

NOVACYT FULL YEAR 2016 RESULTS DELIVER DOUBLE DIGIT SALES GROWTH

Strong start to 2017 accelerating trajectory towards profitability

Paris, France and Cambridge, UK – 27 April 2017 – Novacyt (ALTERNEXT: ALNOV), an international specialist in cancer and infectious disease diagnostics, today announces its financial results for the year ended 31 December 2016.

In 2016, Novacyt made significant progress towards its goal of transforming the company into a multi-platform, global clinical diagnostics company. In particular, the acquisition of Primerdesign Ltd in May 2016 marked the company's entry into the fast growing, multi-billion dollar molecular diagnostics market.

Group sales increased 25% on a reported basis and 38% at constant exchange rates (CER) driven by NOVAprep® growth and the acquisition of Primerdesign. The gross margin continued to improve and was up seven percentage points to 55%. On a *pro forma* basis, the Group achieved a further improvement in gross margin to 59%.

Losses at the EBITDA level were reduced to €2.3m (a loss of €1.7m on a *pro forma* basis) compared with a €2.9m loss for 2015. Momentum towards near-term EBITDA profitability was demonstrated by an EBITDA loss of €0.7m in H2 compared with €1.6m in H1.

The financial results of the Group prepared under IFRS are summarised below:

€'000	2016 Pro forma	2016 Consol	2015 Consol	2014 Consol
Revenue	12,925	11,076	8,892	4,526
Gross profit	7,628	6,080	4,275	1,973
Gross margin %	59.0%	54.9%	48.1%	43.6%
EBITDA	(1,724)	(2,295)	(2,928)	(1,611)
Recurring operating loss	(2,575)	(3,074)	(3,235)	(1,844)
Operating loss	(3,998)	(4,463)	(13,185)	(3,686)
Total net loss	(5,243)	(5,711)	(13,908)	(3,912)

- The acquisition of Lab21 was completed 13 June 2014 and the total Group consolidated results include Lab21 for the second half of 2014. The results have been restated under IFRS
- The acquisition of Primerdesign was completed on 12 May 2016 and the total Group consolidated revenues include Primerdesign from 1 May 2016
- EBITDA (Earnings before interest, tax, depreciation and amortisation) is presented before non-recurring charges and income
- Operating loss in 2016 is stated after non-recurring charges amounting to €1.4m. These charges include:
- Novacyt/Primerdesign site restructuring and relocation €0.5m ; Primerdesign acquisition costs €0.5m; listing project costs €0.3m and first-time IFRS conversion costs €0.1m

- *Operating loss in 2015 includes a non-cash goodwill impairment charge of €9.8m relating to the acquisition of Lab21*
- *Total net loss in 2016 is stated after €1.0m of gross borrowing costs (2015 : €0.9m) and other financial expenses of €0.2m (2015 : €0.2m other financial income. Gross borrowing costs in 2016 include €0.4m non-cash IFRS charges e.g. in respect of amortising loan set up costs over the loan term*

Financial highlights

- Increased Group sales by 25% to €11.1m (€8.9m in 2015) and 38% at CER
 - Improved sales momentum in H2 2016 with €6.1m revenue up 47% year-on-year (68% at CER)
 - NOVAprep® sales of €1.6m up 24%
 - Delivered 117% growth in Asia Pacific and 65% in Middle East, including Turkey
- *Pro forma* basis Primerdesign sales of £4.2m (€5.1m) up 8% at CER
 - Driven by CER growth of 71% in South America, 67% in Asia Pacific and 28% in North America
- Lab21 revenues were £5.0m (€6.2m), down 8% on 2015 at CER
 - Lab21 H2 revenues were up 7% at CER compared with H1, benefitting from 10% growth in product sales
- Gross margin increased to 55% (59% *pro forma*) from 48% in 2015
- Narrowed EBITDA loss to €2.3m, with the loss significantly reduced by €0.9m in H2 2016 compared with H1 2016 as a result of restructured French commercial operations
- Total cash balance of €2.9m at year end, following successful private equity placement raising gross €2.7m in an over-subscribed issue

Operational highlights

- Primerdesign was acquired in May 2016 for £9.6m, representing 2.4x sales and 6.6x EBITDA on a full-earn out basis. One of the key elements of integration has been the identification of key candidates for CE-IVD regulatory approval from the existing Primerdesign catalogue of over 450 products and the first clinically validated CE Mark assay remains on track to launch during Q2 2017
- Primerdesign moved into new high quality development and manufacturing facilities
- NOVAprep® launched in 10 new markets, including Turkey, Qatar, Israel, Malaysia and Australia
- Further investment in the successful MDL Asia partnership, increasing Novacyt's direct presence in this strategically important region, particularly China
- Lab21 products launched for the first time in Brazil through a new manufacturing partnership
- Lab21 launched 10 new CE Marked infectious disease products to complement the existing portfolio

Post period highlights

- Successfully achieved class I registration of NOVAprep® vial with the FDA in Q1
- Provided molecular diagnostics kits to evaluate the cause for an outbreak of necrotising cellulite (flesh eating) infection in São Tomé and Príncipe
- Successful bond issuance of €1.5m with Vatel Capital

Graham Mullis, Group CEO of Novacyt, commented:

"I am delighted to report continued strong double-digit sales growth across the Group in 2016. Our increased sales momentum reflects the acquisition of Primerdesign, a profitable high-growth molecular diagnostic business and successful investment in NOVAprep® commercial infrastructure. We have delivered the fourth consecutive period of high double-digit NOVAprep® sales growth. Consequently, our gross margin has continued to improve and I expect the trajectory to profitability

to continue to accelerate, as demonstrated by the run-rate EBITDA loss significantly reduced during the second half of 2016.

Furthermore, 2017 has started very strongly, with sales up over 70% across the Group and I look forward to updating our shareholders and the market of our continued progress during the year."

Good progress against the three strategic pillars of growth

1) Organic Growth

NOVAprep® sales continue to grow at double digit rates driven by geographic expansion and further investments in commercial infrastructure. This sales growth is anticipated to continue. The NOVAprep® target market in cervical cancer screening is estimated to be worth over \$3.6bn.¹ Within this market, NOVAprep® can be sold to clinicians who continue to use conventional Pap smear screening, which today still represents over 50% of the cervical cancer screening market.

Significant opportunities remain for geographical expansion of NOVAprep® for cervical cancer screening, particularly in developing markets which are underserved. In 2016 we launched in 10 new markets and continued to invest in our commercial infrastructure. Consequently, NOVAprep® is seeing strong growth from markets such as China, Asia Pacific (up 117%) and the Middle-East, including Turkey (up 65%). This growth is expected to continue in 2017.

The recent distribution partnership with Cepheid Inc is expected to generate new sales in South America during H2 and Novacyt is well placed to identify a suitable commercial partner for the US market following successful class I registration of the NOVAprep® vial and medium with the US Food and Drug Administration (FDA) in Q1 2017. Novacyt is also evaluating the market potential for NOVAprep® in Japan and expects to report our strategy for this key market during H2 2017.

Primerdesign saw strong sales growth and contributed strong levels of profitability to the Group following its acquisition in May 2016. A temporary decline in B2B channels during H2 resulted in lower than expected overall growth for the division of 8%. However, in the core areas of the business reagent sales continued to grow strongly, underpinned by sales of molecular kits growing from 17% to 60%, particularly in markets such as the UK and US. An investment in clinical commercial infrastructure is expected to add new clinical market revenues and new B2B revenues during H2 2017.

The profitable Lab21 Products division, returned to growth in H2 2016 with a 10% increase over H1. This reflected its launch into new territories, such as Brazil, and the addition of 10 new products. This progress is expected to continue into 2017.

2) Investment in R&D

Primerdesign's proven platform of innovative molecular diagnostics reagents runs on the proprietary rapid real-time genesig® PCR platform and can also be developed to run on most other open molecular platforms.

¹ *Transparency Market Research*

Following the acquisition of Primerdesign, Novacyt has identified approximately 10% of Primerdesign's current catalogue which is suitable for conversion to clinically approved CE-IVD assays during the next five years. The molecular market for clinically approved assays is the fastest growing sector of the IVD market and is estimated to represent €6.0bn today, growing at 9.1% CAGR.² The first clinically validated assay is expected to be for the Zika virus and is due to launch on plan during Q2 2017.

The synergistic combination of Novacyt and Primerdesign is expected to enhance and accelerate the growth and profitability trajectory of both Primerdesign and the Group.

3) Acquisitive Growth

The Company has successfully demonstrated its ability to target, negotiate and acquire high quality companies at attractive valuations. Primerdesign is a developer and manufacturer of molecular assays and as a stand-alone division, is highly profitable and cash-flow generative with consistent gross margin in excess of 80% and an EBITDA profit of 40%. Novacyt acquired the business for 2.4x revenue and 6.6x EBITDA on a full earn-out basis. This has been a transformative acquisition for the Group and offers significant synergies and expansion opportunities for Novacyt.

The Company will continue to evaluate acquisition opportunities in the Primerdesign and NOVAprep® divisions, with a focus on distribution and manufacturing to accelerate Novacyt sales growth and the Group's financial performance. In addition, any future acquisition is expected to be immediately earnings accretive. The Company will only look at acquisition targets that it believes can be executed at attractive prices to maximise Novacyt shareholder returns.

Board and management changes

Subject to shareholder approval, the Company is pleased to announce the following Board changes. Anthony Dyer has been promoted to Chief Financial Officer (CFO) and will also be elected to the Board of Directors. Mr Alan Howard has resigned from the Board as Director and is being replaced by Juliet Thompson, ex Managing Director of Nomura Code Securities.

Two highly experienced senior personnel have recently been appointed to lead the continued growth of NOVAprep® and Lab21 product divisions. Dr Ruth Powell and Phil Sefton join in April 2017 to lead the two divisions, respectively. Both executives have strong commercial and general management experience from blue-chip IVD manufacturers such as Thermofisher, Abbott and Qiagen, and will be a key part of the executive management of the Company.

Mr James Wakefield, Chairman of Novacyt, commented:

"On behalf of the Board, I would like to thank Alan for the support he has given the Company in helping to develop the strategy which Novacyt is now executing successfully.

I am also delighted to support the well-deserved promotion of Anthony Dyer to CFO and to the Board of Novacyt, which reflects the continued commitment and expertise that Anthony has contributed in the past two years.

² *marketsandmarkets.com February 2017*

Additionally, I am pleased to announce the appointment of Juliet to the Board of Novacyt who is a highly experienced corporate financier with strong knowledge of the European healthcare sector having been at Nomura Code for 10 years. These appointments, which I expect to be approved by shareholders at the next opportunity, will help Novacyt prepare for the next important phase of its exciting growth trajectory.

Novacyt will update shareholders shortly regarding its previously disclosed intention to list on the UK's Alternative Investment Market ("AIM") in addition to its current listing on the Paris Alternext market as the company seeks to increase its international profile and presence. "

Current trading and outlook

We continue to invest significantly in Primerdesign's commercial infrastructure in order to support expansion into molecular clinical diagnostic markets and develop our initial five CE-IVD approved assays, the first of which we expect to launch on plan in Q2 2017.

2017 has started well, with Q1 sales up 70% driven by the acquisition of Primerdesign and strong organic growth in NOVAprep® and Lab21 products. Sales of NOVAprep® are up 45% and Lab21 Products up 15% compared to Q1 2016. We expect to expand the reach of NOVAprep® in key South American markets once our partner, Cepheid, completes additional registrations in H2. We expect overall sales progress to continue during the remaining half of the year and, with favourable sales volume gains and product mix, to positively affect gross margins. Combined with controlled overheads, this should support the Group's trajectory towards profitability.

Annual Report 2016

Novacyt is currently finalising its financial statements for the year ended 31 December 2016. The Auditor has confirmed that their audit procedures, which are substantially completed, have not revealed any material corrections required to be made to the financial information included in this press release. Were any material changes to arise during the audit finalisation, an additional press release would be issued. Novacyt expects to publish its fully audited Annual Report for the full year 2016 after closing on 28 April 2017.

Key dates for the company's results disclosure include:

- AGM for 2016 results 27th June 2017
- Half-year 2017 revenue 20th July 2017
- Half-year 2017 results 26th October 2017

- End -

About Novacyt Group

The Novacyt Group is a leader in the field of cellular diagnostics with a growing portfolio of cancer and infectious disease products and services. Through its proprietary technology platform NovaPrep® and molecular platform, genesig® Novacyt is able to provide an extensive range of oncology and infectious disease diagnostic products across an extensive international distributor network. The Group has diversified sales from

diagnostic reagents used in oncology, microbiology, haematology and serology markets, and its global customers and partners include major corporates.

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

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