

Half Year Results

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Novacyt S.A.

26 September 2019

Novacyt S.A.

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

HALF YEAR RESULTS

Double-digit revenue growth

EBITDA profit

Paris, France and Camberley, UK - 26 September 2019 - Novacyt (ALTERNEXT: ALNOV; AIM: NCYT), an international specialist in clinical diagnostics, today announces unaudited results for the six months ended 30 June 2019.

Financial highlights

- Consolidated unaudited Group revenue of €7.2m, an increase of 12% (11% CER) compared to the restated revenues for H1 2018 of €6.4m

- o Primerdesign revenue increased 8% (7% CER) to €3.3m

- o Lab21 revenue increased 17% (16% CER) to €4.0m as a result of the incremental revenue from the Omega ID acquisition in June 2018

- Group gross margin remained strong at 63%, a reduction of 2% from H1 2018, due to the anticipated dilutive gross margin effect of the Omega ID revenue streams. On a like-for-like pro forma basis (excluding Omega ID) gross margin increased by 3% year on year to 68%

- Primerdesign gross margin improved year-on-year by 2% to 87%, demonstrating the significant current and potential future value of this business unit to the Group

- Group EBITDA profitability of €0.2m in H1 2019 versus a €0.1m loss in H1 2018

- Operating loss reduced by €0.1m to €0.7m despite incremental Omega ID amortisation of €0.1m

- Omega ID contributed a strong EBITDA profit of 19% in H1 2019 and synergies have been identified to further improve gross margin and EBITDA profitability

- Novacyt held €0.6m in cash and cash equivalents at the end of 30 June 2019

- Working capital constraints in second and third quarters will result in consolidated revenue and EBITDA below market expectations for the full year but ahead of the EBITDA for the prior year.

NOVAprep® revenues are excluded, reflecting the strategic decision to sell the division, as announced on 11 December 2018. Group revenue includes the Clinical Lab (€0.3m) for the first half of the year, which was subsequently sold on 18 July 2019.

€'000	H1 2019	H1 2018
	Consol	Consol
Revenue	7,223	6,427
Gross profit	4,580	4,191
Gross margin %	63%	65%
EBITDA	153	(100)
Recurring operating (loss)/profit	(598)	(569)
Operating loss	(664)	(836)
Loss after tax	(1,208)	(1,172)
Loss from discontinued operations	(786)	(673)
Loss after tax attributable to the owners	(1,994)	(1,844)

Operational highlights

- The working capital restrictions have significantly impacted the Group, especially the Lab21 Products business during the second quarter. Despite this, the Group has continued to grow sales and EBITDA profitability, underscoring the potential profitability of the Group as it continues to scale
- Primerdesign revenues increased by 8% to €3.3m compared to H1 2018 as a result of growth of 22% in B2B sales and 10% in International Markets. Sales in the Middle East and US markets were the fastest growing regions for molecular products at 114% and 33%, respectively, compared to H1 2018
- Integration of Omega ID is progressing well, and a decision to close and consolidate the Axminster facility, acquired with the Omega ID assets, was implemented during the first quarter, which has further reduced costs and increased the profitability of this business

- The molecular R&D pipeline of CE-Mark assays focused in transplant diagnostics continues to make good progress, and two new CE-Mark products - EBV and BKV - were launched in the third quarter of 2019 as planned

Post period end

- Sale of the Clinical Lab to Cambridge Pathology BV completed on 18 July 2019 for a total consideration of £400,000. The sale will enable Novacyt to focus more closely on the expansion and value of its core products businesses, Primerdesign and Lab21 Products. A second deferred payment of £100k was received in September as expected
- The Company continues to look for a buyer(s) of its NOVAprep® business unit but is also taking steps to close the remaining business by the end of 2019 in the event a sale has not completed. All customers, suppliers and employees have been informed of the decision, and the Company will work sensitively and diligently to support all those who will be impacted by this decision. Due to significantly reduced costs, the liquidation of certain assets and an increase in consumables sales orders, the negative cash flow impact on the business unit will be greatly reduced with the potential for it to generate cash for the Group during the second half of 2019

Graham Mullis, Group CEO of Novacyt, commented:

"We have continued to experience increasing demand for our products throughout 2019, which led to 12% growth in sales in H1. However, this growth has been somewhat moderated by working capital constraints, which we continue to make good progress on resolving. As a result, this shortfall will impact our full year revenue and profit performance as we continue to work through our forward order book. With sufficient working capital, we will continue to build on the robust operational performance of our Primerdesign and Lab21 Products business units, which delivered record sales growth in a number of territories in H1.

"We successfully completed the sale of the Clinical Lab, which allows us to further streamline and focus our operations. This will save the the Group €0.1m due to the elimination of overheads associated with the operating site. The decision to dispose of, or close, the NOVAprep® business unit by year end also removes the uncertainty of the sale process.

"We understand shareholders have been disappointed with the share price performance and dilution since the convertible bond facility was executed in April 2019. We continue to assess various financing options for the Company and will update the market in due course.

"Novacyt's solid foundation lies in its strengths in vitro diagnostic product design, development, commercialisation and contract manufacturing. I look forward to building on the base as we work hard to restore shareholder confidence and deliver value through a profitable, high growth diagnostics company."

Corporate review

In the first half of 2019, Novacyt made further progress in shaping and defining the business to deliver long-term sustainable profitable growth. This has been achieved through the progress it is making in restructuring the business to focus on its core, profitable reagents manufacturing businesses. These achievements will reinforce the Company's strategy and commitment to the three pillars of growth based on organic sales expansion, investment

in R&D and a judicious approach to acquisitions. Novacyt expects it can further reduce the manufacturing cost base across the Group to grow the Group's gross margins and increase overall profitability.

Molecular products

Primerdesign revenues increased by 8% to €3.3m compared to H1 2018 as a result of a 22% growth in B2B sales and continued growth of 10% in international markets. Direct sales in the UK were down by 6% due to the short-term impact of reorganising the sales management structure with sales growth anticipated to resume towards the end of the year. Sales in the Middle East and US markets were the fastest growing regions for molecular products at 114% and 33% compared to H1 2018.

Primerdesign is increasingly recognised as a leading clinical assay development partner. As of the end of H1 2019, Primerdesign has engaged with over 15 customers throughout the past 18 months, fulfilling their specific development requirements. During the first half of 2019, the Company expanded its assay development contract with Immunexpress for the first US Food and Drug Administration (FDA) cleared host response test for suspected sepsis patients to further support the development of rapid diagnostic assays for the detection of sepsis.

In May 2019, Primerdesign also launched its next-generation genesig® q32 qPCR molecular testing instrument, to complement the established genesig® q16, launched in 2014. Further operational enhancements to both the q16 and q32 instrument platforms are planned in 2020 to provide gold standard PCR cycle times of 30 minutes.

Primerdesign's extensive catalogue of over 550 genesig® Real-Time PCR kits can be run on the q32 instrument, including human, food pathogens and food speciation testing. As all genesig® kits have an identical running protocol, the q16 and q32 instruments are easy to use for customers of all expertise and experience levels and provide results that can be easily compared across the instruments and across different sites or collaborating groups.

During the first half of 2019, Primerdesign successfully launched its CE Mark EBV and BKV assays used to help transplantation and immunosuppressed patients. Both tests provide quantitative detection of viral DNA extracted from blood plasma, whole blood and urine. They have initially been validated for the Roche LightCycler® 480 II Instrument and the same assays will be available to run on additional instruments, the ABI 7500 and Bio-Rad CFX, later this year. The complementary and important CE-Mark CMV assay development is progressing well and will launch early next year.

Protein products

Lab21 revenue of €4.0m demonstrated growth of 17% (16% CER) in the first half of 2019 compared to H1 2018 driven by the Omega ID acquisition which completed in June 2018. The second quarter of 2019 saw sales restricted by a lack of working capital, which mainly impacted the Lab21 business unit. Despite this, the new sales team increased UK sales of Microgen branded products by 29% compared to the first half of 2018. The order book remains strong for the second half of the year and continued growth is expected depending on how quickly the supply chain can be fully restored.

The Omega ID asset acquisition continues to be EBITDA accretive to the Group, and a number of additional cost savings and synergies have been identified to drive this profitability further. These include (i) the closure of the acquired Axminster site which was consolidated within the Group during Q2 2019 saving overheads of €150k per annum, (ii) consolidating duplicated products to minimise manufacturing costs and (iii) the saving of Omega Diagnostics overhead charges under the Transitional Services Agreement in early 2020.

During the second half of 2019, the Lab21 business unit aims to launch twelve new CE-Mark clinical products which will add to the PathFlow® and PathChek® product ranges. An immediate launch of six new products in the PathFlow™ range will take place this month which will extend the range of tests for the rapid diagnosis of several key pathogens associated with Infectious Disease in humans. These include tests for Clostridium difficile, Helicobacter pylori, Influenza A+B, Norovirus, Rotavirus, Adenovirus and RSV from a range of patient sample types. The products in combination represent some of the most important tests required in a modern hospital laboratory setting, addressing the need for fast and accurate diagnosis of key pathogens to prevent mortality. Quicker and more effective diagnosis also enables clinicians to combat the increasing issues of antimicrobial resistance associated with these pathogens.

The expansion of the PathFlow™ range of products serves to highlight Novacyt's long term commitment to facilitate clinical improvements to patient outcomes as a result of earlier diagnosis. Novacyt will look to increase the number of PathFlow™ tests with further expansion of the product range during the final quarter of this year.

Financial review

Revenue

Unaudited revenues for the first half of 2019 were €7.2m compared to the restated revenues for 2018 of €6.4m, with the addition of Omega ID revenue and solid growth from Primerdesign in the Middle East and US markets. Continuing Group revenue, excluding NOVAprep®, increased by 12% (11% CER). The order book is strong for the second half of the year and continued growth is expected depending on how quickly the supply chain can be fully restored.

Gross margin

Gross profit has shown continued positive momentum, increasing from €4.2m (65%) in the first half of last year to €4.6m (63%) in 2019. This margin reflects the lower gross margin associated with the Omega ID revenue streams. On a pro forma basis, gross margin increased 3% to 68% year on year. Primerdesign's gross margin improved year on year by 2% to 87% as a result of lower manufacturing costs due to economies of scale as sales volumes increase. The gross margin of the Group in 2014 was 44% compared to 63% in H1 2019, an increase of 19 percentage points.

The Lab21 Products business unit has seen a 6% year-on-year gross margin decrease to 45% impacted by the dilutive gross margin effect of the Omega ID acquisition. On a pro forma basis, the gross margin of the business unit would have been largely unchanged at 50% compared to 51% in H1 2018.

EBITDA

The Group has continued its EBITDA profitability trend with an EBITDA profit of €0.2m in the first half of 2019, which saw the underlying Primerdesign EBITDA margin increase to over 40% before Group management charges. With Primerdesign delivering approximately 45% of Group revenue at 87% gross margin, its continued success contributes substantially to the Group's positive EBITDA. The effect of increasing Primerdesign revenues as a percentage of overall Group revenues will continue to enhance the overall profitability of the Group.

The Omega ID acquisition has been immediately EBITDA accretive to the business and during the first half the EBITDA margin of this business was 19%. This strong level of profitability is expected to increase as the business becomes fully integrated within the Group.

A focus on cost control across the Group in H1 2019, in addition to the adoption of IFRS 16, has helped drive EBITDA from a loss of €0.1m in H1 2018 to a profit of €0.2m in H1 2019 at a time when sales were impacted by a lack of working capital. Additional planned cost saving initiatives, particularly in manufacturing, can deliver further profit improvements during the second half and into 2020.

Operating loss

Group operating loss narrowed by over 20% to a loss of €0.7m compared with the H1 2018 loss of €0.8m. The €0.3m improvement in EBITDA and a reduction in exceptional charges of €0.2m year on year have been offset with additional depreciation/amortisation costs of €0.3m resulting from the Omega ID acquisition (€0.1m) and impact of IFRS 16 (€0.1m).

Net loss

The net loss increased by €0.2m to €2.0m between H1 2018 and H1 2019 due to a €0.1m increase in amortisation costs associated with the Omega ID acquisition, a €0.1m increase in the loss in discontinued operations driven by the NOVAprep business performance, and additional financial expenses of €0.2m due to additional borrowing taken on in late Q2 2018, offset by the €0.3m EBITDA improvement.

Balance Sheet

€'000	Jun-19	Dec-18	€'000	Jun-19	Dec-18
Goodwill	15,913	16,134	Share capital and premium	60,580	60,582
Other non-current assets	8,645	6,369	Retained earnings	(42,095)	(40,444)

Total non-current assets	24,558	22,503	Total equity	18,485	20,138
Inventories	2,356	2,347	Borrowings (> 1 yr)	3,830	2,259
Other current assets	4,351	4,237	Other provisions and long-term liabilities	231	222
Cash and cash equivalents	598	1,132	Total non-current liabilities	4,061	2,481
Total current assets	7,305	7,716			
			Borrowings (< 1 yr)	4,862	3,115
			Trade and other payables	4,972	4,647
			Other provisions and short-term liabilities	1,421	2,047
			Total current liabilities	11,255	9,809
Assets of discontinued operations	2,260	2,294	Liabilities of discontinued operations	322	85
TOTAL ASSETS	34,122	32,513	TOTAL EQUITY AND LIABILITIES	34,122	32,513

The Group held €0.6m of cash on the balance sheet at 30 June 2019 compared to €1.1m at 31 December 2018. The reduction in cash is, in part, due to the repayments of €0.3m made against the outstanding deferred considerations that commenced in H1 2019 and a net working capital outflow of €0.6m. The €2.0m of cash derived from the bond issued in April was used for debt servicing and working capital to reduce the Group creditor position.

Other non-current assets have increased by €2.3m, primarily driven by the impact of adopting IFRS 16 which has put a long-term asset of €2.6m to the balance sheet comprised mainly of site related costs, offset by depreciation.

Trade receivables have decreased since the year end by €0.3m to €3.6m primarily due to the recovery of some older receivables. Prepayments have increased since 31 December 2018 by €0.4m driven by €0.2m of upfront payments for stock that were not received in H1, and €0.2m due to the timing of rent and business rates (property taxes) invoices received without a change in the underlying cost.

Net debt increased to €8.1m at the end of June 2019 from €4.2m in December 2018 following i) the draw down of €2.0m of convertible bonds from the €5m facility signed in April 2019, ii) the impact of adopting IFRS 16 which has added a €2.6m liability to the balance sheet, iii) a €0.5m reduction in cash offset by, and iv) debt repayments of €1.3m including €0.3m of interest.

The Contingent consideration balance has reduced to €1.1m as at June 2019 from €1.6m in December 2018, driven by repayments of €0.3m made during 2019 and by the cancellation of an earn out milestone worth €0.2m.

Current trading and outlook

Novacyt remains committed to successfully delivering on its three pillars of growth strategy which will continue to deliver increased profitability. A key factor to this success will be the Company's ability to secure financing that will facilitate a restructuring of the debt to put the Company in a much stronger financial position.

The outlook for the Primerdesign and Lab21 businesses remains strong entering the final quarter of the year. Both business units have significant sales pipelines and aim to grow sales above the levels of H1 2019. However, with working capital restrictions, the second and third quarters have been impacted. A consequent reduction in the rate of sales growth is expected for the full year. Novacyt therefore forecasts single digit full year consolidated sales growth and an EBITDA below market expectations but ahead of the EBITDA profitability for the prior year.

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

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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

Consolidated income statement as at 30 June 2019

Amounts in '000 €	Notes	(Unaudited)Six monthended 30 June2019	(Unaudited)Six monthended 30 June2018
Revenue	4,5	7 223	6 427
Cost of sales		-2 643	-2 236
Gross profit		4 580	4 191

Sales, marketing and distribution expenses		-1 317	-1 217
Research and development expenses		-229	-189
General and administrative expenses		-3 639	-3 387
Governmental subsidies		7	35
Operating loss before exceptional items		-598	-569
Other operating income	6	57	177
Other operating expenses	6	-123	-444
Operating loss after exceptional items		-664	-836
Financial income	7	36	32
Financial expense	7	-579	-368
Loss before tax		-1 208	-1 172
Tax (expense) / income		0	0
Loss after tax		-1 208	-1 172
Loss from discontinued operations		-786	-673
Loss after tax attributable to owners of the company		-1 994	-1 844

Loss per share (€)	8	-0,05	-0,08
Diluted loss per share (€)	8	-0,05	-0,08
Loss per share from the continuing operations (€)		-0,03	-0,05
Diluted loss per share from the continuing operations (€)		-0,03	-0,05
Loss per share from the discontinued operations (€)		-0,02	-0,03
Diluted loss per share from the discontinued operations (€)		-0,02	-0,03

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".

Consolidated statement of comprehensive income as at 30 June 2019

Amounts in '000 €	Notes	(Unaudited)Six monthended 30 June2019	(Unaudited)Six monthended 30 June2018
Loss after tax		-1 994	-1 844
Items that will not be reclassified subsequently to profit or loss:			
Actuarial differences IAS19R		-	-
Items that may be reclassified subsequently to profit or loss:			
Translation reserves		- 2	-3

Total comprehensive loss	-1 996	-1 847
Comprehensive loss attributable to:		
Owners of the company (*)	-1 996	-1 847

(*) There are no non-controlling interests.

Statement of financial position as at 30 June 2019

Amounts in '000 €	Notes	(Unaudited) Six month ended 30 June 2019	(Audited) Year ended 31 December 2018
Goodwill	9	15 913	16 134
Other intangible assets		4 664	4 944
Property, plant and equipment		3 752	1 191
Non-current financial assets		228	234
Non-current assets		24 558	22 503
Inventories and work in progress	10	2 356	2 347
Trade and other receivables		3 573	3 900
Tax receivables		135	94

Prepayments		632	233
Short-term investments		10	10
Cash & cash equivalents	13	598	1 132
Current assets		7 305	7 716
Assets of discontinued operations		2 260	2 294
Total assets		34 122	32 513
Bank overdrafts and current portion of long-term borrowings	11	4 862	3 115
Contingent consideration (current portion)	12	1 138	1 569
Short-term provisions		73	100
Trade and other liabilities		4 972	4 647
Other current liabilities		209	379
Total current liabilities		11 255	9 809
Liabilities of discontinued operations		322	85
Net current (liabilities) / assets		-3 628	-2 008
Borrowings and convertible bond notes	11	3 830	2 259
Long-term provisions		176	168
Deferred tax liabilities		55	54
Total non-current liabilities		4 061	2 481

Total liabilities	15 638	12 375
Net assets	18 485	20 138

Statement of financial position as at 30 June 2019

Amounts in '000 €	Notes	(Unaudited) Six month ended 30 June 2019	(Audited) Year ended 31 December 2018
Share capital		2 710	2 511
Share premium account		58 050	58 249
Own shares		-180	-178
Other reserves		-2 821	-2 819
Equity reserve		650	422
Retained losses		-39 924	-38 047
Total equity - owners of the company		18 485	20 138
Total equity		18 485	20 138

Statement of changes in equity as at 30 June 2019

Amounts in '000 €	Other group reserves
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Total comprehensive income / (loss) for the period	-	-	-	-	-	- 2	-	- 2	- 1 994	- 1 996
Issue of share capital	-	- 137	-	-	-	-	-	-	-	- 137
Own shares acquired /sold in the period	-	-	- 2	-	-	-	-	-	-	- 2
Other changes	199	- 62	-	228	-	-	-	-	-	365
Balance at 30 June 2019	2 710	58 050	- 180	650	- 2 948	137	- 11	- 2 822	- 39 924	18 485

Statement of cash flows as at 30 June 2019

Amounts in '000 €	(Unaudited) Six month ended 30 June 2019	(Unaudited) Six month ended 30 June 2018
Net cash used in operating activities	-577	-1 882
Investing activities		
Acquisition of subsidiary net of cash acquired	-278	-2 032
Purchases of patents and trademarks	-158	-201
Purchases of property, plant and equipment	-200	-171
Other investment activities	6	-22
Net cash generated from investing activities	-630	-2 426
Investing cash flows from discontinued activities	-25	-77
Investing cash flows from continuing operations	-606	-2 349

Repayments of borrowings	-993	-1 540
Proceeds on issue of borrowings and bond notes	2 036	3 958
Proceeds on issue of shares	-69	-53
Disposal (purchase) of own shares - Net	-2	5
Paid interest expenses	-290	-281
Net cash generated from financing activities	682	2 089
Financing cash flows from discontinued activities	-	-
Financing cash flows from continuing operations	682	2 089
Net increase/(decrease) in cash and cash equivalents	-525	-2 219
Cash and cash equivalents at beginning of year / period	1 132	4 345
Effect of foreign exchange rate changes	-9	8
Cash and cash equivalents at end of year / period	598	2 134

Notes to the interim financial statements

for the six month period to 30 june 2019

1. General Information and basis of preparation

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 oncology, microbiology, haematology and serology markets as do its global partners, which include blue chip companies. 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). The accounting policies applied by the Group in this financial information are the same as those applied by the Group in its financial statements for the year ended 31st December 2018 and which form the basis of the 2019 financial statements except for a number of new and amended standards which have become effective since the beginning this financial year, the key one being IFRS 16. These new and amended standards are not expected to materially affect the Group.

This condensed consolidated interim financial information does not constitute full statutory accounts. Statutory accounts for the year ended 31st December 2018 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 2019 and 30 June 2018 is unaudited and the twelve months to 31 December 2018 is audited.

2. Summary of accounting policies applied by the Group

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 resulting from the Company's acquisition of the Infectious Diseases business from Omega Diagnostics Ltd on 28 June 2018 (see note 37 of the 2018 Statutory Accounts for further details), the carrying amounts and useful lives of intangible assets (see note 19 of the 2018 Statutory Accounts for further details), deferred taxes (see note 22 of the 2018 Statutory Accounts for further details), trade receivables (see note 24 of the 2018 Statutory Accounts for further details) and provisions for risks and other provisions related to the operating activities (see note 29 of the 2018 Statutory Accounts for further details).

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

information, except for the adoption of IFRS 16 which is only applied from 2019 onwards.

Going concern

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

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

- a positive cash balance at 30 June 2019 of €598,000;
- the working capital requirements of the business
- the repayment of the current bond borrowings according to the agreed repayment schedules
- earn out payments in respect of previous acquisitions
- current status of negotiations for further financing

; Further bond issuances beyond the initial €2,000,000 drawn down upon signing of the Negma facility are dependent on shareholder approval to issue new equity. The Company cannot guarantee that shareholders will approve the issue of new equity and so it cannot rely upon the remaining €3,000,000 which is available from the convertible bond facility. Therefore, the Group is considering additional financing options to support its working capital requirements.

; The Company is evaluating options for new debt financing facilities that may provide sufficient working capital for the foreseeable future along with the opportunity to restructure its balance sheet.

; Additional capital receipts from the disposal of the NOVAprep business or through the liquidation of assets have not been factored into the Group's cash flow forecast. Any such funds received would help reduce the need and mitigate the risk of further bond issuances or the non-closure of the new bond facilities.

Failure to achieve shareholder approval to issue new equity in order to meet the conditions within the convertible bond facility or failure to agree any alternative debt facilities could place a material uncertainty on the Company's ability to trade as a going concern.

Business combinations and measurement of goodwill

o Business combinations

Business combinations are accounted for using the purchase method (see IFRS 3R).

Each time it takes over a company or group of companies constituting a business, the Group identifies and measures the assets acquired and liabilities assumed, most of which are carried at fair value. The difference between the fair value of the consideration transferred, including the recognised amount of any non-controlling interest in the acquiree and the net amount recognised in respect of the identifiable assets acquired and liabilities assumed measured at fair value, is recognised as goodwill.

Pursuant to IFRS 3R, the Group applies the following principles:

- transaction costs are recognised immediately as operating expenses when incurred;
- any purchase price adjustment of an asset or a liability assumed is estimated at fair value at the acquisition date, and the initial assessment may only subsequently be adjusted against goodwill in the event of new information related to facts and circumstances existing at the acquisition date if this assessment occurs within the twelve month allocation period after the acquisition date. Any adjustment of the financial liability recognised in respect of an additional price subsequent to the intervening period or not meeting these criteria is recognised in the Group's comprehensive income;
- any negative goodwill arising on acquisition is immediately recognised as income; and
- for step acquisitions, the achievement of control triggers the re-measurement at fair value of the interest previously held by the Group in profit or loss; loss of control results in the re-measurement of the possible residual interest at fair value in the same way.

For companies acquired during the year, only the results for the period following the acquisition date are included in the consolidated income statement.

o Measurement of goodwill

Goodwill is broken down by cash-generating unit (CGU) or group of CGUs, depending on the level at which goodwill is monitored for management purposes. In accordance with IAS 36, none of the CGUs or groups of CGUs defined by the Group are greater in size than an operating segment.

o Impairment testing

Goodwill is not amortised, but is subject to impairment testing when there is an indication of loss of value, and at least once a year at the reporting date.

Such testing consists of comparing the carrying amount of an asset to its recoverable amount. The recoverable amount of an asset, a CGU or a group of CGUs is the greater of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset, a CGU or a group of CGUs in an arm's length transaction between well-informed, willing parties, less the costs of disposal. Value in use is the present value of future cash flows expected to arise from an asset, a CGU or a group of CGUs.

It is not always necessary to determine both the fair value of an asset less costs to sell and its value in use. If either of these amounts exceeds the carrying amount of the asset, the asset is not impaired and it is not necessary to estimate the other amount.

Intangible fixed assets

o Customer relationships

In accordance with IFRS 3, the Company's acquisition of Primerdesign and the Asset Purchase of the Omega ID business resulted in the recognition of the value of the acquired customer base on the balance sheet. The value of this asset was determined by discounting the additional margin generated by customers after remuneration of the contributing assets.

Customer relationships will be amortised on a straight-line basis over nine years.

o Trademark

The acquisition price of Primerdesign and Omega ID by the Company was also "allocated" in part to the Primerdesign trademark and Omega trademarks. The value of this asset was determined by discounting the cash flows that could be generated by licensing the trademark, estimated as a percentage of revenue derived from information available on comparable assets.

The trademark will also be amortised on a straight-line basis over nine years.

o Other intangible assets

Intangible assets include licences recognised at cost and amortised over useful lives of between 7 and 20 years.

Intangible assets under construction

Pursuant to IAS 38, the Group capitalises development costs (external costs and personnel expenses), provided that they meet the following criteria:

- the Group has the intention, as well as the financial and technical capacity, to complete the development project;
- the asset will generate future economic benefits; and
- the cost of the intangible asset can be measured reliably.

Assets under construction are not amortised until the development programme has been completed and the asset brought into use. Other research and development expenses not meeting the criteria set out above are expensed directly.

Property, plant and equipment

Items of property, plant and equipment are recognised at their acquisition cost (purchase price plus incidental expenses and acquisition costs).

Depreciation and amortisation

Property, plant and equipment and intangible assets are depreciated or amortised on a straight-line basis, with major components identified separately where appropriate, based on the following estimated useful lives:

- Leasehold improvements:	Straight-line basis - 2 to 15 years
- Trademark:	Straight-line basis - 9 years
- Customers:	Straight-line basis - 9 years
- Industrial machinery and equipment:	Straight-line basis - 3 to 6 years

- General fittings, improvements:	Straight-line basis - 3 to 5 years
- Transport equipment:	Straight-line basis - 5 years
- Office equipment:	Straight-line basis - 3 years
- Computer equipment:	Straight-line basis - 2 to 3 years

Any leased buildings, equipment or other leases that fall under the scope of IFRS 16 as at the effective date of 1 January 2019 and have been capitalised as a right of use asset will be depreciated on a straight-line basis over the term of the lease as required under IFRS 16.

The depreciation or amortisation of fixed assets begins when they are ready for use and ceases at their disposal, scrapping or reclassification as assets held for sale in accordance with IFRS 5.

Given the nature of its assets, the Group does not recognise residual value on the items of property, plant and equipment it uses.

Depreciation and amortisation methods and useful lives are reviewed at each reporting date and revised prospectively if necessary.

Asset impairment

Depreciable and non-depreciable assets are subject to impairment testing when indications of loss of value are identified. In assessing whether there is any indication that an asset may be impaired, the Company considers the following external and internal indicators:

External indicators:

- drop in the market value of the asset (to a greater extent than would be expected solely from the passage of time or the normal use of the asset);

- significant changes with an adverse effect on the entity, either having taken place during the period or expected to occur in the near future, in the technical, economic or legal environment in which the Company operates or in which the asset is used; and

- increases in market interest rates or other market rates of return during the year when it is likely that such increases will significantly reduce the market value and/or value in use of the asset.

Internal indicators:

- existence of indication of obsolescence or physical damage of an asset unforeseen in the depreciation or amortisation schedule;

- significant changes in the way the asset is used;

- weaker-than-expected performance by the asset; and

- significant reduction in the level of cash flow generated by the asset.

If there is an indication of impairment, the recoverable amount of the asset is compared with its carrying amount. The recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of future cash flows expected to flow from an asset over its estimated useful life.

The recoverable amount of assets that do not generate independent cash flows is determined by that of the cash-generating unit (CGU) to which it belongs, a CGU being the smallest homogeneous group of identifiable assets generating cash flows that are largely independent of other assets or groups of assets.

The carrying amount of an asset is its gross value less, for depreciable fixed assets, accumulated depreciation and impairment losses.

In the event of loss of value, an impairment charge is recognised in profit or loss. Impairment is reversed in the event of a change in the estimate of the recoverable value or if indications of loss of value disappear. Impairment is recognised under "Depreciation, amortisation and provisions for impairment of property, plant and equipment and intangible assets" in the income statement.

Intangible assets not subject to amortisation are tested for impairment at least once a year.

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

Trade receivables are recognised upon transfer of ownership, which generally corresponds to delivery for sales of goods and the rendering of the service for services.

Receivables are recorded at their fair value, which corresponds most often to their nominal value. Receivables may be impaired by means of a provision, to take into account any difficulties in recovering the outstanding amounts. Provisions for impairment are determined by comparing the acquisition cost and the likely realisable value, which is defined as the present value of the estimated recoverable amounts.

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

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 less three months at the acquisition date) 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.

Long Term Incentive Plan

Novacyt granted certain employees 'phantom' 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 recognized on the balance sheet.

Loss per share

The Group reports basic and diluted losses per common share. Basic losses 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 losses 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 loss per share only if their exercise price is higher than the market price

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/loss.

Discontinued operations and assets held for sale

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

On the 11th December 2018, Novacyt announced its intention to sell the NOVAprep business and thus is presenting 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.

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.

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

In the statement of financial position: the assets and liabilities of a disposal group have been presented separately from other assets. The same applies for liabilities of a disposal group classified as held for sale. This restatement was made in the 2018 accounts and continues to be for H1 2019 to reflect the intention to dispose of the NOVAprep activity (held by Novacyt S.A.) and of the Clinical Lab business (held by Lab21 Ltd.). On 18 of July 2019 the Clinical Lab business was sold.

3. Critical accounting judgements and key sources of estimation 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 as listed below. Of these items only the measurement of goodwill, the measurement of useful lives of intangible assets, measurement of fair value of assets and liabilities in business combinations, recognition of deferred taxes and the value trade and other receivables are considered likely to give material adjustment. Others are areas of estimates deemed not material.

; Measurement of goodwill

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

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

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

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

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

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

Amounts in '000 €	(Unaudited)Six monthended 30 June2019	(Audited)Year ended31 December2018
Goodwill Lab21	17 709	17 709
Impairment of goodwill	- 9 101	- 9 101
Net value	8 608	8 608
Goodwill Primerdesign	7 210	7 210
Impairment of goodwill	-	-
Net value	7 210	7 210
Goodwill Omega	95	316
Impairment of goodwill	-	-
Net value	95	316
Total Goodwill	15 913	16 134

The goodwill associated with the Omega Acquisition has reduced by €221,000 as a result of the cancellation of an earn-out milestone, resulting in a reduction to the purchase price and an adjustment being made to goodwill as the event has occurred within the twelve month allowable period.

4. Revenue

The table below shows revenue from ordinary operations:

Amounts in '000 €	(Unaudited)Six monthended 30 June2019	(Unaudited)Six monthended 30 June2018
Manufactured goods	6 676	5 598
Services	306	549
Traded goods	58	85
Other	183	195
Total Revenue	7 223	6 427

A portion of the Group's revenue is generated in foreign currencies (particularly in sterling). 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

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

- o Corporate and Diagnostics

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

- o Molecular testing

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

The Chief Operating Decision Maker is the Chief Executive Officer.

Breakdown of revenue by operating segment and geographic area

At 30 June 2019

Amounts in '000 €	Corporate & Diagnostics	Molecular products	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

At 30 June 2018

Amounts in '000 €	Corporate & Diagnostics	Molecular products	Total
Geographical area			
Africa	198	121	319
Europe	1,568	1,536	3,104
Asia-Pacific	706	444	1,150
America	529	825	1,354
Middle East	402	98	500
Revenue	3,403	3,024	6,427

6. Other operating income and expenses

Amounts in '000 €	(Unaudited) Six months ended 30 June 2019	(Unaudited) Six months ended 30 June 2018
Reversal of accrual for litigation with employees	57	177
Other operating income	-	-
Other operating income	57	177
Provision for litigation with employees	- 3	- 211
Restructuring expenses	- 31	- 123
Business sale expenses	- 21	-
Acquisition related expenses	-	- 68
IPO preparation	-	- 22
Other expenses	- 68	- 20
Other operating expenses	- 123	- 444

Exceptional charges have come down over the periods in question, with there being no material items to mention as at June 2019. Prior period costs were driven predominantly by one-time events such as acquisition costs or business sale costs.

7. Financial income and expense

Amounts in '000 €	(Unaudited) Six months ended 30 June 2019	(Unaudited) Six months ended 30 June 2018
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Exchange gains	36	-
Change in fair value of options -		-
Other financial income	-	32
Financial income	36	32
Interest on loans	- 430	- 294
Exchange losses	- 53	- 40
Other financial expense	- 96	- 34
Financial expense	- 579	- 368

Financial Expense:

Interest on Loans:

This primarily relates to the outstanding Kreos and Vatel bonds, but includes an additional interest stream in relation to the Negma convertible bond taken out in April 2019, which generated an interest charge of €83,000 during the period to June 2019.

8. 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' €	(Unaudited)Six monthended 30 June2019	(Unaudited)Six monthended 30 June2018
Net loss attributable to owners of the company - 1 994		- 1 844
Impact of dilutive instruments	-	-
Net loss attributable to owners of the company - 1 994		- 1 844
Weighted average number of shares	37 664 418	23 075 634
Impact of dilutive instruments	-	-
Weighted average number of diluted shares	37 664 418	23 075 634
Earnings per share (in euros)	- 0.05	- 0.08
Diluted earnings per share (in euros)	- 0.05	- 0.08

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.

9. Goodwill

Goodwill is the difference recognised, upon consolidation of a company, between the fair value of the purchase price of its shares and the net assets acquired and liabilities assumed, measured in accordance with IFRS 3.

	€
Cost	
At 1 January 2018	26,252

Recognised on acquisition of the Omega Infectious Diseases business	316
Transferred to assets of discontinued operations	- 1,333
At 31 December 2018	25,235
Adjustment to the goodwill of the Omega Infectious Diseases business	-221
At 30 June 2019	25,014
Accumulated impairment losses	
At 1 January 2018	9,786
Exchange differences	-
Impairment losses for the period	-
Eliminated on disposal of a subsidiary	-
Transferred to assets of discontinued operations	-685
At 31 December 2018	9,101
Exchange differences	-
Impairment losses for the period	-
Eliminated on disposal of a subsidiary	-
At 30 June 2019	9,101
Carrying value at 31 December 2018	16,134
Carrying value at 30 June 2019	15,913

Further details can be found in the 2018 Statutory Accounts in note 18.

The goodwill associated with the Omega Acquisition has reduced by €221,000 as a result of the cancellation of an earn-out milestone, resulting in a reduction to the purchase price and an adjustment being made to Goodwill as the event has occurred within the twelve month allowable period.

10. Inventories and work in progress

Amounts in '000 € (Unaudited)Six monthended 30 June2019		(Audited)Year ended31 December2018
Raw materials	1 093	1 168
Work in progress	704	593
Finished goods	707	763
Stock provisions	- 148	- 177
Total	2 356	2 347

The underlying inventory value has not materially changed since December 2018.

11. Borrowings

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

o Maturities as of 30 June 2019

Amounts in '000 €	Amount due for settlement within 12 months	Amount due for settlement after 12 months	Total
Bond notes	4 331	1 429	5 760
Bank borrowings	120	1	121
IFRS16 Liabilities	206	2 401	2 607
Accrued interest on borrowings 205		-	205
Total financial liabilities	4 862	3 831	8 693

o Maturities as of 31 December 2018

Amounts in '000 €	Amount due for settlement within 12 months	Amount due for settlement after 12 months	Total
Bond notes	2 976	2 239	5 216
Bank borrowings	67	20	87
Accrued interest on borrowings 72		-	72
Total financial liabilities	3 116	2 259	5 375

As of 30 June 2019, the Group's financing primarily comprised:

- A bond subscribed by Kreos Capital IV Ltd in the amount of €3,500,000 on 15 July 2015, with an interest rate of 12.5 % for a term of 3 years;
- A bond subscribed by Kreos Capital V Ltd in the amount of €3,000,000 issued on 12 May 2016, with a nominal interest rate of 12.5 % for a term of 3 years;
- A convertible bond subscribed by Vatel in the amount of €1,500,000 issued on 31 March 2017, with an effective interest rate of 12.7% for a term of 3 years.
- A convertible bond subscribed by Vatel in the amount of €4,000,000 on 29 May 2018, with an effective interest rate of 8.5% for a term of 3 years.
- In April 2019, the Group secured a new flexible bond financing arrangement with a maximum drawdown of €5,000,000 through a private placement subscribed by the Negma / Park Partner private equity fund. The funds are released in tranches of €500,000, corresponding to one issuance right giving rise to the subscription of bonds convertible into shares with warrants (OCABSA). By exception, the first tranche amounted to €2,000,000 and the group exercised this first issuance right as of 18 April 2019. As of 30 June 2019, 170 resulting OCABSA were converted into shares.

As a result of adopting IFRS 16 from the 1st January 2019, there is a €2,607,000 liability created (and a similar value fixed asset) primarily relating to building leases.

12. Contingent consideration

The contingent consideration relates to the acquisition of the Primerdesign shares in May 2016 and the acquisition of the Infectious Diseases business from Omega Diagnostics Ltd Company in June 2018.

Amounts in 000' €	(Unaudited) Six months ended 30 June 2019	(Audited) Year ended 31 December 2018
Contingent consideration (current portion)	1,138	1,569
Total	1,138	1,569

The movement in the liability between the 31 December 2018 and 30 June 2019 is due to repayments of the earn outs and the removal of one earn-out milestone that will no longer be achieved. The payment of the remaining

contingent liability is expected to occur within twelve months.

13. Notes to the cash flow statement

Amounts in '000 €	(Unaudited) Six month ended 30 June 2019	(Unaudited) Six month ended 30 June 2018
Loss for the year / period	-1 994	-1 844
Loss from the discontinued activities	-786	-673
Loss the from the continuing operations	-1 208	-1 171
Adjustments for:		
Depreciation, amortisation and impairment loss	863	625
Unwinding of discount on contingent consideration	-	-
(Increase) / decrease of fair value	-	-
Gains / (losses) on disposal of fixed assets	6	-
Operating cash flows before movements of working capital -1 125		-1 219
(Increase) / decrease in inventories	105	-513
(Increase) / decrease in receivables	-224	-121
Increase / (decrease) in payables	281	-259
Cash used in operations	-964	-2 112
Changes in debt issues expenses	-	-
Income taxes paid	-41	-65
Finance costs	428	295

Net cash used in operating activities	-577	-1 882
Operating cash flows from the discontinued activities	-633	-881
Operating cash flows from the continuing operations	56	-1 001

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

Companies operating in the "Diagnostics" and "Molecular testing" sectors are established in the United Kingdom. It is difficult to anticipate the impact of the UK's departure from the European Union on trade relations and regulatory constraints. The tax consequences depend on the outcome of negotiations between Europe and the United Kingdom, and to date are undetermined.

Management continues to identify market, operational and legal risks and to take the appropriate mitigation measures as required.

15. Subsequent events

On 18 July 2019, Novacyt completed the sale of its non-core Cambridge clinical laboratory businesses to Cambridge Pathology BV for a total consideration of £400,000

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