Half year 2020 results

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Novacyt S.A.
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Novacyt S.A.

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

Half year 2020 results

Transformational performance set to continue

Paris, France and Camberley, UK - 17 September 2020 - Novacyt (ALTERNEXT: ALNOV; AIM: NCYT), an international specialist in clinical diagnostics, announces its unaudited results for the six months ended 30 June 2020 and provides an update on its growth strategy.

Summary highlights

• H1 2020 sales of €72.4 million and EBITDA of €49.4 million, resulting from the sale of the Company's market leading PCR COVID-19 test, has transformed Novacyt

• Performance provides period end cash of €19.7m, following repayment of all debt and significant investment in inventory

• New strategy implemented to continue growth trajectory and consolidate performance through broadening focus on respiratory and transplant clinical diagnostics

• Visibility of orders for the Company's COVID-19 product portfolio suggests H2 2020 performance on track to exceed that of H1 2020

Graham Mullis, Group CEO of Novacyt, commented:

"The first half of 2020 has been transformational for Novacyt, delivering sales growth of more than 900%. The significantly strengthened cashflow has enabled us to also settle all outstanding debt. The Company's market leading position in COVID-19 PCR testing has resulted in an increased customer base and a reputation for innovation and high performance of our products, enabling us to forge a number of strategic partnerships.

"From this solid foundation, Novacyt has reviewed and accelerated its strategy for delivering long-term value to shareholders, which it expects will be supported by the continued strengthening of its financial position from operational cashflows over at least the next 12-18 months. We have identified specific high value opportunities for growth in the diagnostics market where Novacyt can leverage its innovative position for developing new in vitro

diagnostic products. In addition, with new opportunities created by an increased demand for diagnostics and investment in the industry, we expect to further boost revenues and profitability through selective and accretive acquisitions. We believe the Company is well placed to deliver on our vision of becoming a market leader in respiratory and transplant clinical diagnostics."

Financial highlights

• Group consolidated unaudited revenue increased over 900% to €72.4m (H1 2019: €7.2m)

• Primerdesign revenue increased over 2,000% to €70.6m (H1 2019: €3.3m) due to the success of the COVID-19 product portfolio

• Group gross margin strengthened to 83%, delivering a gross profit of €60.3m, an increase of 20% from H1 2019 (63%)

• Primerdesign maintained its strong gross margin, delivering 85% in H1 2020 (H1 2019: 86%), demonstrating strong control of margins as the business is scaled

• Group EBITDA of €49.4m (H1 2019: €0.2m)

• Operating profit of €48.3m compared to a loss of €0.7m in H1 2019, driven by the growth in sales in molecular products business

• Profit after tax of €40.2m compared to a loss of €1.2m in H1 2019

• Cash at 30 June 2020 of €19.7m after paying down all long-term debt and significant working capital investment made into stock to ensure the continuity of supply to meet the demand for COVID-19 tests

€'000	H1 2020	H1 2019
	Consol	Consol
Revenue	72,374	7,223
Gross profit	60,265	4,580
Gross margin %	83%	63%
EBITDA	49,365	153
Recurring operating profit / (loss)	48,672	(598)
Operating profit / (loss)	48,324	(664)
Profit / (loss) after tax	40,195	(1,208)

Loss from discontinued operations	-	(786)
Profit / (loss) after tax atrributable to the owners	40,195	(1,994)

Operational highlights

• Rapid development of new products to support laboratories and clinicians in the fight against the spread of COVID-19

o Developed one of the first molecular tests for COVID-19, subsequently received CE Mark accreditation and Emergency Use Authorisation from most major regulatory authorities, including the US Food and Drug Adminstration and the World Health Organization

o Launch of three new innovative products (Exsig™ Direct, Exsig™ Mag and COVID-HT) to support laboratories through improving workflow efficiency and helping to address the reported shortfall in global manufacturing and supply of extraction reagents

o Launch of a saliva sampling type to support ease of patient sampling, lower levels of discomfort and demonstrate more reproducible data than other sampling types

o Developing, together with a partner, a serology (antibody) test to detect past infection of COVID-19, with launch expected in Q4 2020

• Significant scale-up of the organisation, including increasing manufacturing and supply chain capacity and commercial support with the addition of a number of new hires

• Collaboration with AstraZeneca, GSK and University of Cambridge to support the UK COVID-19 testing effort

• Secured a supply contract with the UK Department of Health and Social Care for the Company's COVID-19 test

• Signed a number of new and significant strategic partnerships, including a distribution agreement in the US

• Surveillence programme of the Company's COVID-19 test to assess different SARS-CoV-2 viral sequences continues to demonstrate 100% detection of more than 64,000 sequences

Post-period highlights

• Initiation of a 2,000-patient clinical trial by Queen Mary University of London using the Group's innovative near-patient testing system

• Launch of respiratory test panel (Winterplex™) to diagnose and distinguish between influenza A&B, RSV and COVID-19

• Launch of a two-gene target test for COVID-19 to address markets employing this testing approach

Strategy update highlights

• New strategy to focus on organic, R&D and acquisitive growth in the respiratory and transplant bacterial and viral diagnostic markets

• Investment in R&D and commercial infrastructure to deliver new products and establish a direct sales force in key markets in the US and across Europe

• Selective product/technology and company acquisitions to generate additional revenues and profits to offset potential future reductions in COVID-19 revenues and enhance the Group's trajectory towards becoming a market leader in respiratory and transplant clinical diagnostics

• Acquisition of specific assets to enable Novacyt to expand its core capabilities whilst maintaining attractive margins

• Investment in developing new IP portfolio to enhance and secure future value

Outlook

Novacyt's near-term focus is to deliver strong organic revenue growth in the core business, where the Directors believe demand for its products will continue to grow into at least H1 2021 as COVID-19 testing continues. In the medium-term, Novacyt expects to leverage its reputation, market intelligence and relationships developed during the COVID-19 response to commercialise new products, as well as expand its presence in respiratory and transplant clinical diagnostics, to meet significant unmet market needs. The Directors expect to supplement the Company's product portfolio and expand its core capabilities through executing selective and accretive M&A at the right time.

The Directors reiterate guidance announced on 13 July 2020; given the visibility of orders, extended contracts and the launch of new COVID-19 related products, revenue for the second half of the year is expected to be greater than the first half of the year and margins to be at least at a similar level. Full year revenues are expected to exceed €150 million and EBITDA profitability to exceed €100 million. The Company expects this rate of financial performance to extend into the first half of 2021. The Directors remain confident in and excited by the prospects of the business, not only for the short-term, but also for the longer-term.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.

Contacts

Novacyt SA

Graham Mullis, Chief Executive Officer

Anthony Dyer, Chief Financial Officer

+44 (0)1276 600081

SP Angel Corporate Finance LLP (Nominated Adviser and Joint Broker)

Matthew Johnson / Charlie Bouverat (Corporate Finance)

Vadim Alexandre / Rob Rees (Corporate Broking)

+44 (0)20 3470 0470

Numis Securities Limited (Joint Broker)

Freddie Barnfield / James Black (Corporate Broking)

+44 (0)20 7260 1000

Allegra Finance (French Listing Sponsor)

Rémi Durgetto / Yannick Petit

+33 (1) 42 22 10 10

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

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 48

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 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

Operational review

The COVID-19 pandemic has highlighted Novacyt's intrinsic ability to design, develop and rapidly scale-up market leading molecular in vitro diagnostic (IVD) tests which enable it to compete successfully at a global level. The Company has significantly increased its customer base, has built a recognised reputation for the performance of its products, formed multiple new and significant strategic partnerships and established an influential position in UK diagnostic testing. This solid foundation, combined with a transformational financial performance during H1 2020 as a direct result of the continuing success of the Company's COVID-19 product portfolio, has enabled Novacyt to eliminate all long-term debt and greatly enhance and accelerate its strategy for delivering long-term value to shareholders, further detail of which is provided in this report.

Molecular diagnostics

During H1 2020, Novacyt's molecular diagnostics division, Primerdesign, delivered revenue growth of over 2,000% to €70.6m compared to H1 2019 revenue of €3.3m. This growth reflects the successful launch of a number of diagnostics products for COVID-19, including one of the first polymerase chain reaction (PCR) tests to combat the outbreak.

Market leading PCR test for COVID-19

In response to the emerging COVID-19 emergency, Novacyt made the strategic decision to develop a diagnostic test for SARS-CoV-2 in early January 2020. The Company launched the test in late January 2020 and subsequently received clinical use approval from a number of leading global regulatory authorities, including CE Mark accreditation and Emergency Use Authorisation (EUA) from the US Food and Drug Adminstration (FDA) and the World Health Organization (WHO). This rapid development of a test for COVID-19 positioned Novacyt at the forefront of the global response to the spread of the virus.

Significant demand and capacity expansion

To meet the unprecedented demand for the test following its launch, Novacyt initiated a programme to significantly scale-up the organisation. The Company engaged Chartwell Consulting, a specialist in rapid process improvement, in early April 2020 to manage and support the planning, procurement and logistics for the capacity increase. This included increasing the Company's own production capacity at the Primerdesign site in Southampton, UK, as well as entering into contract manufacturing partnerships. The Company also needed to manage suppy chain capacity, which included expanding its key raw material supplier base to develop a long-term and sustainable high volume supply of its tests.

Established an influential position in UK diagnostic testing

The COVID-19 pandemic has highlighted the importance of diagnostics as part of the treatment regime across the globe. In the UK, the government has a goal of supporting and creating a national diagnostics industry that can

compete on the global stage. During H1 2020, Novacyt has been actively engaged with the UK Department of Health and Social Care (DHSC) in supporting this goal. This was demonstrated in April 2020 through a contract with the DHSC for the supply of its COVID-19 test and separately a collaboration with AstraZeneca, GSK and the University of Cambridge for high-throughput COVID-19 testing. The Company has also partnered with multiple private testing laboratories who support various industries as they try to manage and maintain their businesses.

Having established an influential position in UK diagnostic testing during the pandemic, Novacyt continues to be actively engaged with the DHSC and remains well positioned to support future national testing initiatives.

Product portfolio expansion in COVID-19 and respiratory diseases

Using Primerdesign's in-house expertise and specialisation in rapid development of molecular solutions, Novacyt continued to evolve its offering during H1 2020 with a range of new products to support the application of the Company's COVID-19 testing solution in a number of scenarios. This included various formats of the Company's first generation test to support traditional and high-throughput laboratory settings (exsig™ Mag and COVID-HT), direct-to-PCR products (exsig™ Direct) which significantly reduce the time-to-result by reducing the cumbersome pre-analytical extraction phase of testing, a two-gene test to support testing in markets that mandate a two-gene testing approach, near-patient testing solutions, and a respiratory test panel aimed at supporting testing during the winter season (Winterplex™).

In July 2020, Queen Mary University of London announced the initiation of a 2,000-patient clinical trial using Novacyt's innovative near-patient testing system, which can deliver a result within an hour. The study is investigating whether daily COVID-19 testing reduces the infection rate, morbidity and mortality in the high-risk care home population. Novacyt believes daily testing has the potential to reduce the transmission of SARS-CoV-2 in the high-risk care home population and in a wider community setting.

The Company has also been investing in its rapid testing instrumentation platforms, q16 and q32, which allow for efficient and high-performance testing in near-patient environments. By the end of the year, Novacyt expects to manufacture and install an increasing number of instruments and will have capacity for significantly more as demand builds. As part of its investment, the Company is further improving the operational workflow of its reagents with these instrument platforms, reducing cycle times significantly below 60 minutes and reducing the level of operator involvement.

Continued high-performance of products

The success of the Company's COVID-19 test has been built around robust design principles and the selection of a gene target that has so far demonstrated exceedingly low levels of genetic mutation and variation. To date, the gene target has been analysed against over 64,000 individual COVID-19 viral sequences and demonstrated 100% detection. The Company's recently launched two-gene target test for COVID-19 has also been added to this weekly surveillance monitoring programme to demonstrate continued efficacy of the test to diagnose SARS-CoV-2.

Expansion of product portfolio in respiratory and transplant bacterial and viral diseases

As part of its renewed strategy, Novacyt plans to build its international presence with an increased portfolio of IVD products for clinical use in respiratory and transplantation markets. A new R&D pipeline of products is being

developed to enable Novacyt to build upon its reputation established in COVID-19 testing. The Company will continue to seek immediate approval for IVD classification of new products, as well as developing current, specific products from Primerdesign's extensive research-use-only range to establish a portfolio of high value, clinically approved diagnostics.

Protein diagnostics

During H1 2020, the Company's protein diagnostics business, comprising of Lab21 Healthcare and Microgen Bioproducts, was significantly influenced by the COVID-19 pandemic and saw a reduction in global demand for its products. As a result, Novacyt engaged Chartwell during the period to focus on operational efficiencies in manufacturing to improve future outputs and lower the cost of goods.

The Company has also developed a plan to expand its Pathflow® brand of products and expects to launch a number of additional tests over the next few months to expand its rapid testing portfolio for infectious diseases.

The Company continues to make good progress in the development and launch of a central lab-based serology test for the detection of the IgG antibody to COVID-19. To date, the product has demonstrated significant levels of sensitivity and specificity for detection of IgG in patients 14 days after testing positive for COVID-19 by a PCR test. Novacyt now expects to launch a CE Mark approved product by the end of September 2020.

Strategy update

Next stage of growth

The Directors have identified specific growth opportunities in the large, fast-growing diagnostics market. Supported by its core clinical diagnostics capabilities of IVD product development, manufacturing, regulatory and commercialisation, the Company remains committed to creating shareholder value through its three-pillar strategy of organic, R&D and acquisitive growth, which will be focused within the respiratory and transplant bacterial and viral diagnostic markets.

Respiratory and transplant are both high-margin, fast-growing IVD markets where the Company already has expertise, including COVID-19 and EBV and BKV products launched last year. Novacyt intends to leverage the new customers and brand position it has established during the COVID-19 pandemic to further penetrate these markets through 2021 and beyond. Importantly, Novacyt will use the skills, infrastructure and experience of both its business divisions (Primerdesign and Lab21) to deliver solutions that utilise the Group's protein and molecular diagnostic capabilities.

The growth strategy aims to enable Novacyt to continue to grow the size of the core business but also to accelerate this through strategic acquisitions. The Directors believe the strong demand for COVID-19 diagnostic testing will continue through the next few months and well into next year, which will underpin the ongoing financial transformation of the Group and its trajectory towards becoming a market leader in respiratory and transplant

clinical diagnostics.

The Company intends to invest both organically and through M&A in establishing a direct sales force in certain markets. Novacyt plans to establish a strong commercial infrastructure in the UK, where a significant investment in the diagnostics market is taking place. In addition, it is in the process of evaluating the best model to operate in the US, the world's largest IVD market. It is also considering certain key mainland European markets. In the rest of the world, Novacyt will continue to develop its successful distributor and partnership sales model.

Novacyt has demonstrated during the last six months the financial value and profitability it can generate in the right clinical IVD markets with a low-cost base. To achieve additional revenue, the Company will continue to invest in R&D to drive new product development. Novacyt also plans to accelerate revenues and additional profitability through selective and accretive acquisitions. These actions are expected to replace any potential lost revenues from a future decline in COVID-19 testing.

Market dynamics to support strategy

The focus on the importance of diagnostics, as a result of the COVID-19 pandemic, is leading to increased opportunities and anticipated significant new investment in the sector.

IVD market

With an estimated global market size of $69.5 billion1 in 2020, the IVD industry is set to experience steady growth and continued consolidation. Growing at a 5-year CAGR of 5%, some analysts expect IVD to top $110 billion1 by 2030. The industry is expected to see growth in profits as consolidation and technological advancements lead to greater economies of scale. Growth drivers include an aging world population, increased technological innovation leading to increased personalisation of medicine and care, involvement in healthcare by technology companies, rising living standards in developing nations, industry consolidation and an increase in the incidence of chronic and infectious diseases.

1 BIS Research; Global In Vitro Diagnostic Market, July 2020

Centralised and decentralised testing markets

COVID-19 continues to present Novacyt with a significant opportunity to place rapid mobile instruments where the shortage of testing capacity and limitations of laboratory-based testing is driving healthcare away from large centralised platforms into decentralised more flexible platforms. Beyond COVID-19, Novacyt believes there is the potential for a long-term shift in testing policy towards decentralisation. With the launch of Novacyt's near-patient testing system in July 2020, the Company is well positioned to address this drive towards rapid, decentralised testing.

The pandemic has also highlighted the limitations of closed testing systems (platforms which are only compatible with tests supplied by the instrument manufacturerer) in centralised laboratories where availability of tests and related consumables has been limited and has, therefore, impacted utilisation of testing capacity. The Company

believes healthcare providers will identify a need to have more open systems (platforms which are compatible with tests from a variety of suppliers) along with a decentralised testing policy. Both shifts in policy would play to core strengths of Novacyt.

Financial review

Revenue

Unaudited revenues for the first half of 2020 were €72.4m compared to revenues for 2019 of €7.2m, representing a growth rate of over 900% predominantly driven by the strong growth from Primerdesign. This follows the successful development and launch of one of the world's first molecular tests for COVID-19 in January 2020.

Gross margin

Gross profit has shown continued positive momentum, increasing to €60.3m (83%) compared to €4.6m (63%) in the first half of last year. This margin (83%) is in line with Primerdesign's historic margin and, therefore, as Primerdesign has increased its overall share of Group revenue, it has driven up the overall Group percentage margin.

Primerdesign maintained its strong gross margin delivering 85% in H1 2020, demonstrating that gross margin can be maintained as the business is scaled.

The Lab21 Products business unit has been significantly impacted by COVID-19 as many of its customers focused their attention on COVID-19 testing resulting in a significant year-on-year revenue and margin decline. However, the business entered H2 with a strong order book and expects to see sales and margin improve towards the end of 2020.

EBITDA

The Group continued its profitability trend delivering an EBITDA of €49.4m in the first half of 2020. The underlying Primerdesign EBITDA margin has increased to over 80% from 40% in H1 2019 when management charges are excluded, demonstrating that the division can be scaled without significant additional overheads. With Primerdesign delivering approximately 98% of Group revenue in H1 2020 at 85% gross margin, its continued success contributes substantially to the Group's positive EBITDA as the effect of increasing Primerdesign revenues as a percentage of overall Group revenues has been to enhance the overall profitability of the Group.

To support the substantial growth seen by the Group in 2020, investment has been made in overheads including the hiring of new staff and additional facilities spend to maximise manufacturing output. As a percentage of revenue these incremnental costs are negligible, which is reflected in the Group delivering an EBITDA margin of 68% in H1 2020.

Operating Profit

The Group delivered an operating profit of €48.3m compared with a H1 2019 loss of €0.7m. Year-on-year exceptional charges and depreciation/amortisation costs are only €0.2m higher in 2020, driven by the impairment of Omega ID acquisition intangible assets. The key driver for the movement from a loss in 2019 to a profit in 2020 is driven by the EBITDA profitability of €49.4m.

Net Profit After Tax

Net proft after tax increased to €40.2m in H1 2020 from a loss of €2m in H1 2019. Due to the settlement of all outstanding Group debt in June 2020, borrowing costs increased year-on-year by €1.7m to €2.3m. As a result of the profits delivered by the Group in H1 2020, a UK corporation tax provision of €5.9m has been made at 30 June 2020, which was subsequently paid in July 2020.

Balance Sheet

€'000	Jun-20	Dec -19	€'000	Jun-20	Dec -19
Goodwill	15,911	15,918	Share capital and premium	66,721	61,711
Other non-current assets	7,225	8,245	Retained earnings	(7,959)	(47,117)
Total non-current assets	23,136	24,163	Total equity	58,762	14,594
Inventories	15,558	2,439	Borrowings (> 1 yr)	-	6,137
Trade and other receivables	28,470	2,168	Lease liabilities - long-term	2,043	2,356
Other current assets	1,091	420	Other provisions and long-term liabilities	293	289
Cash and cash equivalents	19,720	1,805	Total non-current liabilities	2,336	8,782
Total current assets	64,839	6,832			
			Borrowings (< 1 yr)	-	2,189
			Lease Liabilities - short-term	225	268
			Trade and other liabilities	16,296	4,591

			Other provisions and short-term liabilities	10,356	641
			Total current liabilities	26,877	7,689
Assets classified as held for sale	-	70	Liabilities classified as held for sale	-	-
TOTAL ASSETS	87,975	31,065	TOTAL EQUITY AND LIABILITIES	87,975	31,065

The Group held €19.7m of cash on the balance sheet at 30 June 2020 compared to €1.8m at 31 December 2019. This large increase in cash is predominantly driven by the significant upturn in trading that has delivered substantial profits to the Group, resulting in an operating cash inflow of €24.6m. Cash outflows from financing activities totalled €5.6m, made up of a €2.9m cash inflow from the conversion of warrants and an outflow of €8.5m on settling all Group debts/borrowings. Capital expenditure in H1 2020 was minimal at €0.2m as infrastructure investment had been made in prior periods.

Inventory has increased by €13.2m to €15.6m from €2.4m at 31 December 2019. The majority of the inventory balance relates to building stock to meet the needs of the COVID-19 pandemic and allow Novacyt to fulfil customer demand immediately. The lead time for obtaining some raw materials is significant, so bulk orders have been placed to ensure there are no supply chain issues, which resulted in the higher raw materials balance at 30 June 2020.

Trade receivables have increased since the year end by €26.3m to €28.5m driven by the ramp-up in sales as the Group responded to the COVID-19 pandemic with the launch of its tests. Approximately 90% of the debtor book as at 30 June 2020 was current and related to sales in June 2020. Prepayments have increased since 31 December 2019 by €0.7m driven by upfront payments for stock (consumables and instruments) that were not received in H1 2020.

At 30 June 2020, the Company is debt free after settling all outstanding amounts, such that net debt decreased from €8.3m at 31 December 2019 to nil.

Short-term provisions have increased by €4.1m since 31 December 2019 to €4.2m at 30 June 2020, driven by an increase in the long-term incentive plan liability, as a result of the Company's share price increasing since the start of the year.

Trade and other liabilities has increased from €4.6m since 31 December 2019 to €16.3m at 30 June 2020 in line with the growth in the business. Trade payables has increased to €3.6m and accrued invoices covering predominantly third-party manufacturing costs has increased to €7.6m, from €2.1m and €0.9m, respectively. In order to meet market demand for the COVID-19 test, the Group took the early decision to outsource elements of

manufacturing to allow the business to be scaled up quickly. Tax liabilities in the form of Value Added Tax (VAT) payable in the UK has increased by €4.6m to €4.7m from €0.1m at 31 December 2019.

For the first time, the Group has been able to benefit from the UK Patent Box regime, which provides a special reduced corporation tax rate to incentivise research and development by taxing patent revenues differently from other commercial revenues. Subject to a number of adjustments, the effective rate of tax on profits derived from the sale of products subject to patents is close to 10% rather than the normal UK tax rate of 19%. The Patent Box rate is normally claimed once a patent has been granted, but it is expected that the Group's products will fall within a specific exemption allowing the reduced rate to be claimed immediately. Due to the uncertainty over the details of the full calculation, for current reporting purposes a reduced corporation tax rate of 12% on profits from patented products has been assumed. As a result of the profit delivered in H1 2020, the Group booked a UK corporation tax provision of €5.9m.

Consolidated income statement as at 30 June 2020

Amounts in '000 €	Notes	(Unaudited)Six month30 June2020	(Unaudited)Six month30 June2019
Continuing Operations			
Revenue	4, 5	72,374	7,223
Cost of sales	6	- 12,109	- 2,643
Gross profit		60,265	4,580
Sales, marketing and distribution expenses		- 1,966	- 1,317
Research and development expenses		- 593	- 229
General and administrative expenses		- 9,035	- 3,639
Governmental subsidies		-	7
Operating profit/loss before exceptional items		48,672	- 598
Other operating income	7	5	57

Other operating expenses	7	- 353	- 123
Operating profit/loss after exceptional items		48,324	-664
Financial income	8	87	36
Financial expense	8	- 2,292	- 579
Profit/loss before tax		46,120	- 1,208
Tax (expense)/income	9	- 5,924	-
Profit/loss after tax from continuing operations		40,195	- 1,208
Loss from discontinued operations		-	- 786
Profit/loss after tax attributable to owners of the company		40,195	- 1,994
Profit/loss per share (€)	10	0.61	-0.05
Profit/diluted loss per share (€)	10	0.61	-0.05
Profit/loss per share from the continuing operations (€)		0.61	-0.03
Profit/diluted loss per share from the continuing operations (€)		0.61	-0.03
Loss per share from the discontinued operations (€)		0.00	-0.02
Diluted loss per share from the discontinued operations (€)		0.00	-0.02

The June 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".

Consolidated statement of comprehensive income as at 30 June 2020

Amounts in '000 €	Notes	(Unaudited)Six month30 June2020	(Unaudited)Six month30 June2019
Profit/loss after tax		40,195	- 1,994
Items that may be reclassified subsequently to profit or loss:			
Translation reserves		- 1,959	- 2
Total comprehensive profit/loss		38,236	- 1,996
Comprehensive profit/loss attributable to:			
Owners of the company (*)		38,236	- 1,996

(*) There are no non-controlling interests.

Statement of financial position as at 30 June 2020

Amounts in '000 €	Notes	(Unaudited)Six month30 June2020	(Audited)Year ended31 December2019
Goodwill		15,911	15,918
Other intangible assets		3,514	4,313
Property, plant and equipment		3,221	3,478
Non-current financial assets		112	240
Other long-term assets		377	214
Non-current assets		23,136	24,163
Inventories and work in progress	11	15,558	2,439
Trade and other receivables	12	28,470	2,168
Tax receivables		-	4
Prepayments		1,081	406
Short-term investments		10	10
Cash & cash equivalents	13	19,720	1,805
Current assets		64,839	6,832
Assets classified as held for sale		-	70
Total assets		87,975	31,065
Bank overdrafts and current portion of long-term borrowings	14	-	2,189
Lease liabilities - short-term		225	268

Provisions - short-term	15	4,237	50
Trade and other liabilities	16	16,296	4,591
Tax liabilities		5,650	-
Other current liabilities		469	591
Total current liabilities		26,877	7,689
Net current assets / (liabilities)		37,962	-857
Borrowings and convertible bond notes	14	-	6,137
Lease liabilities - long-term		2,043	2,356
Provisions - long-term	15	215	240
Deferred tax liabilities		78	49
Total non-current liabilities		2,336	8,782
Total liabilities		29,213	16,471
Net assets		58,762	14,594

Statement of financial position as at 30 June 2020

Amounts in '000 €	Notes	(Unaudited)Six month30 June2020	(Audited)Year ended31 December2019
Share capital	17	4,708	3,873

Share premium account	62,151	58,012
Own shares	- 138	- 174
Other reserves	- 5,265	- 3,306
Equity reserve	1,323	401
Retained losses	- 4,017	- 44,212
Total equity - owners of the company	58,762	14,594
Total equity	58,762	14,594

Statement of changes in equity as at 30 June 2020

Amounts in '000 €					Other group reserves					
	Share capital	Share premium	Own shares	Equity reserves	Acquisition of the shares of Primerdesign	Translation reserve	Other comprehensive income on retirement benefits	Total	Retained loss	Total equity
Balance at 1 January 2019	2,511	58,249	- 178	422	- 2,948	139	- 11	- 2,820	- 38,046	20,138
Translation differences	-	-	-	-	-	- 486	-	- 486	-	- 486
Loss for the period	-	-	-	-	-	-	-	-	- 6,558	- 6,558
Total comprehensive loss for the period	-	-	-	-	-	- 486	-	- 486	- 6,558	- 7,044
Issue of share capital	-	- 180	-	-	-	-	-	-	-	- 180

Own shares acquired/sold in the period	-	-	4	-	-	-	-	-	-	4
Other changes	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
Translation differences	-	-	-	-	-	- 1,959	-	- 1,959	-	- 1,959
Profit for the period	-	-	-	-	-	-	-	-	40,195	40,195
Total comprehensive income / (loss) for the period	-	-	-	-	-	- 1,959	-	- 1,959	40,195	38 236
Issue of share capital	835	4,139	-	-	-	-	-	-	-	4,974
Own shares acquired/sold in the period	-	-	36	-	-	-	-	-	-	36
Other changes	-	-	-	922	-	-	-	-	-	922
Balance at 30 June 2020	4,708	62,151	- 138	1,323	- 2,948	- 2,306	-11	-5,265	-4,017	58,762

Statement of cash flows as at 30 June 2020

Amounts in '000 €	Notes	(Unaudited)Six month30 June2020	(Unaudited)Six month30 June2019
Net cash from operating activities	18	24,603	- 577
Investing activities			
Proceeds on disposal of property, plant and equipment		3	-

Purchases of patents and trademarks		- 43	- 158
Purchases of property, plant and equipment		- 268	- 200
Purchases of trading investments		78	6
Acquisition / sale of subsidiaries net of cash		7	- 278
Net cash generated from investing activities		- 223	- 630
Investing cash flows from discontinued activities		-	- 25
Investing cash flows from continuing operations		- 223	- 605
Repayments of borrowings and other financial liabilities	14	- 5,991	- 993
Proceeds on issue of borrowings and bond notes		-	2,036
Proceeds on issue of shares		2,908	- 69
Disposal (purchase) of own shares - Net		36	- 2
Variation of other short-term financing facilities		- 775	-
Paid interest expenses		- 1,808	- 290
Net cash generated from financing activities		- 5,630	682
Financing cash flows from discontinued activities		-	-
Financing cash flows from continuing operations		- 5,630	682
Net increase/(decrease) in cash and cash equivalents		18,750	- 525
Cash and cash equivalents at beginning of year		1,805	1,132
Effect of foreign exchange rate changes		- 835	- 9
Cash and cash equivalents at end of period		19,720	598

1. General Information and basis of preparation

The Novacyt Group is an international diagnostics business generating an increasing portfolio of invitro 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 microbiology, haematology and serology markets as do its global partners, which include major corporates. Its registered office is located at 13 Avenue Morane Saulnier, 78140 Vélizy Villacoublay.

The financial information contained in this report comprises the consolidated financial statements of the Company and its subsidiaries (hereinafter referred to collectively as "the Group"). They are prepared and presented in '000s of euros.

The financial information includes all companies under exclusive control. The Company does not exercise joint control or have significant influence over other companies. Subsidiaries are consolidated from the date on which the Group obtains effective control. It has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards as adopted for use in the EU (IFRSs).

This condensed consolidated interim financial information does not constitute full statutory accounts. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the twelve months ended 31 December 2019. Statutory accounts for the year ended 31 December 2019 were approved by the Board of Directors and have been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified. The financial information for the half years 30 June 2020 and 30 June 2019 is unaudited and the twelve months to 31 December 2019 is audited.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation. The Company's scope of consolidation included the following companies:

	At 30 June 2020 and 31 December 2019			At 30 June 2019		
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

2. Summary of accounting policies applied by the Group

The financial statements have been prepared in accordance with International Financials Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Goup financial statements comply with Article 4 of the EU IAS Regulation.

The financial information has been prepared on the historical cost basis except in respect of those financial instruments that have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial information is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The areas where assumptions and estimates are material in relation to the financial information are the measurement of goodwill (see Note 16 of the 2019 Statutory Accounts for further details), the carrying amounts and useful lives of intangible assets (see Note 17 of the 2019 Statutory Accounts for further details), deferred taxes (see Note 21 of the 2019 Statutory Accounts for further details), trade receivables (see Note 23 of the 2019 Statutory Accounts for further details) and provisions for risks and other provisions related to the operating activities (see Note 28 of the 2019 Statutory Accounts for further details).

The accounting policies set out below have been applied consistently to all periods presented in the financial information.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are substantially the same as those applied by the Group in its financial statements for the year ended 31 December 2019 and which form the basis of the 2020 financial statements. The methodology for selecting assumptions underpinning the fair value calculations has not changed since 31 December 2019.

Going concern

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

In making this assessment the Directors have considered the following elements:

- the working capital requirements of the business;

- a positive cash balance at 30 June 2020 of €19,720,000;

- the payment of the LTIP that commenced in November 2017 to be paid in November 2020;

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

Leases - After adoption of IFRS 16

IFRS 16 Leases was issued in January 2016 and is effective for an entity's financial statements for annual reporting periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 introduces significant changes to lessee accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.

· The right-of-use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability

· The lease liability is initially measured at the present value of the future lease payments discounted using the discount rate implicit in the lease (or if that rate cannot be readily determined, the lessee's incremental borrowing rate). Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

IFRS 16's transition provisions permit lessees to use either a full retrospective or a modified retrospective approach for leases existing at the date of initial application of the standard, with options to use certain transition reliefs.

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. The Group recognised right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments.

Inventories

Inventories are carried at the lesser of their acquisition cost and their recoverable amount. The acquisition cost of inventories includes materials and supplies, and, where applicable, personnel expenses incurred in transforming inventories into their current state. It is calculated using the weighted average cost method. The recoverable amount represents the estimated selling price less any marketing, sales and distribution expenses.

The gross value of goods and supplies includes the purchase price and incidental expenses.

A provision for impairment, equal to the difference between the gross value determined in accordance with the above terms and the current market price or the realisable value less any proportional selling costs, is recognised when the gross value is greater than the other stated item.

Trade receivables

The Group has an established credit policy under which the credit status of each new customer is reviewed before credit is advanced, including external credit evaluations where possible. Credit limits are established for all significant or high-risk customers, which represent the maximum amount permitted to be outstanding without requiring additional approval from the appropriate level of senior management. Outstanding debts are continually monitored by each division. Credit limits are reviewed on a regular basis, and at least annually. Customers that fail to meet the group's benchmark creditworthiness may only transact with the group on a prepayment basis.

Trade receivables are recorded initially at fair value and subsequently measured at amortised cost. This generally results in their recognition at nominal value less an allowance for any doubtful debts. Trade receivables in foreign currency are transacted in their local currency and subsequently revalued at the end of each reporting period, with any foreign exchange differences being recognised in as an income/expense.

The allowance for doubtful debts is recognised based on management's expectation of losses without regard to

whether an impairment trigger happened or not (an "expected credit loss" model). Through implementation of IFRS 9, the Group concluded that no real historical default rate could be determined due a low level of historical write offs across the business. The Group therefore recognises an allowance for doubtful debts on the basis of invoice ageing. Once an invoice is overdue from its due date, based on agreed upon credit terms by more than 90 days, that this invoice is then more likely to default than those invoices operating within 90 days of their due date. As such, these invoices will be provided for in full as part of an expected credit loss model.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there may be no reasonable expectation of recovery may include the failure of the debtor to engage in a payment plan, and failure to make contractual payments within 365 days past due.

Cash and cash equivalents

Cash equivalents are held in order to meet short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent, it must be readily convertible into a known amount of cash and be subject to an insignificant risk of change in value. Cash and cash equivalents comprise cash funds, current bank accounts and marketable securities (cash Undertakings for Collective Investment in Transferable Securities "UCITS", negotiable debt securities, etc.) that can be liquidated or sold within a very short time (generally with original maturities of three months or less) and which have a negligible risk of change in value. All such items are measured at fair value, with any adjustments recognised in profit or loss.

Trade payables

Trade payables are obligations to provide cash or other financial assets. They are recognised in the balance sheet when the Group becomes a party to a transaction generating liabilities of this nature. Trade and other payables are recognised in the balance sheet at fair value on initial recognition, except if settlement is to occur more than 12 months after recognition. In such cases, they are measured using the amortised cost method. The use of the effective interest rate method will result in the recognition of a financial expense in the income statement. Trade and other payables are eliminated from the balance sheet when the corresponding obligation is extinguished.

Trade payables have not been discounted, because the effect of doing so would be immaterial.

Provisions

· Long Term Incentive Plan

Novacyt granted to certain employees shares under a long-term management incentive plan adopted on 1 November 2017. The exercise price is set at the share price on the grant date and the options will be settled in cash. The options will fully vest on the third anniversary of the grant date. The payment expenses are calculated under IFRS 2 "Share-based payments". The accounting charge is spread across the vesting period to reflect the

services received and a liability recognised on the statement of financial position.

Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

· Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of external tax professionals supported by the Group and previous experience in respect of such activities.

· Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Profit/loss per share

The Group reports basic and diluted profit/loss per common share. Basic profit/loss per share is calculated by dividing the profit attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

Diluted profit/loss per share is determined by adjusting the profit attributable to common shareholders by the weighted average number of common shares outstanding, taking into account the effects of all potential dilutive common shares, including options. These options are taken into account for the calculation of the profit/loss per share only if their exercise price is higher than the market price and if they have a dilutive effect on the result per share.

Exceptional items

Exceptional items are those costs or incomes that in the view of the Board of Directors, require separate disclosure by virtue of their size or incidence, and are charged/credited in arriving at operating profit on the face of the consolidated income statement.

Loss from discontinued operations

On the 11th December 2018, Novacyt announced its intention to sell the NOVAprep business and thus presents its financial results in accordance with the IFRS 5 accounting rule on discontinued operations. As a result, all revenues and charges generated by this activity are presented on a single line, below the net result. This business was disposed of on the 24th December 2019.

3. 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.

Key sources of estimation uncertainty

The Group has a number of key sources of estimation uncertainty. Of these items only the measurement of goodwill, the measurement of useful lives of intangible assets, the measurement of fair value of assets and liabilities in business combinations, the recognition of deferred taxes, the value of trade and other receivables and the provisions for risks and other provisions related to the operating activities are considered likely to give material adjustment. Other areas of estimates are deemed not material.

Taxation provisions:

The Group's current tax provision of €5,924,000 relates to management's assessment of the amount of tax payable on open tax positions where the liabilities remain to be agreed with HMRC. Uncertain tax items included in the provision of €5,924,000 relate principally to the interpretation of tax legislation regarding arrangements entered into by the Group in the UK. Due to the uncertainty associated with such tax items, there is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ significantly.

Whilst a range of outcomes is reasonably possible, the extent of the reasonably possible range is from additional liabilities of up to €3,683,000 to a reduction in liabilities of up to €1,052,000.

4. Revenue

The table below shows revenue from ordinary operations:

Amounts in '000 €	(Unaudited)Six month30 June2020	(Unaudited)Six month30 June2019
Manufactured goods	72,210	6,676

Services	-	306
Traded goods	26	58
Other	138	183
Total Revenue	72,374	7,223

The majority of the Group's revenue is generated in British Pounds. The Group has not hedged against the associated currency risk.

The breakdown of revenue by operating segment and geographic area is presented in note 5.

5. 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 disposal of NOVAprep in December 2019, 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.

o Lab21 Products (formerly Corporate and Diagnostics)

This segment represents Lab21 Products which is a developer, manufacturer and distributor of a large range of protein-based infectious disease IVD products with both Microgen Bioproducts Ltd and Lab21 Healthcare Ltd now based in Camberley, UK.

o Primerdesign (formerly Molecular Products)

This segment represents the activities of Primerdesign, which is a designer, manufacturer and marketer of molecular 'real time' qPCR testing devices and reagents in the areas of infectious diseases based in Southampton, UK.

The Chief Operating Decision Maker is the Chief Executive Officer.

o Reliance on major customers

Primerdesign's revenue includes approximately €21,000,000 (2019: € nil) from sales to the Group's largest customer. One other customer contributed 10% or more to the Group's revenue in 2020.

Breakdown of revenue by operating segment and geographic area

o At 30 June 2020

Amounts in '000 €	Lab21 Products	Primerdesign	Total
Geographical area			
Africa	64	2,014	2,078
Europe	943	58,040	58,983
Asia-Pacific	518	2,764	3,282
America	195	3,685	3,880
Middle East	70	4,081	4,151
Revenue	1,790	70,584	72,374

o At 30 June 2019

Amounts in '000 €	Lab21 Products	Primerdesign	Total
Geographical area			
Africa	358	161	518
Europe	1,555	1,352	2,906
Asia-Pacific	1,097	496	1,594
America	409	980	1,390
Middle East	551	264	815
Revenue	3,970	3,253	7,223

6. COST OF SALES

The table below shows the cost of sales:

Amounts in '000 €	(Unaudited)Six month30 June2020	(Unaudited)Six month30 June2019
Cost of inventories recognised as an expense	4,811	1,592
Change in stock provision	145	152
Manufacturing sub-contracting costs	6,011	-
Non-stock items and supplies	130	17
Freight costs	122	39
Direct labour	859	815

Other	31	28
Total Cost of sales	12,109	2,643

Cost of inventories recognised as an expense, has increased significantly due to higher sales in H1 2020. In order to respond to market demands in 2020 some elements of manufacturing were outsourced resulting in €6,011,000 of sub-contractor costs.

7. Other operating income and expenses

The table below shows other operating income and expenses:

Amounts in '000 €	(Unaudited)Six month30 June2020	(Unaudited)Six month30 June2019
Other income	5	57
Other operating income	5	57
Litigation with employees	-	-3
Restructuring expenses	-126	-31
Business sale expenses	-	-21
Brand impairment - Omega	-200	-
Other expenses	-27	-68
Other operating expenses	-353	-123

The restructuring expenses in 2020 relate to site closure costs for the Bridport facility, following the transfer of

manufacturing of the Lab21 Healthcare portfolio of products to our Camberley facility.

No further products will be sold under any brands/trademarks acquired as part of the Omega Infectious Diseases acquisition in 2018, and as a result the remaining intangible asset has been fully written down in 2020.

8. Financial income and expense

The table below shows financial income and expense:

Amounts in '000 €	(Unaudited)Six month30 June2020	(Unaudited)Six month30 June2019
Exchange gains	33	36
Actualisation of the long term sale receivables	54	-
Financial income	87	36
Interest on loans	-1,744	-430
Negma phantom warrant settlement	-404	-
Exchange losses	-115	-53
Other financial expense	-29	-96
Financial expense	-2,292	-579

Financial Expense:

Interest on loans

The interest charge is mainly related to the Vatel and Harbert European Growth Capital bond notes. The June 2020 figure has increased substantially due to the full repayment of the €5,000,000 Harbert European Growth Capital bond and its associated interest charges.

Negma phantom warrant settlement

In November 2019 Novacyt SA granted Negma 1,300,000 phantom warrants, i.e. warrants that do not give access to the share capital of the Company, in exchange for the cancellation of 1,300,000 warrants giving access to the share capital of Novacyt SA. The phantom warrants guaranteed to pay Negma the profit from the difference between the €0.20 exercise price and the share price on the day before the exercise date. This instrument was recognised as a derivative financial liability at December 2019 for a value of €90,000. Negma exercised the phantom warrants in February 2020, which resulted in a payment to Negma of €494,000. The charge at June 2020 is the difference between these two amounts.

9. income tax

The standard rate of corporation tax applied to reported profit is 28 percent, which is the tax rate applicable to Novacyt SA in France. It has not changed compared to June 2019.

Taxation for other jurisdictions (mainly the UK) is calculated at the rates prevailing in the respective jurisdictions.

The charge for the period can be reconciled to the profit before tax as follows:

Amounts in '000 €	(Unaudited)Six month30 June2020	(Unaudited)Six month30 June2019
Profit before tax on continuing operations	46,120	-1,208
Tax at the French corporation tax rate (28 %)	12,914	-338
Tax effect of non-deductible expenses and non-taxable income	101	-86

Tax effect of utilisation of tax losses not previously recognised	-244	-
Change in unrecognised deferred tax assets	1,610	534
Research tax expenditure enhancement	-90	-63
Patent box relief	-3,683	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	-4,689	9
Other effects	5	-56
Tax expense for the period	5,924	-

Matters affecting the tax charge

For the first time, the Group has been able to benefit from the UK Patent Box regime, which is a special low corporate tax rate used by several countries to incentivise research and development by taxing patent revenues differently from other commercial revenues. Subject to a number of adjustments, the effective rate of tax on profits derived from the sale of products subject to patents is close to 10% rather than the normal UK tax rate of 19%. The Patent Box rate is normally claimed once a patent has been granted, but it is likely that the Group's products will fall within a specific exemption allowing the reduced rate to be claimed immediately. Due to the uncertainty over the details of the full calculation, for current reporting purposes a reduced corporation tax rate of 12% on profits from patented products has been assumed.

10. Profit/Loss per share

Profit/loss per share is calculated based on the weighted average number of shares outstanding during the period. Diluted profit/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. At June 2020, there are no longer any outstanding dilutive instruments.

Amounts in 000' €	(Unaudited)Six month30 June2020	(Unaudited)Six month30 June2019

Net loss attributable to owners of the company	40,195	- 1,994
Impact of dilutive instruments	-	-
Net loss attributable to owners of the company	40,195	- 1,994

Weighted average number of shares	65,721,150	37,664,418
Impact of dilutive instruments	-	-
Weighted average number of diluted shares	65,721,150	37,664,418

Earnings per share (€)	0.61	- 0.05
Diluted earnings per share (€)	0.61	- 0.05

The table below presents the movements of the stock options during the first 6 months of 2020. They were not taken into account in the calculation of diluted earnings because they were anti-dilutive for the period ending on 30 June 2019, and were all exercised or elapsed at June 2020.

Beneficiary	Kreos	Primerdesign	Yorkville	Negma	Harbert	Total
Grant date	12 May 2016	12 May 2016	31 July 2015 to 18 July 2017	25 April 2019	5 November 2019	
Number of warrants	353,536	1,000,000	1,501,427	2,979,544	6,017,192	
Exercise price	€1.45	€1.16	From €5.511 to €0.946	€0.20	€0.0698	
Exercise deadline	1 November 2022	12 May 2021	3 years after issuance	25 April 2024	5 November 2026	
Accounting	Equity	Derivative financial liability	Equity	Derivative financial liability	Derivative financial liability	

Number of warrants on 1 January 2020	353,536	1,000,000	853,216	1,679,544	6,017,192	9,903,488
Warrants exercised in 2020	-353,536	-1,000,000	-528,541	-1,679,544	-6,017,192	-9,578,813
Number of additional shares	353,536	1,000,000	528,541	1,679,544	6,017,192	9,578,813
Share capital increase	€512,627	€1,160,000	€500,000	€335,909	€420,000	€2,928,536
Warrants cancelled in 2020	-	-	-324,675	-	-	-324,675
Warrants outstanding on 30 June 2020	-	-	-	-	-	-

11. Inventories and work in progress

The table below shows inventories and work in progress:

Amounts in '000 €	(Unaudited)Six month30 June2020	(Audited)Year ended31 December 2019
Finished goods	9,084	780
Raw materials	5,133	1,399
Work in progress	1,480	282
Traded goods	69	82
Stock provisions	-208	-104
Total	15,558	2,439

Increased inventory levels are supporting the Group's revenue growth, with significant finished goods being held in stock ready for immediate dispatch to support the worldwide COVID-19 pandemic, as demand remains high for the Primerdesign test kits.

The lead time for obtaining some raw materials was significant, as such bulk orders have been placed to ensure there are no supply chain issues, contributing to the higher raw materials balance in 2020.

12. Trade and other receivables

The table below shows trade and other receivables:

Amounts in '000 €	(Unaudited)Six month30 June2020	(Audited) Year ended31 December2019
Trade and other receivables	28,401	2,014
Estimated credit loss provision	-552	-464
Accrued income	17	18
Tax receivables (excluding income tax)	428	392
Receivables on sale of businesses	176	178
Other receivables	-	30
Total Trade and other receivables	28,470	2,168

Trade receivables balances are due within one year. Once an invoice is overdue from its due date by more than 90 days, this invoice is deemed more likely to default and as such, these invoices have been provided for in full as part of an expected credit loss model.

13. cash and cash equivalents

The table below shows cash and cash equivalents:

Amounts in '000 €	(Unaudited)Six month30 June2020	(Audited)Year ended31 December 2019
Available cash	19,708	1,793
Money market deposits	12	12
Cash and cash equivalents	19,720	1,805

14. Borrowings

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

o Maturities as of 30 June 2020

Amounts in '000 €	Amount due for settlement within 12 months	Amount due for settlement after 12 months	Total
Bond notes	-	-	-
Accrued interest on borrowings	-	-	-
Short term financing facilities	-	-	-

Total financial liabilities	-	-	-

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	1,306	6,137	7,443
Accrued interest on borrowings	39	-	39
Short term financing facilities	844	-	844
Total financial liabilities	2,189	6,137	8,326

At 30 June 2020, the Group is debt free having repaid the €5,000,000 bond subscribed by Harbert European Growth Capital and converted the Vatel €4,000,000 bond into equity.

The short-term financing facility remains in place but no funds have been drawn down as at 30 June 2020.

15. Provisions

The table below shows the nature of and change in provisions for risks and charges for the period from 1 January 2020 to 30 June 2020:

Amounts in '000 €	At1 January2020	Increase	Reduction	Reclass	Change in exchange rates	At 30 June2020

Provisions for restoration of premises	226	3	-	-	-14	215
Long term management incentive plan	14	-	-	-14	-	-
Long-term provisions	240	3	-	-14	-14	215
Long term management incentive plan	-	4,173	-	14	-	4,187
Provision for litigation	50	-	-	-	-	50
Short-term provision	50	4,173	-	14	-	4,237

The table below shows the nature of and change in provisions for risks and charges for the period from 1 January 2019 to 31 December 2019:

Amounts in '000 €	At1 January2019	Increase	Reduction	Adoption of IFRS 16	Change in exchange rates	At 31 December2019
Provisions for restoration of premises	147	7	- 25	87	10	226
Long term management incentive plan	20	-	- 6	-	-	14
Long-term provisions	167	7	- 31	87	10	240

Provision for litigation	100	-	- 50	-	-	50
Short-term provision	100	-	- 50	-	-	50

As a result of the share price increasing significantly since December 2019, the provision for the long-term incentive plan for management has increase substantially to €4,187,000 as at 30 June 2020.

16. Trade and other liabilities

Amounts in '000 €	(Unaudited)Six month30 June2020	(Audited)Year ended31 December 2019
Trade payables	3,572	2,091
Accrued invoices	7,577	858
Social security liabilities	485	473
Tax liabilities	4,654	142
Other liabilities	8	37
Options classified as liabilities	-	990
Total Trade and other liabilities	16,296	4,591

The options classified as liabilities at 31 December 2019 include the warrants and phantom warrants granted to Harbert European Growth Capital, Negma and the former shareholders of Primerdesign, that were exercised, in the first half of 2020.

Trade payables and accrued invoices have increased significantly in line with increased revenue.

The €4,654,000 tax liability predominantly relates to Value Added Tax (VAT) payable to HMRC in the UK.

17. Share capital

Amounts in '000 €	Amount of share capital	Unit value per share	Number of shares issued
At 1 January 2019	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
Capital increase following the exercise of warrants	639	0.07	9,578,813
Capital increase by conversion of debt	197	0.07	2,952,681
At 30 June 2020	4,708	0.07	70,626,248

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.

As of 30 June 2020, the Company's share capital of €4,708,416.55 was divided into 70,626,248 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.

18. Notes to the cash flow statement

Amounts in '000 €	(Unaudited)Six month30 June2020	(Unaudited)Six month30 June2019
Profit / Loss for the year / period	40,195	-1,994
Profit / Loss from the discontinued activities	-	-786
Profit / Loss from the continuing operations	40,195	-1,208
Adjustments for:		
Depreciation, amortisation and impairment loss	897	863
Management long-term incentive plan	4,173	-
Undiscounting of the long-term sales receivable (NOVAprep & Lab21 Ltd)	-54	-
(Increase) / decrease of fair value	-90	-
Gains / (losses) on disposal of assets	166	6
Operating cash flows before movements of working capital	45,287	-1,125
(Increase) / decrease in inventories	-13,766	105
(Increase) / decrease in receivables	-28,338	-224
Increase / (decrease) in payables	13,253	281
Cash from operations	16,436	-964
Income taxes paid/(received)	5,928	-41
Finance costs	2,238	428
Net cash from operating activities	24,603	-577
Operating cash flows from the discontinued activities	-	-633
Operating cash flows from the continuing operations	24,603	56

19. Impact of THE UK'S DEPARTURE FROM THE EUROPEAN UNION on Group activity

It is difficult to anticipate the impact of Brexit as trade negotiations continue and the final trade agreements and regulatory landscape is unknown. The tax consequences depend on the outcome of negotiations between Europe and the United Kingdom, and to date are undetermined.

Management is continually monitoring the situation and continues to identify market, operational and legal risks and to take the appropriate mitigation measures as deemed necessary.

20. Subsequent events

There are no subsequent events to report.

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