Final Results for the year ended 31 December 2019

RNS Number : 8408M
Novacyt S.A.
14 May 2020

Novacyt S.A.

("Novacyt", the "Company" or the "Group")

Final results for the year ended 31 December 2019 and outlook for 2020

Completed refinance and restructure of business in 2019

Continued significant demand for COVID-19 test expected to be transformational for the Group in 2020

Paris, France and Camberley, UK - 14 May 2020 - Novacyt (EURONEXT GROWTH: ALNOV; AIM: NCYT), an international specialist in clinical diagnostics, announces its audited final results for the year ended 31 December 2019 and provides an outlook for 2020.

Graham Mullis, Group CEO of Novacyt, commented:

"2019 was a year of consolidation as we completed the refinancing and restructure of the business, positioning Novacyt to resume its three-pillar growth strategy of organic, R&D and acquisitive growth.

"Following the rapid development and successful launch of one of the world's first molecular tests for COVID-19, we expect 2020 to be transformational for the business in almost every way based upon visibility of current sales and continued significant demand for the test. Supported by Novacyt's core strengths of in vitro diagnostics product development, commercialisation and contract manufacturing, we believe the Company's stronger financial position and enhanced reputation will be the catalyst in creating a leading global clinical diagnostics business in infectious diseases.

"I would like to extend my sincere gratitude to all of our employees for their ongoing hard work and dedication, as well as our partners and suppliers for their loyalty throughout 2019 and so far in 2020 in the fight against COVID-19. Finally, I would like to thank our shareholders, long-standing and new, who continue to support Novacyt."

2020 trading and outlook

The Primerdesign and Lab21 businesses started the year strongly, with an order book significantly higher than the beginning of 2019 and with working capital to fully restore the Group's supply chain through the first half of 2020.

In early January 2020, Novacyt commenced the development of a new test in response to the emerging novel coronavirus (COVID-19) threat emerging from China. Primerdesign launched its test in late January 2020 to become one of the world's first molecular tests for the SARS-CoV-2 virus. The test was the first to achieve CE-IVD status and was subsequently approved for emergency use by the US Food and Drug Administration, the World Health Organisation and other regulatory bodies. The Company quickly established the need to develop significant manufacturing capacity and today has eight dedicated manufacturing sites capable of producing COVID-19 tests at an output rate of more than ten million tests per month, which Novacyt expects to achieve from June 2020 onwards. Through its investment in raw materials and manufacturing, the Company is now in a position to service significant and expected growth in demand for its COVID-19 test.

Sales, orders and commitments to purchase the test since the initial launch have significantly exceeded expectations and have been transformational for the Group; all indications are that the positive financial effects of this will continue. This is additional revenue to Novacyt's other operations at Primerdesign and Lab21 Products. The Directors believe the significant demand for the Company's COVID-19 test will continue through to the end of the year, and may extend well into 2021, as the global demand for COVID-19 testing continues to increase. Further revenues are also expected from the launch of the Company's COVID-19 related products described later, which include the Exsig™ Direct extraction reagent and mobile COVID-19 testing.

In the four months to end of April 2020, the Group achieved an EBITDA margin in excess of 50% driven by the success of the COVID-19 test. Should the current level of activity continue for the full year, it will be financially transformational for the business and orders suggest a continuing increase in the level of sales activity. Significant levels of cash are also expected to be generated from this level of profitability and as of the end of April 2020, the Group had a net cash balance of €9.2m (cash as at 31 December 2019 of €1.8m). Given the low capital intensity of Novacyt's manufacturing process, a significant proportion of the Group's EBITDA should be converted to cash.

In addition, the Directors believe the successful development, launch and sale of the COVID-19 test will have a positive, long-term effect on the business. As well as reinforcing the expertise within the business, the Company now has a new and significantly increased base of global customers. The Company is already experiencing increased demand for its B2B molecular design and development capabilities and the Board believes these opportunities will extend to Novacyt's extensive product portfolio.

2019 review

Due to the extraordinary position the Company finds itself in, the financial highlights for 2019 do not have a material bearing on the current business, however, are presented below for the record. As previously announced, Novacyt continued to experience increasing demand for its products during the year, however, this growth was moderated by working capital constraints, which impacted the Group's full year revenue and profit performance.

Financial highlights

· Adjusted EBITDA of €0.2 million in 2019 compared with €0.6 million in 2018

o Third consecutive year of positive EBITDA for the Group

o Reduction in adjusted EBITDA reflects reduced sales in 2019 due to working capital constraints during the year

· Group consolidated revenue decreased by 5% (6% at CER) to €13.1m (£11.5m) in 2019 compared with €13.7m (£12.1m) in 2018

o Excluding the Clinical Lab, which was sold in July 2019, Group revenue reduced by 2% (3% CER)

o Primerdesign grew 1% year-on-year to €6.3m in 2019 compared with €6.2m in 2018

o American sales were up 13% year-on-year driven by increased sales through Primerdesign's key US customers

· Group gross margin continued to improve and increased to 64% in 2019 from 63% in 2018

o Continues a trend of increased gross margin every year since 2014

o Improvement due to the exit from the lower margin Clinical Lab business and Primerdesign increasing its share of Group revenue to 48% (2018: 45%)

o Primerdesign's strong gross margin increased to 85% (2018: 84%)

· Successfully sold NOVAprep® and the Clinical Lab during 2019, each realising a total consideration of €0.4m

· Refinancing of borrowings in November 2019 through a €5m bond with Harbert European Growth Capital

· Cash at year end of €1.8m (£1.5m) compared with €1.1m (£1.0m) in 2018

€'000	2019 Consol	2018 Consol	2017 Consol*
Revenue	13,081	13,721	12,749
Gross profit	8,372	8,604	7,909
Gross margin %	64%	63%	62%
Adjusted EBITDA **	197	579	902
Recurring operating (loss)/profit ***	(1,242)	(425)	62
Operating loss	(1,776)	(1,385)	(2,119)
Loss after tax	(3,902)	(2,112)	(3,491)
Loss from discontinued operations	(2,656)	(2,626)	(1,951)
Loss after tax attributable to the owners	(6,558)	(4,738)	(5,442)

* 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)

*** 2019 Recurring operating result is stated before €0.5m of exceptional charges as follows:

· Business sale (NOVAprep® and Cambridge Clinical Lab) related expenses of €0.3m charged to the income statement

· Other non-recurring costs totalling €0.2m, including restructuring costs and site closure costs

The loss after tax attributable to the owners is stated after the loss attributable to the discontinuing operations of NOVAprep®, which was successfully sold in December 2019

Divisional revenues

· Primerdesign sales increased to €6.3m (£5.5m), up 1% in 2019

o Core business reagent revenues increased 8% year-on-year or €0.4m compared to 2018

o Achieved international reagent revenue growth of 12% despite restricted q16 instrument sales due to lack of inventory

· Lab21 revenues €6.8m (£5.9m), down 10% from 2018 (-5% excluding the Clinical Lab)

o Microgen Bioproducts, part of Lab21, saw year-on-year growth in UK and Ireland of 13% and 8% in Asia Pacific despite stock shortages

· The discontinued NOVAprep® operation achieved sales of €1.3m, which are excluded from Group consolidated revenue and do not impact the growth metrics stated above. These sales were generated before the sale of the business in December 2019 and represent 37% growth compared to the prior year

Operational highlights

· Launched next generation genesig® q32 qPCR molecular testing instrument, to complement the already revenue generating genesig® q16 instrument

· Developed and launched a new molecular multiplex test to identify 37 respiratory pathogens for the US market

· Expansion of assay development contract with Immunexpress

Post period highlights

· Rapid development and approval of molecular test for COVID-19

o One of the first COVID-19 tests to market

o Currently being sold in more than 100 countries

· Signed an exclusive commercial agreement with Atothis SARL, part of VGS Invest Holding Sarl Group, for the distribution of molecular diagnostic products in France for the growing aquaculture and aquamarine markets

· All outstanding warrants were exercised providing cash of €2,400,000 which has been used to expand manufacturing capacity for COVID-19

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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Contacts

Novacyt SA

Graham Mullis, Chief Executive Officer

Anthony Dyer, Chief Financial Officer

+44 (0)1223 395472

SP Angel Corporate Finance LLP (Nominated Adviser and Broker)

Matthew Johnson / Charlie Bouverat (Corporate Finance)

Vadim Alexandre / Rob Rees (Corporate Broking)

+44 (0)20 3470 0470

Allegra Finance (French Listing Sponsor)

Rémi Durgetto / Yannick Petit

r.durgetto@allegrafinance.com / y.petit@allegrafinance.com

+33 (1) 42 22 10 10

FTI Consulting (International)

Victoria Foster Mitchell / Mary Whittow

+44 (0)20 3727 1000

victoria.fostermitchell@fticonsulting.com/ Mary.whittow@fticonsulting.com

FTI Consulting (France)

Arnaud de Cheffontaines

+33 (0)147 03 69 47

arnaud.decheffontaines@fticonsulting.com

About Novacyt Group

The Novacyt Group is an 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 Primerdesign and Lab21 Products, supplying an extensive range of high-quality assays and reagents worldwide. The Group directly serves 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

As we publish our FY2019 financial results, Novacyt finds itself at the centre of a global COVID-19 pandemic. The Company is experiencing unprecedented sales demand for its COVID-19 test and, only four months into the financial year, finds itself significantly ahead of its full year 2020 financial plan. It is the Directors' opinion that demand for the COVID-19 test and the Company's significant increase in financial performance is expected to continue throughout 2020.

Looking back at 2019, the Group completed a strategic review of the business, which started towards the end of 2018 to explore ways to maximise the future value of certain non-core assets within the Group, through which the decision was made to dispose of the NOVAprep® and Lab21 Clinical Lab ("Clinical Lab") businesses.

The Clinical Lab, a small part of Novacyt's Lab21 business based in Cambridge, UK, was deemed to be non-core and not integral to the Company's in vitro diagnostic products focus. We were, therefore, pleased to announce in July 2019 the successful sale of the Clinical Lab to Cambridge Pathology BV for a total consideration of £400,000 in staged payments, further details of which are contained in the Financial Review.

NOVAprep® was also deemed to be non-core and outside the Company's in vitro diagnostic reagent products expertise. At the end of December 2019, we were delighted to announce the sale of NOVAprep® assets to Algimed Trade Ltd. for a total consideration of €400,000 in staged payments, and a 20% royalty on sales in certain defined territories. Further details of the transaction are contained in the Financial Review.

Completion of the sale of the Clinical Lab and NOVAprep® significantly streamlined our operations and strengthened our core financial position by removing loss making business units and reducing overheads associated with those business units. The sale of the Clinical Lab and the NOVAprep® assets could eventually generate in excess of €2.2m cash for the Group during the next five years through a combination of purchase

consideration, royalties and the operational cash inflow generated in the second half of 2019.

Organic growth

The Group's core reagent products are based on molecular and protein diagnostic technologies and an extensive product catalogue 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.

As previously announced, trading was impacted from the second quarter of 2019 onwards due to working capital constraints. However, following the announcement of a new term loan and cancellation of the convertible bond facility in November 2019, we started to invest funds in the recovery of our supply chain, but, due to long manufacturing lead times, it was challenging to achieve any significant recovery in the last few weeks of 2019.

In 2019, core reagent sales across the Group grew by 3% year-on-year, with Primerdesign delivering 8% growth in reagent revenues from €5.6m (£5.0m) in 2018 to €6.1m (£5.4m) in 2019. Primerdesign also achieved 12% international revenue growth from €4.1m (£3.6m) in 2018 to €4.7m (£4.1m) in 2019, despite restricted q16 instrument sales due to lack of stock. This strong international performance was largely offset by weaker sales in the smaller UK direct market (down 13%) following the short-term impact of restructuring the commercial team in the second quarter of 2019.

Microgen Bioproducts sales, part of the Lab21 business, were also robust despite the continued stock shortages, as demonstrated by UK and Ireland direct sales increasing by 13% and Middle East sales increasing by 8% on the prior year.

The Company started 2020 with an order book significantly higher than at the same time last year. Lab21 had confirmed orders of over €1.5m at the end of the year. Of these orders, €1m could not be delivered due to working capital and supply chain issues. The Group expects to fully restore manufacturing output and stock levels to normal during 2020 to meet this demand.

Acquisitive growth

With the Company's primary focus on operations during the current COVID-19 pandemic, Novacyt has no current plans for further acquisitions but will continue to monitor and assess opportunities that have a potential to benefit the Group, including access to new direct sales channels and the integration of key supply lines.

R&D

In May 2019, Primerdesign launched its next generation genesig® q32 qPCR molecular testing instrument ("q32"). As stated at the time of AIM IPO, Novacyt has utilised some of the funds to focus on product development, and the q32 is a direct result of this investment. The q32 is a larger genesig® real-time qPCR instrument, which provides customers with a faster and higher throughput solution for Novacyt's genesig® real-time PCR kits. The q32 complements the smaller, portable genesig® q16 instrument ("q16"), which is used in laboratories and the field, and provides customers with an alternative instrument when faced with multiple terrain and off-site testing challenges.

The q32 provides test results within 60 minutes using genesig® kits, making it one of the fastest qPCR instruments on the market due to its rapid heating and cooling capabilities and unique lid design. Like the q16, the q32 is robust and, therefore, highly reliable. It allows the analysis of up to 32 patient samples in tube or strip format, using fluorescence detection technologies. The q32 software also allows users to experience a quick and easy operation for all genesig® kit applications with a straightforward setup process.

During the year, Primerdesign also completed the design and development of the molecular respiratory panel based on a 384 well plate format for use by its North American business partner in their CLIA approved diagnostic testing laboratory network. Primerdesign designed the multiplex test to identify 37 respiratory pathogens, which makes it one of the most comprehensive respiratory panels available in the market today. In addition to identifying a large number of respiratory disease pathogens, the new diagnostic product was designed with proprietary freeze-drying technology to stabilise the product to optimise its ease of use and performance.

Primerdesign will supply this product under a five-year manufacturing agreement as its partner launches the new respiratory panel in the US market through its own clinical testing laboratories to provide a Laboratory Developed Diagnostic Test ("LDT") result for its customers.

The global respiratory disease testing market was valued in 2016 at US$5.0 billion1 and is forecast to grow at a rate of 3.3% per annum. The US market accounts for more than 30% of the global respiratory testing market.

1 Respiratory Disease Testing/diagnostics market, Industry Report, 2025 Grand View Research

This development marked a significant step forward in the Group's B2B strategy by providing our North American business partner with the opportunity to serve the significant demand for the US seasonal respiratory testing market, which typically runs from September to April. It also demonstrated the increasing capability of Novacyt's R&D team as it broadens its product portfolio and builds the skills to develop more complex products. The rapid development of this new multiplex molecular diagnostic panel shows the power of our integrated research, development and commercialisation team.

In addition, during the year, Primerdesign expanded its assay development contract with Immunexpress, Inc., a U.S.-based molecular diagnostic company, with the first FDA cleared host response test for suspected sepsis patients. This is to further support the development of rapid diagnostic assays for the detection of sepsis. Sepsis is a potentially life-threatening complication in which a person's immune system inappropriately responds to an infection by triggering a broader inflammatory response, which could cause damage to multiple organs and ultimately lead to death. Left undiagnosed or untreated, a patient could die within a matter of hours. This contract expansion adds further momentum to our B2B segment and provides further validation of the expertise our clinical assay development service offers.

Lastly, in January 2020, Primerdesign signed an exclusive commercial agreement with Atothis SARL, part of VGS Invest Holding Sarl Group ("VGS Group"), for the distribution of molecular diagnostic products in France for the growing aquaculture and aquamarine markets. France is the second largest aquaculture producer in the EU, with

shellfish production alone contributing a total of 155,000 tonnes a year valued at approximately €550 million to the French economy.

The distribution partnership combines the commercial strength of the VGS Group, with Primerdesign's innovative molecular genesig® diagnostic tests and the Company's proprietary q16 instrument. Primerdesign's diagnostic products will be used for the early identification of diseases impacting animal health during food production. The agreement has an initial term of three years and commits VSG to purchase a minimum of €690,000 of Primerdesign products.

Post-period: Development of new coronavirus (COVID-19) test

A significant impact to organic growth already seen in 2020 is the development of a test for COVID-19. Through the Group's operations in China, we were aware of the emerging COVID-19 emergency in the Wuhan province during December 2019. In response, in early January 2020, we made the strategic decision to develop a test for COVID-19, which we launched in late January to become one of the world's first molecular tests to combat the outbreak.

About the Primerdesign COVID-19 test

The COVID-19 test was developed within the Primerdesign business, which is dedicated to the principles of molecular detection of pathogens and boasts one of the world's largest portfolios of pathogen testing products. Primerdesign's experience and expertise in the development of these products allows the team to define a rapid response process in the event of an outbreak. This process is centred around the principle of creating a testing solution for an epidemic pathogen as quickly as possible. Primerdesign has demonstrated its efficiency in such situations, previously with products for Ebola, MERS and SARS, and has now extended that science in developing a leading product for COVID-19.

Severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) is the virus strain that causes coronavirus disease 2019 (COVID-19). The Primerdesign test is a quantitative polymerase chain reaction (qPCR) test designed to detect a specific sequence of genes known to exist only in the SARS-CoV-2 responsible for the COVID-19 outbreak. If the target sequence is present in a patient sample, which is obtained from a mouth or throat swab, the result will be positive indicating the patient is infected with COVID-19.

The Primerdesign test can generate a result in less than two hours meaning that patient samples can be screened quickly. The test is stable at ambient temperatures, which eliminates the need for cold chain shipping in tropical climates and therefore improves the efficiency of the test and reduces transport costs. The test has also been designed to run on multiple molecular testing platforms, including Primerdesign's own genesig® q16 and q32 instruments, which ensures the test can be used by the largest possible number of clinicians.

Surveillance programme - 100% homology with published SARS-CoV-2 sequences

For Primerdesign's test to remain valid for identifying SARS-CoV-2 infectious and aiding the diagnosis of COVID-19, the primers and probe within the test must continue to detect all SARS-CoV-2 viral genomes, even when the virus mutates.

The Company continues its extensive surveillance programme to monitor strain evolution of SARS-CoV-2 and the

latest update continues to demonstrate a 100% homology of its COVID-19 test. This means comparing the Company's COVID-19 test to genome sequences from more than 10,000 variations of SARS-CoV-2 known to date. The Directors believe this extensive surveillance and performance homology will continue to allow clinicians to use the test with confidence.

Global regulatory recognition

Novacyt launched its COVID-19 test on 31 January 2020 as a research use only (RUO) test. Subsequently, Novacyt received accreditation from a number of leading global regulatory authorities for the clinical use of the test and was Europe's first company to launch a CE-Mark COVID-19 test on 17 February 2020, providing immediate approval for many European and international markets.

As announced on 12 March 2020, Public Health England (PHE) completed a formal evaluation of the Primerdesign COVID-19 test. The data generated from this assessment was an important endorsement of the quality and performance of the test and the report was shared with the NHS to support their decisions for general COVID-19 testing across the UK.

Further important endorsements of the performance and quality of our COVID-19 test, and demonstration of Novacyt's key role in helping to tackle the pandemic, include the issue of an Emergency Use Authorization (EUA) from US Food and Drug Administration (FDA), announced on 23 March 2020, and being listed as eligible for World Health Organization (WHO) procurement under the WHO Emergency Use Listing (EUL) process, announced on 8 April 2020. Novacyt has also received approval of its COVID-19 test from the CNR (Centre National de Référence des Virus des Infections Respiratoires (dont la grippe)) of the Institut Pasteur, an internationally renowned centre for biomedical research with a goal of improving public health in France.

To date, our COVID-19 test has been approved in over 16 countries, as well as being available in markets which directly accept CE-Mark accreditation without the need for further approval.

Significant demand and capacity expansion

As a result of Novacyt's ability to rapidly develop a test for COVID-19, independent endorsements of the high-quality performance of the test, and the pressures on all stakeholders to increase testing capabilities following the WHO's announcement of a pandemic, the Company is experiencing unprecedented global demand for its test. We have therefore increased our manufacturing capacity to meet current and expected demand, and continue to evaluate additional capacity options.

In addition to scaling-up our own production at the Primerdesign site in Southampton, UK, to date, Novacyt has signed six contract manufacturing partnerships. Primerdesign expects to achieve the target run-rate of manufacturing its COVID-19 test at a rate of ten million tests per month from June 2020.

In order to manage and support the planning, procurement and logistics for our capacity increase, Novacyt engaged Chartwell Consulting, a specialist in rapid process improvement, in early April 2020. Chartwell has a team of senior consultants working within Novacyt to assist with the management of the scale-up plans to help deliver

the planned increases in Primerdesign's production, and supply chain capacity.

The Company is also expanding its key raw material supplier base for its COVID-19 test. Currently there are a total of 76 components required for its COVID-19 test and Chartwell is helping the Company to identify additional suppliers in order to develop a long-term and sustainable supply of its kits at this volume.

Collaboration with AstraZeneca, GSK and University of Cambridge

On 8 April 2020, as part of the UK government's announcement of a new five pillar plan to increase testing for COVID-19, Novacyt announced a collaboration with AstraZeneca, GSK and the University of Cambridge to take action to support the national effort. A new testing laboratory has been set up at the university's Anne McLaren laboratory for high throughput screening for COVID-19 testing and to explore the use of alternative chemical reagents for test kits in order to help overcome current supply shortages. As part of the collaboration, Novacyt is ensuring an effective workflow process within the facility for COVID-19 testing, as well as providing its COVID-19 test to generate results data.

Department of Health and Social Care contract to support the NHS

On 27 April 2020, Novacyt signed a supply contract with the UK Department of Health and Social Care (DHSC) for its COVID-19 test. Under the terms of the agreement, Novacyt will supply its COVID-19 test to the DHSC for an initial term of six months, starting from 4 May 2020. Novacyt has initially committed to supply 288,000 per week to the NHS, with the option to expand the agreement. This partnership with the DHSC reinforces Novacyt's existing support of the UK government's five pillar plan to increase testing for COVID-19.

New COVID-19 innovation

In addition to rapidly developing a test for COVID-19, the Company is working on further innovations to support laboratories during the pandemic. These innovations include:

· Direct-to-PCR extraction reagent called Exsig™ Direct to remove the need for RNA extraction reagents containing magnetic-beads. This reagent may now launch in two formats to accommodate different laboratory work-flows. The products are undergoing final clinical validation and expected to launch during June 2020. These reagents are expected to significantly improve laboratory workflow, reduce cycle times, increase throughput and reduce costs for COVID-19 testing.

· In addition to our own Direct-to-PCR extraction reagents we also plan to launch Exsig™ Mag which is an RNA extraction reagent using magnetic beads for those laboratories that still wish to use the automated RNA extraction systems that they have invested in.

· High throughput COVID-19 tests will be available in bulk format with each kit containing 1,536 tests for use in 384 well format instead of the smaller 96 well plate format. This product will be very helpful for large high-throughput clinical laboratories and will launch in June 2020.

· Mobile COVID-19 testing is being evaluated using the Company's q16 instrument combined with its ExsigTM Direct reagent and genesig® COVID-19 test. Trials in clinical laboratories are expected to complete in June 2020 and this mini-laboratory combination may be used in remote locations, such as care homes.

Graham Mullis

Chief Executive Officer

Novacyt S.A.

FINANCIAL REVIEW

Overview

Working capital was a significant factor in the financial performance in 2019 as it was restricted from the second quarter onward. Demand for many of the Group's products remained strong throughout the year, but the core remaining businesses delivering revenue 2% below the previous year (3% at constant exchange rates ("CER")) was due to the impact of working capital on supply chains and stock availability.

For the third consecutive year adjusted EBITDA was positive, delivering €0.2m for the full year, and the Group gross margin increased to 64%, continuing a trend of annual increases which started at 44% in 2014.

In November 2019, Novacyt successfully refinanced the debt on its balance sheet to provide additional working capital to invest in the recovery of the supply chain. The recovery was not immediate as long manufacturing lead times meant that most of the positive effect would be felt in the first half of the following year, setting 2020 up to deliver growth and improved profitability.

Financial performance

Revenue declined by 5% (6% CER) compared to 2018 driven by supply chain issues, predominantly in our Lab21 Products division and working capital constraints that the Group faced in the year. Excluding the Clinical Lab in Cambridge, which was sold in July 2019, Group revenue reduced by 2% (3% CER).

· Primerdesign FY19: €6.3m (£5.5m), FY18: €6.2m (£5.5m)

· Lab21 Products FY19: €6.8m (£5.9m), FY18: €7.5m (£6.6m)

Primerdesign sales grew by 1% (0% CER) driven by an 8% increase in core reagent sales but offset by an 67% reduction in instrument sales as a result of lack of stock which required significant upfront payments to secure manufacturing. The business saw a 12% growth in its international business, but this strong international performance was largely offset by weaker sales in the smaller UK direct market, which fell by 13% following a restructuring of the commercial team in the second quarter of 2019. It took a number of months for the positive effects of a restructured commercial team to deliver increased sales. As sales of core reagents increased, the impact of high margin genesig® testing reagent kits ensured the divisional gross margin remained strong and increased by one percentage point to 85%.

Lab21 sales decreased by 6% (CER) for the full year, after removing the sales generated from the Cambridge Clinical Lab. Working capital restrictions impacted this division the most due to its proportionally higher cost of sales, which had a direct impact on sales. The supply chain could not be fully restored in Q4 and a large order book of over €1.5m was carried into 2020 of which over €1m could not be fulfilled in 2019. Microgen Bioproducts, the Group's microbiology division, saw increased sales in the UK & Ireland of 13% year-on-year and 8% in Asia Pacific, offset by weaker sales in Europe.

Group operating costs increased year-on-year by only 2% (€0.2m) but we still continued to support investment in the core pillars of the business such as R&D, of which the benefits are being seen in early 2020, such as with the release of Primerdesign's COVID-19 product range.

The Group's underlying adjusted EBITDA remained positive in 2019 at €0.2m, €0.4m lower than 2018, due to reduced sales of €0.6m which reduced the amount of gross margin and ultimately impacted EBITDA. In 2019 the NOVAprep® business continued to be reported under IFRS 5 and is disclosed as discontinued operations in the Income Statement and didn't impact EBITDA.

The recurring operating loss increased to €1.2m during 2019 from €0.4m in 2018, an increase of €0.8m. This increase is due to two main factors: i) the €0.4m reduction in EBITDA as explained above, and ii) an annual increase in amortisation and depreciation of €0.4m. Total depreciation charges of €644k (2018: €317k) and amortisation charges of €801k (2018: €685k) are higher than in 2018 due to the full year effect of the amortisation impact of the Omega ID acquisition in June 2018 and the adoption of IFRS 16 in 2019 which resulted in €0.3m of additional depreciation charges.

The operating loss in 2019 increased to €1.8m from €1.4m in 2018 and is stated after non-recurring charges amounting to €0.5m. The 2019 charges comprise €0.3m of business sale (NOVAprep® and Clinical Lab) related expenses and €0.2m of other non-recurring charges, including restructuring costs and UK site closure costs. 2018 saw significant acquisition costs of €0.4m that were not repeated in 2019, reducing year on year exceptional costs from €1m in 2018 to €0.5m in 2019.

The total net loss was €6.6m in 2019, increased from €4.7m in 2018, and is stated after €1.1m of gross borrowing costs (2018: €0.7m), other financial expenses and tax of €1.1m (2018: €0.05m) and the loss from discontinued operations of €2.7m (2018 €2.6m). The discontinued operations loss represents the financials of the NOVAprep® business that was sold in December 2019 and is accounted for under IFRS 5 - non-current assets held for sale and discontinued operations. Other financial expenses in 2019 comprised items such as exchange gains €0.1m; a carve out for the HEGC warrants liability (€0.8m); the impact of discounting the long terms receivables due on sale proceeds from NOVAPrep® and the Clinical Lab (€0.1m), €0.2m; settlement charges related to the debt

restructuring; and €0.1m of additional interest charges in relation to deferring the payment of the Primerdesign contingent consideration fee.

The loss per share has increased slightly in 2019 to €-0.14 compared with €-0.13 in 2018 driven by a larger total net loss, offset by an increased average number of shares.

Financial position

Goodwill has reduced to €15.9m in 2019 from €16.1m in the previous year. This reflects a €216k decrease in the year and results from the adjustment of the acquisition price of the Omega ID business that was acquired in 2018. One of the two components of the contingent consideration, for the amount of €0.2m, will not be paid, as the contractual conditions have not, and will not, be achieved.

Other non-current assets have increased to €8.2m from €6.4m in 2018. Of this €1.9m increase, €2.3m is driven by the adoption of IFRS 16 and the capitalising of specific leasing costs in the UK, €0.2m relates to the deferred payment of the purchase consideration milestones for the NOVAPrep® and Clinical Lab business sales, and is offset by a net €0.6m reduction due to the amortisation of other intangible assets.

Trade and other receivables have significantly reduced in the year by €1.7m (44%) to €2.2m. Due to the working capital restrictions in 2019, the Group focused on reducing its debtor balance and consequently saw a significant improvement in days sales outstanding (DSO), which contributed to a lower year end receivables balance. Additionally, supply chain issues in 2019 reduced sales in the final months of the year contributing to the lower year on year amount of receivables not past their due date. Focus was directed on collecting the overdue debt, which contributed to the year-on-year reduction in past due debt.

Inventory increased slightly in the year by €0.1m (4%) to €2.4m due to customers not accepting part shipments of orders resulting in a higher stock holding at year end.

The assets of discontinued operations fell to €0.1m from €2.3m in 2018 due to the disposal of the Clinical Lab and NOVAprep® businesses.

Borrowings increased from €5.4m to €11.0m during the year due to issuing a new four year €5.0m bond to HEGC which replaced a €2m convertible bond issued to the Negma Group Ltd earlier in the year, the adoption of IFRS 16 creating a liability of €2.6m and the increased use of short term financing of €0.7m. This has been offset by capital repayments of €3.3m against outstanding borrowings and the conversion of bonds by the Negma Group Ltd totalling €1.3m. Total borrowings in 2019 include two main items: HEGC bonds totalling €5m (12 month interest only and then capital repayments monthly until October 2023) and Vatel convertible bonds totalling €2.6m (two bonds originally valued at €1.5m and €4.0m, amortising monthly until March 2020 and June 2022 respectively). The outstanding Kreos bonds that Novacyt exited 2018 with were fully repaid in 2019 as part of the refinancing of the balance sheet via the HEGC bond.

The contingent consideration balance reduced from €1.6m in 2018 to nil as the company settled both debts in 2019 relating to the acquisition of Primerdesign and the Omega Infectious Diseases business. The latter was reduced by €0.2m as the accreditation of the Axminster production facility was not and will not be achieved (initially expected inside 12 months of acquisition date).

Trade and other liabilities were flat year on year at €4.6m. The Group saw a €0.7m reduction in its trade payables in 2019 as a result of improved working capital following the drawdown of the HEGC loan, allowing key creditors' aged balances to be reduced in late 2019. This reduction has been offset by the inclusion of the equity warrant liability related to the €5m HEGC bond, that was not present in 2018.

Cash increased by €0.7m to €1.8m during 2019. Net cash used in operating activities decreased slightly from €1.2m to €1.1m.

Net cash outflow from investing activities reduced to €1.3m in 2019 from €2.7m in 2018, a €1.4m (52%) reduction year-on-year. A total of €0.6m of this fall was caused by €1.4m of earn out payments made in relation to the Primerdesign and Omega ID acquisitions as compared with the €2m cash consideration paid for the Omega ID assets in 2018. In 2019, €0.4m of cash was received as cash consideration for the sale of NOVAPrep® and the Clinical lab. Furthermore, there was a reduction in capital expenditure of €0.4m compared with 2018 as no material infrastructure projects took place in 2019.

Anthony Dyer

Chief Financial Officer

Novacyt S.A.

Consolidated income statement

Amounts in €'000	Notes	Year ended 31 December 2019	Year ended 31 December 2018
Continuing Operations			
Revenue	3	13,081	13,721
Cost of sales		-4,709	-5,116
Gross profit		8,372	8,604
Sales, marketing and distribution expenses		-2,700	-2,454
Research and development expenses		-451	-406
General and administrative expenses		-6,466	-6,119
Governmental subsidies		3	-51

Operating loss before exceptional items		-1,242	-425
Other operating income	4	127	-
Other operating expenses	4	-661	-960
Operating loss after exceptional items		-1,776	-1,385
Financial income	5	260	225
Financial expense	5	-2,394	-919
Loss before tax		-3,910	-2,080
Tax income/(expense)		8	-32
Loss after tax from continuing operations		-3,902	-2,112
Loss from discontinued operations	13	-2,656	-2,626
Loss after tax attributable to owners of the company		-6,558	-4,738
Loss per share (€)	6	-0.14	-0.13
Diluted loss per share (€)	6	-0.14	-0.13
Loss per share from continuing operations (€)	6	-0.08	-0.06
Diluted loss per share from continuing operations (€)	6	-0.08	-0.06
Loss per share from discontinued operations (€)	6	-0.06	-0.07
Diluted loss per share from discontinued operations (€)	6	-0.06	-0.07

* The 2018 / 2019 consolidated income statement is presented to reflect the impacts of the application of IFRS 5 relative to discontinued operations, by stating the NOVAprep activity on a single line "Loss from discontinued operations".

Statement of financial position

Amounts in '000 €	Notes	Year ended31 December2019	Year ended31 December2018
Goodwill	2.4	15,918	16,134
Other intangible assets		4,313	4,944
Property, plant and equipment	8	3,478	1,191
Non-current financial assets		240	234
Other long-term assets		214	-
Non-current assets		24,163	22,503
Inventories and work in progress		2,439	2,347
Trade and other receivables	9	2,168	3,900
Tax receivables		4	94
Prepayments		406	233
Short-term investments		10	10
Cash and cash equivalents		1,805	1,132

Current assets		6,832	7,716
Assets classified as held for sale		70	2,294
Total assets		31,065	32,513
Bank overdrafts and current portion of long-term borrowings	10	2,457	3,115
Contingent consideration (current portion)	11	-	1,569
Short-term provisions		50	100
Trade and other liabilities		4,591	4,647
Other current liabilities		591	379
Total current liabilities		7,689	9,809
Liabilities classified as held for sale		-	85
Net current (liabilities) / assets		-857	-2,008
Borrowings and convertible bond notes	10	8,493	2,259
Long-term provisions		240	168
Deferred tax liabilities		49	54
Total non-current liabilities		8,782	2,481
Total liabilities		16,471	12,375
Net assets		14,594	20,138

Statement of financial position (continued)

Amounts in '000 €	Notes	Year ended31 December2019	Year ended31 December2018
Share capital	12.a	3,873	2,511
Share premium account	12.b	58,012	58,249
Own shares		-174	-178
Other reserves	12.c	-3,306	-2,820
Equity reserve	12.d	401	422
Retained losses	12.e	-44,212	-38,046
Total equity - owners of the company		14,594	20,138
Total equity		14,594	20,138

Statement of changes in equity

Amounts in '000 €	Other group reserves

	Notes	Share capital	Share premium	Own shares	Equity reserves	Acquisition of the shares of Primerdesign	Translation reserve	OCI on retirement benefits	Total	Retained loss	Total equity
Balance at 1 January 2018		2,511	58,281	- 176	422	- 2,948	143	- 11	- 2,816	- 33,308	24,914
Translation differences	12.c	-	-	-	-	-	- 4	-	- 4	-	- 4
Loss for the period	12.e	-	-	-	-	-	-	-	-	- 4,738	- 4,738
Total comprehensive loss for the period		-	-	-	-	-	- 4	-	- 4	- 4,738	- 4,742
Own shares acquired/sold in the period		-	-	- 2	-	-	-	-	-	-	- 2
Other changes	12.b	-	- 32	-	-	-	-	-	-	-	- 32
Balance at 31 December 2018		2,511	58,249	- 178	422	- 2,948	139	- 11	- 2,820	- 38,046	20,138
Translation differences	12.c	-	-	-	-	-	- 486	-	- 486	-	- 486
Loss for the period	12.e								-	- 6,558	- 6,558
Total comprehensive loss for the period		-	-	-	-	-	- 486	-	- 486	- 6,558	- 7,044
Issue of share capital	12.b	-	- 180	-	-	-	-	-	-	-	- 180
Own shares acquired/sold in the period		-	-	4	-	-	-	-	-	-	4
Other changes	12.a,b,d,e	1,362	-57	-	-21	-	-	-	-	392	1,676
Balance at 31 December 2019		3,873	58,012	- 174	401	- 2,948	- 347	- 11	- 3,306	- 44,212	14,594

Statement of cash flows

Amounts in '000 €	Notes	Year ended31 December2019	Year ended31 December2018
Net cash used in operating activities		-1,073	-1,246
Investing activities			
Proceeds from disposal of property, plant & equipment		27	-
Purchases of patents and trademarks		-112	-307
Purchases of property, plant and equipment		-224	-377

Purchases of trading investments		-	2
Acquisition of subsidiary net of cash acquired		-1,353	-2,034
Proceeds from the sale of businesses		364	-
Net cash used in investing activities		-1,298	-2,716
Investing cash flows from discontinued activities		157	-130
Investing cash flows from continuing operations		-1,455	-2,586
Repayments of borrowings	10	-3,460	-2,561
Proceeds on issue of borrowings and bond notes	10	6,859	3,960
Proceeds from other short term financing facilities	10	772	-
Payment of share issuance costs		-180	-
Disposal (purchase) of own shares - Net		5	-2
Paid interest expenses		-1,046	-632
Net cash used in financing activities		2,950	765
Financing cash flows from discontinued activities		-	-
Financing cash flows from continuing operations		2,950	765
Net increase/(decrease) in cash and cash equivalents		579	-3,197
Cash and cash equivalents at beginning of year / period		1,132	4,345
Effect of foreign exchange rate changes		94	-16
Cash and cash equivalents at end of year		1,805	1,132

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, 2019 were prepared in accordance with the international accounting standards and interpretations (IAS / IFRS) adopted by the European Union and applicable on December 31, 2019. 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.

- Standards, interpretations and amendments to standards with mandatory application for periods beginning on or after 1 January 2019

- IFRS 16: "Leases". The Group has elected to apply the standard using the modified retrospective approach from 1 January 2019, utilising certain of the practical expedients provided within the Standard, and the cumulative effect of initial application will be recognised in retained earnings at 1 January 2019. Comparative figures for the year ended December 31, 2018 are not restated to reflect the adoption of IFRS 16 but instead continue to reflect the lessee's accounting policies under IAS 17 Leases.

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 2021. 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 2019 of €1,805,000;

- the repayment of the current bond borrowings according to the agreed repayment schedules;

- the financing cash inflow relating to the exercise of warrants in Q1 2020;

- a payment of the first tranche of the LTIP that commenced in November 2017;

- increased operating cash inflows generated by the Covid-19 pandemic.

The forecast prepared by the company shows that it is able to cover its cash needs during the financial year 2020 and until May 2021 without the raising of any further bank or other financing facility.

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 on the balance sheet and related impairment loss over the periods are shown below:

Amounts in '000 €	Year ended31 December2019	Year ended31 December2018
Goodwill Lab21 Products Group	17,709	17,709
Cumulative impairment of goodwill	- 9,101	- 9,101
Net value	8,608	8,608
Goodwill Primerdesign	7,210	7,210
Cumulative impairment of goodwill	-	-
Net value	7,210	7,210
Goodwill Omega ID	100	316
Cumulative impairment of goodwill	-	-
Net value	100	316
Total Goodwill	15,918	16,134

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:

Corporate and Cytology

Previously, this segment represented the NOVAprep and French Group central costs. Following the disposal of NOVAprep, this segment now shows the French Group central costs, the results of Novacyt UK Holdings Limited and the results of NOVAprep are shown in a single line - Discontinued Operations.

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 Microgen Bioproducts & Lab21

Healthcare and also includes UK Group central costs.

Molecular Products

This segment represents the activities of 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 2019

Amounts in '000 €	Corporate & Cytology	Corporate & Diagnostics	Molecular Products	Total
Geographical area				
Africa	-	639	356	995
Europe	-	2,809	2,676	5,485
Asia-Pacific	-	1,744	812	2,556
America	-	738	1,934	2,672
Middle East	-	845	528	1,373
Revenue	-	6,775	6,306	13,081

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	2,373
Middle East	-	951	262	1,213

Revenue	-	7,503	6,218	13,721

Breakdown of result by operating segment

o Year ended 31 December 2019

Amounts in '000 €	Corporate & Cytology	Corporate & Diagnostics	Molecular Products	Total
Revenue	-	6,774	6,307	13,081
Cost of sales	-	-3,787	-922	-4,709
Sales and marketing costs	-	-1,256	-1,444	-2,700
Research and development	-	-38	-413	-451
General & administrative expenses	-1,159	-2,514	-2,793	-6,466
Governmental subsidies	-	3	-	3
Operating (loss)/profit before exceptional items	-1,159	-818	735	-1,242
Other operating income	127	-	-	127
Other operating expenses	-391	-208	-62	-661
Operating (loss)/profit	-1,423	-1,026	673	-1,776
Financial income	180	80	-	260
Financial expense	-2,097	-146	-151	-2,394
(Loss)/Profit before tax	-3,340	-1,092	522	-3,910
Tax income/(expense)	-	-	8	8
Loss from discontinued activities	-2,656	-	-	-2,656
(Loss)/Profit after tax	-5,996	-1,092	530	-6,558
Attributable to owners of the company	-5,996	-1,092	530	-6,558
Attributable to non-controlling interests	-	-	-	-

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 (loss)/profit before exceptional items	-959	-519	1,054	-425
Other operating income	-	-	-	-
Other operating expenses	-526	-337	-97	-960
Operating (loss)/profit	-1,486	-856	957	-1,385
Financial income	290	-144	79	225
Financial expense	-736	-180	-4	-919
(Loss)/Profit before tax	-1,931	-1,181	1,032	-2,080
Tax income/(expense)	-	-	-32	-32
Loss from discontinued activities	-2,626	-	-	-2,626
(Loss)/Profit 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	-	-	-	-

The 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. Other operating income and expenses

Amounts in '000 €	Year ended31 December 2019	Year ended31 December 2018
Litigations with employees	90	-
Other operating income	37	-
Other operating income	127	-
Litigations with employees	-17	-46
Restructuring expenses	-189	-183
Result of the sale of Lab21	-53	-
Business sale expenses	-289	-104
Acquisition related expenses	-	-379
IPO preparation	-	-87
Other expenses	-113	-161
Other operating expenses	-661	-960

Other operating income predominantly relates to the settlement of a legal claim against a third party.

The business sale expenses relate to the disposal of the NOVAprep business in France and the sale of Lab21 Ltd in the UK.

The restructuring expenses of €189,000 in the year ended 31 December 2019 include costs associated with the closure of the Axminster site, along with other company-wide restructuring fees including redundancy payments.

The acquisition related expenses in 2018 relate to the purchase of the Omega Infectious Diseases Business in June 2018. The acquisition was accounted for as a business combination under IFRS. Accordingly, the costs related to the acquisition of €201,000 were expensed.

The IPO preparation expenses of €87,000 in 2018 relate to the fees incurred in preparation for the company's AIM listing in late 2017.

5. Financial income and expense

Amounts in '000 €	Year ended31 December 2019	Year ended31 December 2018
Exchange gains	228	102
Change in fair value of options	31	122
Other financial income	1	-
Financial income	260	225
Interest on loans	-1,059	-682
Exchange losses	-131	-190
Variation of the fair values of derivatives	-780	-
Actualisation of the long-term sale receivables	-92	-
Other financial expense	-332	-47
Financial expense	-2,394	-919

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 and the intercompany debts denominated in sterling.

Change in fair value of options

The December 2019 balance relates to the revaluation of the Primerdesign warrants liability from €5,000 to €4,000 and of the Negma warrants liability from €236,000 at issuance in April 2019 to €206,000 at year end.

The December 2018 balance relates to the revaluation of the Primerdesign warrants liability from €127,000 to €5,000.

Financial expense:

Interest on loans

The interest charge is mainly related to the Kreos, Vatel, Negma Group Ltd "Negma" and Harbert European Growth Capital bond notes.

Exchange losses

Exchange losses in 2018 and 2019 were mainly those recorded by Lab21 Ltd prior to its sale and Novacyt UK Holdings Ltd on its operations and relate to the monthly revaluation of the Novacyt loan in held in the UK's books.

Change in fair value of options

The December 2019 balance relates to the revaluation of Harbert European Growth Capital warrants liability of €780,000.

Other financial expenses

The costs in 2019 relate to additional interest and settlement fees to fully remove and pay down the monies owed to Negma, Kreos and the original Primerdesign owners.

6. 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 December2019	Year ended31 December2018
Net loss attributable to owners of the company	- 6,558	- 4,738

Weighted average number of shares	45,731,091	37,664,342
Impact of dilutive instruments	-	-
Weighted average number of diluted shares	45,731,091	37,664,342
Earnings per share (in Euros)	- 0.14	- 0.13
Diluted earnings per share (in Euros)	- 0.14	- 0.13
Loss per share from the continuing operations (in Euros)	- 0.08	- 0.06
Diluted loss per share from the continuing operations (in Euros)	- 0.08	- 0.06
Loss per share from the discontinued operations (in Euros)	- 0.06	- 0.07
Diluted Loss per share from the discontinued operations (in Euros)	- 0.06	- 0.07

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.

The calculation of earnings per share does not take into account potential anti-dilutive actions, which would have the effect of increasing earnings per share.

7. Group companies

The consolidated financial statements of the Group include:

	Closing			Opening		
Companies	Interest percentage	Control percentage	Consolidation method	Interest percentage	Control percentage	Consolidation method
Biotec 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	0.00 %	0.00 %	-	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 Ltd	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Novacyt China Ltd	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Novacyt UK Holdings Ltd	100.00 %	100.00 %	FC	0.00 %	0.00 %	-
Primerdesign Ltd	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC

8. Property, plant and equipment

Amounts in 000' €	At1 January2019	Additions	Disposals	Charge for the period	Adoption of IFRS 16	FX impact	Reclass. & transfers	At31 December2019
Cost								
Buildings	-	-	-	-	2,569	69	-	2,637
Technical facilities, equipment and tools	1,109	173	- 1,532	-	60	68	1,464	1,342
Office equipment	53	-	- 3	-	-	3	3	56
Transport equipment	2	1	- 20	-	-	-	35	18
Computer equipment	314	24	- 168	-	-	16	51	238
Leasehold improvements	1,019	26	- 89	-	-	58	66	1,080
Property, plant and equipment under construction	-	-	-	-	-	-	-	-
	2,497	224	- 1,812	-	2,629	214	1,619	5,371
Accumulated depreciation								
Buildings	-	-	-	- 266	-	- 7	-	- 273
Technical facilities, equipment and tools	- 770	-	1,514	- 467	-	- 49	- 1,209	- 982
Office equipment	- 47	-	2	- 3	-	- 3	- 2	- 53
Transport equipment	- 1	-	19	- 6	-	-	- 29	- 17
Computer equipment	- 247	-	169	- 43	-	- 13	- 45	- 179
Other property, plant and equipment	- 241	-	73	- 139	-	- 18	- 65	- 389
Property, plant and equipment under construction	-	-	-	-	-	-	-	-
	- 1,306	-	1,777	- 924	-	- 90	- 1,350	- 1,893
Carrying amount	1,191	224	- 35	- 924	2,629	124	269	3,478

Amounts in 000' €	At 1 January 2018	Additions	Disposals	Charge for the period	FX impact	Reclass. & transfers	At 31 December 2018
Cost							

Technical facilities, equipment and tools	2,339	290	-	-	- 17	- 1,503	1,109
Office equipment	197	3	-	-	-	- 147	53
Transport equipment	36	1	-	-	-	- 35	2
Computer equipment	303	74	- 1	-	- 5	- 57	314
Leasehold improvements	1,030	54	- 129	-	- 16	79	1,019
Property, plant and equipment under construction	348	-	- 348	-	-	-	-
	4,254	423	- 478	-	- 39	- 1,663	2,497
Accumulated depreciation							
Technical facilities, equipment and tools	- 1,723	-	-	- 287	12	1,228	- 770
Office equipment	- 74	-	-	- 15	1	41	- 47
Transport equipment:	- 24	-	-	- 6	-	29	- 1
Computer equipment	- 254	-	1	- 44	4	45	- 247
Leasehold improvements	- 258	-	129	- 141	4	26	- 241
Property, plant and equipment under construction	- 348	-	348	-	-	-	-
	- 2,681	-	478	- 493	20	1,369	- 1,306
Carrying amount	1,573	423	-	- 493	- 18	- 293	1,191

9. Trade and other receivables

The below table shows trade and other receivables balances:

Amounts in '000 €	Year ended31 December2019	Year ended31 December2018
Trade and other receivables	2,014	3,332
Allowance for doubtful debts	-464	-47
Accrued income	18	98
Tax receivables (excluding income tax)	392	492
Receivables on sale of businesses	178	-
Other receivables	30	24
Total Trade and other receivables	2,168	3,900

Due to working capital restrictions in 2019, the Group focused on reducing its debtor balance and thus saw a significant improvement in days sales outstanding, which contributed to a lower year end receivables balance. Additionally, supply chain issues in the final quarter of 2019 impacted sales in the final months of the year

contributing to the lower year on year amount of receivables not past due. Focus was put on collecting the over-due debt and that contributed to the year on year reduction in past due debt.

The impairment provision booked in 2019 predominantly relates to a single customer based in China, who we continue constructive dialogue with over receiving payment.

10. Borrowings

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

o Maturities as of 31 December 2019

Amounts in '000 €	Amount due for settlement within 12 months	Amount due for settlement after 12 months	Total
Bond notes	1,307	6,136	7,443
Accrued interest on borrowings	39	-	39
Liabilities IFRS 16	268	2,356	2,624
Short term financing facilities	844	-	844
Total financial liabilities	2,458	8,492	10,950

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
Accrued interest on borrowings	72	-	72
Bank borrowings	67	20	87
Total financial liabilities	3,115	2,259	5,375

o Change in borrowings and financial liabilities in 2019

Amounts in 000' €	At31 December2018	Increase	Repayment	Adoption of IFRS 16	Conversion / other non cash movements	FX impact	At31 December2019
Bond notes	5,216	6,151	- 3,050	-	- 999	125	7,443
Accrued interest on borrowings	72	39	- 72	-	-	-	39
Liabilities IFRS 16	-	104	- 209	2,662	-	68	2,624
Short term financing facilities	87	804	- 106	-	-	21	844
Total financial liabilities	5,375	7,136	- 3,437	2,662	- 999	214	10,950

Reconciliation with the cash-flow statement					
Accrued interest on borrowings	- 72	-39	72	- -	- - 39
Issuance Negma conversion options	-	298	- 95	- - 203	- -
Negma warrants	-	236	-	- - 30	- 206
As per cash-flow statement		7 631	- 3 460		

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

11. 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 ended31 December2019	Year ended31 December2018
Contingent consideration (current portion)	-	1,569
	-	1,569

The company has settled both debts in 2019 related to the acquisition of Primerdesign and to the Omega Infectious Diseases business. The latter was reduced by €226,000 as the accreditation of the Axminster production facility was not and will not be achieved (initially expected inside 12 months of acquisition date).

12. Issued capital and reserves

a. Share capital

As of 31 December 2019, the Company's share capital of €3,872,983.59 was divided into 58,094,754 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 2018	2,511	0.07	37,664,341
At 31 December 2018	2,511	0.07	37,664,341
Capital increase by conversion of OCABSA	1,362	0.07	20,430,413
At 31 December 2019	3,873	0.07	58,094,754

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 2018	58,281
Expenses of issue of equity shares	- 32
Balance at 31 December 2018	58,249
Premium arising on issue of equity shares	128
Expenses of issue of equity shares	- 365

Balance at 31 December 2019	58,012

c. Other reserves

Amounts in '000 €	
Balance at 1 January 2018	- 2,815
Translation differences	- 4
Balance at 31 December 2018	- 2,819
Translation differences	- 487
Balance at 31 December 2019	- 3,306

d. Equity reserve

Amounts in '000 €		
Balance at 1 January 2018		422
Balance at 31 December 2018		422
Issuance and conversion of the OCABSA Negma		-21
Balance at 31 December 2019	401	

e. Retained losses

Amounts in '000 €	
Balance at 1 January 2018	- 33,308
Net loss for the year	- 4,738
Balance at 31 December 2018	- 38,046
Net loss for the year	- 6,558
Other variations	392
Balance at 31 December 2019	- 44,212

13. Discontinued operations

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

The NOVAprep business was sold in December 2019 via an Asset Purchase Agreement. The Cambridge Clinical Labs business was sold in July 2019 through the sale of the shares of Lab21 Ltd.

The assets and liabilities available for sale were transferred on the lines "Assets classified as held for sale" and "Liabilities classified as held for sale" in the 2018 financial results.

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 2018 and 2019.

Amounts in '000 €	Year ended31 December2019	Year ended31 December2018
Revenue	1,337	974
Cost of sales	-762	-719
Gross profit	575	255
Sales, marketing and distribution expenses	-880	-1,169
Research and development expenses	-156	-189
General and administrative expenses	-1,911	-1,563
Governmental subsidies	-	88
Operating loss before exceptional items	-2,372	-2,578
Other operating expenses	-284	-48
Operating loss after exceptional items	-2,656	-2,626
Loss before tax	-2,656	-2,626
Tax (expense) / income	-	-
Loss after tax from discontinued operations	-2,656	-2,626

14. Operating lease

The Group has elected to apply the standard using the modified retrospective approach from 1 January 2019, utilising certain of the practical expedients provided within the Standard.

In application of IFRS 16 as from 1 January 2019, the group has recognised on the statement of financial position some "right-of-use" assets and lease liabilities.

The table below presents by nature the "right-of-use" assets included in the fixed assets of the Group in 2019:

Amounts in 000' €	At1 January2019	Charge for the period	Adoption of IFRS 16	Reclass. & transfers	FX impact	At31 December2019
Cost						
Buildings	-	-	2,569	-	69	2,638
Technical facilities, equipment and tools	-	-	61	94	4	159
Total	-	-	2,630	94	73	2,797
Accumulated depreciation						
Buildings	-	- 265	-	-	- 7	- 272
Technical facilities, equipment and tools	-	- 35	-	-	- 1	- 36
Total	-	- 300	-	-	- 8	- 308
Carrying amount	-	- 300	2,630	94	65	2,489

15. Subsequent events

During January and February 2020 Novacyt's share price increased to over €2 per share, a key contributing factor being the launch of a Covid-19 diagnostic test kit by Primerdesign. This share price increase resulted in all remaining warrant holders exercising their warrants which gave rise to a net cash inflow of €2,400,000 into the business and the warrant overhang has now been removed completely.

END

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