-Pacific | | 1,738 | 1,282 | 3,020 |
| America | | 795 | 1,578 | 2,372 |
| Middle East | | 951 | 262 | 1,213 |
| Revenue | | 7,502 | 6,218 | 13,721 |

o At 31 December 2017

| Amounts in '000 € | Corporate & Cytology | Corporate & Diagnostics | Molecular Products | Total |
|-------------------|----------------------|-------------------------|--------------------|--------|
| | | | | |
| | | | | |
| Geographical area | | | | |
| Africa | | 299 | 363 | 662 |
| Europe | | 3,347 | 2,531 | 5,878 |
| Asia-Pacific | | 1,608 | 1,656 | 3,265 |
| America | | 661 | 1,192 | 1,853 |
| Middle East | | 739 | 352 | 1,091 |
| Revenue | | 6,655 | 6,095 | 12,749 |

Breakdown of result by operating segment

o Year ended 31 December 2018

| Amounts in '000 € | Corporate & Cytology | Corporate & Diagnostics | Molecular Products | Total |
|--|----------------------|-------------------------|--------------------|--------|
| | | | | |
| | | | | |
| Revenue | - | 7,503 | 6,219 | 13,721 |
| Cost of sales | - | -4,147 | -969 | -5,116 |
| Sales and marketing costs | - | -1,152 | -1,302 | -2,454 |
| Research and development | - | -162 | -244 | -406 |
| General & administrative expenses | -959 | -2,635 | -2,525 | -6,119 |
| Governmental subsidies | - | 75 | -125 | -51 |
| Operating profit/(loss) before exceptional items | -959 | -519 | 1,054 | -425 |
| | | | | |
| | | | | |
| Other operating income | - | - | - | - |
| Other operating expenses | -526 | -337 | -97 | -960 |
| | | | | |
| Operating profit/(loss) | -1,486 | -856 | 957 | -1,385 |
| | | | | |
| Financial income | 290 | -144 | 79 | 225 |
| Financial expense | -736 | -180 | -4 | -919 |
| | | | | |
| Profit/(Loss) before tax | -1,931 | -1,181 | 1,032 | -2,080 |
| | | | | |

| | | | | |
|---|--------|--------|-------|--------|
| Tax (expense) / credit | - | - | -32 | -32 |
| Loss from discontinued activities | -2,626 | - | - | -2,626 |
| Profit/(Loss) after tax | -4,557 | -1,181 | 1,001 | -4,738 |
| Attributable to owners of the company | -4,557 | -1,181 | 1,001 | -4,738 |
| Attributable to non-controlling interests | - | - | - | - |

o Year ended 31 December 2017

| Amounts in '000 € | Corporate & Cytology | Corporate & Diagnostics | Molecular Products | Total |
|--|----------------------|-------------------------|--------------------|--------|
| Revenue | - | 6 654 | 6 095 | 12 749 |
| Cost of sales | - | -3 671 | -1 170 | -4 840 |
| Sales and marketing costs | - | -1 015 | -959 | -1 974 |
| Research and development | - | -113 | -513 | -626 |
| General & administrative expenses | -849 | -2 364 | -2 279 | -5 492 |
| Governmental subsidies | - | 119 | 127 | 245 |
| Operating profit/(loss) before exceptional items | -849 | -391 | 1 301 | 62 |
| Other operating income | 16 | - | - | 16 |
| Other operating expenses | -1 661 | -503 | -33 | -2 197 |

| | | | | |
|---------------------------------------|--------|--------|-------|--------|
| Operating profit/(loss) | -2 494 | -894 | 1 268 | -2 119 |
| Financial income | 556 | -99 | 9 | 466 |
| Financial expense | -1 564 | -257 | -18 | -1 839 |
| Profit/(Loss) before tax | -3 502 | -1 249 | 1 259 | -3 492 |
| Tax (expense) / credit | -2 | - | 3 | 2 |
| Loss from discontinued activities | -1 951 | - | - | -1 951 |
| Profit/(Loss) after tax | -5 455 | -1 249 | 1 262 | -5 442 |
| Attributable to owners of the company | -5 455 | -1 249 | 1 262 | -5 442 |

The 2017 consolidated income statement is presented to reflect the impacts of the application of IFRS 5 relative to discontinued operations, by restating the NOVAprep activity on a single line "Loss from discontinued operations".

4. Costs related to acquisitions

On 28 June 2018, the UK Company Lab21 Healthcare Ltd completed an asset purchase agreement for the Infection Diseases business of the company called Omega Diagnostics Ltd. The acquisition was accounted for as a business combination under IFRS, accordingly, the costs related to the acquisition of €201,000 was expensed

5. Other operating income and expenses

| | | |
|-------------------|-----------------------------|-----------------------------|
| Amounts in '000 € | Year ended 31 December 2018 | Year ended 31 December 2017 |
|-------------------|-----------------------------|-----------------------------|

| | | |
|--|-------|---------|
| | | |
| Other operating income | - | 16 |
| Other operating income | - | 16 |
| | | |
| Provision for litigation with employees - 46 | | - 171 |
| Restructuring expenses | - 183 | - 78 |
| Business sale expenses | -104 | - |
| Acquisition related expenses | - 379 | - |
| IPO preparation | - 87 | - 1,631 |
| Relocation expenses | - | - 176 |
| Other expenses | - 161 | - 141 |
| Other operating expenses | - 960 | - 2,197 |

The restructuring expenses of €78,000 in the year ended 31 December 2017 and €183,000 in the period ended 31 December 2018 relate to redundancy payments made to employees in relation to restructuring taken place during this period.

The IPO preparation expenses of €1,631,000 in the year ended 31 December 2017 and €87,000 in the period ended 31 December 2018 relate to the fees incurred in preparation for the company's AIM listing in late 2017.

6. Financial income and expense

| Amounts in '000 € | Year ended31 December 2018 | Year ended31 December 2017 |
|-------------------|----------------------------|----------------------------|
| | | |
| | | |
| | | |

| | | |
|---------------------------------|-------|---------|
| Exchange gains | 102 | 287 |
| Change in fair value of options | 122 | 140 |
| Other financial income | - | 39 |
| Financial income | 225 | 466 |
| Interest on loans | - 682 | - 1,202 |
| Exchange losses | - 190 | - 251 |
| Contingent consideration | - | - 386 |
| Other financial expense | - 47 | - |
| Financial expense | - 919 | - 1,839 |

Financial Income:

Exchange gains

Exchange gains resulted from recurring operations and from variations in sterling on the contingent consideration liability related to the Primerdesign acquisition.

Change in fair value of options

The December 2017 balance relates to the revaluation of the Primerdesign warrants liability from €266,000 to €126,000.

The December 2018 balance relates to the revaluation of the Primerdesign warrants liability from €126,000 to €5,000.

Financial Expense:

Interest on loans

The interest charge is mainly related to the Kreos and Vatel bond notes.

Exchange Losses

Exchange losses in 2017 and 2018 were mainly those recorded by the British company Lab21 Ltd on its operations and relate to the monthly revaluation of the Novacyt loan in Lab21 Ltd's books.

Contingent consideration:

The contingent consideration in 2017 relates to the discounting of the contingent consideration liability in favour of Primerdesign shareholders.

7. Loss per share

Loss per share is calculated based on the weighted average number of shares outstanding during the period. Diluted loss per share is calculated based on the weighted average number of shares outstanding and the number of shares issuable as a result of the conversion of dilutive financial instruments.

| Amounts in 000' € | Year ended31 December2018 | Year ended31 December2017 |
|--|------------------------------|------------------------------|
| | | |
| | | |
| | | |
| Net loss attributable to owners of the company | - 4,738 | - 5,442 |
| Impact of dilutive instruments | - | - |
| Net loss attributable to owners of the company | - 4,738 | - 5,442 |
| | | |
| | | |
| Weighted average number of shares | 37,664,342 | 23,075,634 |
| Impact of dilutive instruments | - | - |
| Weighted average number of diluted shares | 37,664,342 | 23,075,634 |
| | | |

| | | |
|--|--------|--------|
| Earnings per share (in Euros) | - 0.13 | - 0.24 |
| Diluted earnings per share (in Euros) | - 0.13 | - 0.24 |
| Loss per share from the continuing operations (in Euros) | - 0.06 | - 0.15 |
| Diluted loss per share from the continuing operations (in Euros) | - 0.06 | - 0.15 |
| Loss per share from the discontinued operations (in Euros) | - 0.07 | - 0.09 |
| Diluted Loss per share from the discontinued operations (in Euros) | - 0.07 | - 0.09 |

Pursuant to IAS 33, options whose exercise price is higher than the value of the Company's security were not taken into account in determining the effect of dilutive instruments.

8. Group companies

The consolidated financial statements of the Group include:

| Companies | Closing | | | Opening | | |
|--------------------------|---------------------|--------------------|----------------------|---------------------|--------------------|----------------------|
| | Interest percentage | Control percentage | Consolidation method | Interest percentage | Control percentage | Consolidation method |
| Biotech laboratories Ltd | 100.00 % | 100.00 % | FC | 100.00 % | 100.00 % | FC |
| Lab21 Healthcare Ltd | 100.00 % | 100.00 % | FC | 100.00 % | 100.00 % | FC |
| Lab21 Ltd | 100.00 % | 100.00 % | FC | 100.00 % | 100.00 % | FC |

| | | | | | | |
|--------------------------|----------|----------|----|----------|----------|----|
| Microgen Bioproducts Ltd | 100.00 % | 100.00 % | FC | 100.00 % | 100.00 % | FC |
| Novacyt SA | 100.00 % | 100.00 % | FC | 100.00 % | 100.00 % | FC |
| Novacyt Asia | 100.00 % | 100.00 % | FC | 100.00 % | 100.00 % | FC |
| Novacyt China | 100.00 % | 100.00 % | FC | 100.00 % | 100.00 % | FC |
| Primerdesign Ltd | 100.00 % | 100.00 % | FC | 100.00 % | 100.00 % | FC |

9. Borrowings

The following tables show borrowings and financial liabilities carried at amortised cost.

o Maturities as of 31 December 2018

| Amounts in '000 € | Amount due for settlement within 12 months | Amount due for settlement after 12 months | Total |
|-----------------------------------|--|---|-------|
| | | | |
| | | | |
| Bond notes | 2,976 | 2,239 | 5,216 |
| Bank borrowings | 67 | 20 | 87 |
| Accrued interest on borrowings 72 | | - | 72 |
| | | | |
| Total financial liabilities | 3,115 | 2,259 | 5,374 |

o Maturities as of 31 December 2017

| Amounts in '000 € | Amount due for settlement within 12 months | Amount due for settlement after 12 months | Total |
|-------------------|--|---|-------|
|-------------------|--|---|-------|

| | | | |
|--------------------------------|-------|-------|-------|
| | | | |
| Bond notes | 2,664 | 1,028 | 3,692 |
| Bank borrowings | 66 | 87 | 153 |
| Accrued interest on borrowings | 49 | - | 49 |
| | | | |
| Total financial liabilities | 2,778 | 1,115 | 3,894 |

o Change in borrowings and financial liabilities in 2018

| Amounts in '000' € | At31 December2017 | Increase | Repayment | Renegotiation | At31 December2018 |
|--------------------------------|-------------------|----------|-----------|---------------|-------------------|
| | | | | | |
| Bond notes | 3,692 | 4,019 | - 2,554 | 59 | 5,216 |
| Bank borrowings | 153 | - | - 66 | - | 87 |
| Accrued interest on borrowings | 49 | 72 | - 49 | - | 72 |
| | | | | | |
| Total financial liabilities | 3,894 | 4,091 | - 2,669 | 59 | 5,374 |

o Change in borrowings and financial liabilities in 2017

| Amounts in '000' € | At 31 December 2016 | Increase | Repayment | Conversion | At 31 December 2017 |
|--------------------|---------------------|----------|-----------|------------|---------------------|
| | | | | | |
| Bond notes | 5,620 | 2,664 | - 3,227 | -1,365 | 3,692 |

| | | | | | |
|--------------------------------|-------|-------|---------|--------|-------|
| Bank borrowings | 220 | - | - 67 | - | 153 |
| Accrued interest on borrowings | 414 | 49 | -414 | - | 49 |
| Total financial liabilities | 6,254 | 2,713 | - 3,708 | -1,365 | 3,894 |

10. Contingent Consideration

The contingent consideration related to the acquisition of the Primerdesign shares and the Asset Purchase Agreement of the Infectious Diseases business from Omega Diagnostics Ltd.

| Amounts in '000 € | Year ended 31 December 2018 | Year ended 31 December 2017 |
|--|-----------------------------|-----------------------------|
| Contingent consideration (current portion) | 1,569 | 1,126 |
| | 1,569 | 1,126 |

The movement in the liability between the 31 December 2017 and 31 December 2018 is due to the variance of the foreign exchange rate (contingent liability is denominated in Pounds Sterling), by the interest accrued on this debt in the amount of £40,000, and by the deferred consideration related to the acquisition of the Omega infectious diseases business for £375,000 comprising:

- £175,000 paid after twelve months upon completion of technology transfer and,
- £200,000 paid upon the successful accreditation of the Axminster, UK production facility to certain standards (expected to be achieved inside 12 months of acquisition date)

11. Issued capital and reserves

a. Share capital

As of 1 January 2017, the Company's share capital of €1,161,134 was divided into 17,417,014 shares with a par value of 1/15th of a Euro each.

| Amounts in '000 € | Amount of share capital | Unit value per share | Number of shares issued |
|--|-------------------------|----------------------|-------------------------|
| At 1 January 2017 | 1,161 | 0.07 | 17,417,014 |
| Capital increases | 1,218 | 0.07 | 18,269,258 |
| Capital increase by conversion of OCABSA 132 | | 0.07 | 1,978,070 |
| At 31 December 2017 | 2,511 | 0.07 | 37,664,342 |
| At 31 December 2018 | 2,511 | 0.07 | 37,664,342 |

As of 31 December 2018, the Company's share capital of €2,510,956.06 was divided into 37,664,342 shares with a par value of 1/15th of a Euro each.

The Company's share capital consists of one class of share. All outstanding shares have been subscribed, called and paid.

b. Share premium

Amounts in '000 €

| | |
|---------------------------|--------|
| Balance at 1 January 2017 | 47,120 |
|---------------------------|--------|

| | |
|---|---------|
| Premium arising on issue of equity shares | 12,987 |
| Expenses of issue of equity shares | - 1,826 |
| Balance at 31 December 2017 | 58,281 |
| Premium arising on issue of equity shares | - |
| Expenses of issue of equity shares | - 32 |
| Balance at 31 December 2018 | 58,249 |

c. Other reserves

Amounts in '000 €

| | |
|-----------------------------|---------|
| Balance at 1 January 2017 | - 2,826 |
| Translation differences | 8 |
| Other variations | 3 |
| Balance at 31 December 2017 | - 2,815 |
| Translation differences | - 4 |
| Other variations | - |
| Balance at 31 December 2018 | - 2,819 |

d. Equity reserve

Amounts in '000 €

| | |
|------------------------------------|-----|
| Balance at 1 January 2017 | 345 |
| Conversion of the OCABSA Yorkville | 77 |

| | |
|------------------------------------|-----|
| Balance at 31 December 2017 | 422 |
| Conversion of the OCABSA Yorkville | - |
| Balance at 31 December 2018 | 422 |

e. Retained losses

Amounts in '000 €

| | |
|-----------------------------|----------|
| Balance at 1 January 2017 | - 27,867 |
| Net loss for the year | - 5,442 |
| Other variations | - |
| Balance at 31 December 2017 | - 33,309 |
| Net loss for the year | - 4,738 |
| Other variations | - |
| Balance at 31 December 2018 | - 38,047 |

12. Business Combinations

- Acquisition of Omega ID

On 28 June 2018, the UK Company Lab21 Healthcare Ltd completed an asset purchase agreement for the Infection Diseases business of the company called Omega Diagnostics Ltd. The Infectious Diseases business specialises in the manufacture of a range of diagnostic kits, in particular for syphilis and febrile antigens, as well as a range of latex serology tests for rheumatoid factor, C-reactive protein, anti-streptolysin and systemic lupus erythematosus.

It includes various assets, such as equipment, stock, trademarks and patents. It also includes two employees, whose employment contracts were transferred to Lab21 Healthcare Ltd via the TUPE process under which employees in the UK transfer with the activity on the same employment term.

The purchase price was £2,175,000 (€2,456,000) broken down as follows:

| | |
|---|------------|
| Cash disbursed | €2,032,000 |
| Deferred consideration for successfully supporting and handling over manufacturing | €198,000 |
| Deferred consideration for successfully achieving a Category 3 facility accreditation | €226,000 |
| Total purchase price | €2,456,000 |

The assets acquired and the liabilities assumed are as follows:

| | |
|---|------------|
| Net property, plant and equipment and intangible assets | €46,000 |
| Inventories | €523,000 |
| Customer relationship | €1,314,000 |
| Trademark | €251,000 |
| Fair value of assets acquired and liabilities assumed | €2,134,000 |
| Goodwill | €322,000 |

The table above shows how the goodwill figure of €322,000 is arrived at after allocating the purchase price accordingly. The residual goodwill arising from the acquisition reflects the future growth expected to be driven by new customers, the value of the workforce, technical files and know-how.

The value of "customer relationships" was determined by discounting the additional margin generated by customers after remuneration of the contributing assets.

The value of the trademark was determined by discounting the cash flows that could be generated by licensing the Omega trademark, estimated as a percentage of revenue derived from information available on comparable assets.

IFRS 3 provides for a period of 12 months from the takeover to complete the identification and measurement of the fair value of assets acquired and liabilities assumed. Therefore, until May 2019, the gross amount of goodwill is subject to adjustment.

Goodwill is a residual component calculated as the difference between the purchase price for the acquisition of control and the fair value of the assets acquired and liabilities assumed. It includes unrecognised assets such as the value of the personnel and know-how of the acquiree.

The acquisition costs amounted to €201,000. They are included on the statement of comprehensive income in the year ended 31 December 2018 as "Costs related to acquisitions".

Omega contributed €1,030,000 to consolidated revenue in the year ended 31 December 2018 and €45,000 to net profit or loss attributable to owners of the company between its consolidation on 1 July 2018 and 31 December 2018.

If the acquisition of the Omega business were deemed to have been completed on 1 January 2018, the opening date of the Group's 2018 financial year, consolidated revenue would have amounted to €14,751,000 and net profit or loss attributable to owners of the company to a loss of €4,695,000.

The table below presents the group income statement for the 12 months period ended on 31 December 2018 as if the acquisition of Omega had been completed on 1st January 2018.

| Amounts in 000' € | 31 December 2018 Pro forma |
|--------------------------------|----------------------------|
| Revenue | 2,455 |
| Cost of sales | -1,612 |
| Gross profit | 843 |
| Sales and marketing costs | -70 |
| General & administrative costs | -532 |

| | |
|---------------------------------------|------|
| Recurring operating profit | 242 |
| Costs related to acquisitions | - |
| Other operating expenses | -131 |
| Operating profit | 111 |
| Financial expenses | -1 |
| Loss before tax | 110 |
| Tax expense | - |
| Loss after tax | 110 |
| Total net loss | 110 |
| Attributable to owners of the company | 110 |

13. Discontinued operations

Novacyt has begun the formal sale process for the NOVAprep (Cytology businesses) and Cambridge Clinical Labs businesses. The Clinical Lab business is a non-core service business and does not fit in with the long-term high margin growth strategy for the Group. NOVAprep is being sold as it continues to be loss making and is a drain on working capital while it is non-profit making and as such the decision was made to dispose of the business in late 2018.

It is expected that NOVAprep and the Clinical Labs will be sold or disposed of by December 2019 at the latest.

The assets and liabilities available for sale are transferred on the lines "Assets of the discontinued activities" and "Liabilities of the discontinued activities". The nature of these assets and liabilities are presented in the table below:

| Amounts in '000 € | Clinical Lab | NOVAprep | Total |
|----------------------------------|--------------|----------|-------|
| Goodwill | 648 | - | 648 |
| Other intangible assets | - | 829 | 829 |
| Property, plant and equipment | 3 | 281 | 284 |
| Non-current assets | 651 | 1,110 | 1,761 |
| Inventories and work in progress | 24 | 459 | 483 |
| Trade and other receivables | 49 | - | 49 |
| Current assets | 73 | 459 | 532 |
| Total assets held for sale | 725 | 1,569 | 2,294 |
| Trade and other liabilities | 43 | 18 | 61 |
| Total current liabilities | 43 | 18 | 61 |
| Long term provisions | 7 | 17 | 24 |
| Total non-current liabilities | 7 | 17 | 24 |
| Total liabilities held for sale | 50 | 35 | 85 |

In accordance with the IFRS 5, the net result of the NOVAprep business was transferred on the line "Loss from the discontinued activities".

The table below presents the detail of the loss generated by this business in 2017 and 2018.

| Amounts in '000 € | Year ended31 December2018 | Year ended31 December2017 |
|---|---------------------------|---------------------------|
| Revenue | 974 | 2,204 |
| Cost of sales | -719 | -1,190 |
| Gross profit | 255 | 1,014 |
| Sales, marketing and distribution expenses | -1,169 | -1,274 |
| Research and development expenses | -189 | -194 |
| General and administrative expenses | -1,563 | -1,622 |
| Governmental subsidies | 88 | 123 |
| Operating loss before exceptional items | -2,578 | -1,952 |
| Other operating expenses | -48 | - |
| Operating loss after exceptional items | -2,626 | -1,952 |
| Financial expense | - | - |
| Loss before tax | -2,626 | -1,952 |
| Tax (expense) / income | - | 1 |
| Loss after tax from discontinued operations | -2,626 | -1,951 |

14. Subsequent Events

On the 23rd April 2019, Novacyt entered into a Convertible Bonds with Warrants Funding Programme, for up to €5,000,000 (net of expenses). Under the terms of the Agreement, the Company will be able to access capital in seven tranches which oblige the Investment Managers to immediately subscribe for an initial tranche of €2,000,000, followed by six further tranches, each of an aggregate nominal value of €500,000 (together the "Tranches"), drawable at the Company's option subject to certain terms and conditions. The Company has immediately exercised its right to the initial tranche of funding giving rise to the subscription of €2,000,000 of convertible bonds with warrants by the Investment Managers. The remaining €3,000,000 of convertible bonds can be issued by the Company over the next 36 months following the closing of the Agreement.

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