

## LETTER FROM THE CHAIRMAN TO THE SHAREHOLDERS OF NOVACYT SA

Dear Shareholder,

The Board of Novacyt SA ("Company") has called an Extraordinary General Meeting ("EGM") to be convened on 5<sup>th</sup> December 2016, in Paris to approve various resolutions to allow the Company to achieve its strategic goals. This letter is to help shareholders understand why the Board is seeking approval to these resolutions.

### **Background**

Novacyt has undergone a significant period of sustained growth, which, as Chairman of the Board, I am pleased to say was recognised on 8<sup>th</sup> November 2016 when the Company won the Ile-de-France award of the Deloitte Technology Fast 50 French programme, an initiative that rewards France's fastest growing companies and one of the country's foremost technology awards. The award recognised the Company's revenue growth of **743%** from €1.1m to €8.9m between 2012 and 2015, as a result of management's new growth strategy.

Since the acquisition of Lab21 in 2014 the strategy has been based on three core pillars of organic growth, R&D and selective acquisitions. The implementation of the ambitious strategic plan has transformed Novacyt from a company with limited sales growth and continued losses into a company on track to accelerate profitability and deliver record sales in 2016.

### *Organic growth*

Significant levels of organic growth have been achieved, with NovaPrep® growing 44% year-on-year for the six months to 31 December 2015 following investment in new management and commercial infrastructure. This growth is expected to continue with additional cross selling opportunities and the appointment of new key distributors in high growth markets. In addition, we are confident that the exciting molecular product portfolio from Primerdesign will add its own strong growth profile coupled with the sales synergies across the Group from sharing sales channels.

### *R&D*

We are investing in expanding the clinical utility of NovaPrep® to include lung, liver, thyroid and bladder cancer indications. In the Primerdesign brand, the product portfolio is already very extensive with over 450 assays sold successfully as "research-use-only" products. With its clinical expertise, the plan is to convert 10% of the molecular assay portfolio, (45 assays) into clinically validated assays to take advantage of the larger and more premium priced clinical markets. This will increase the organic growth expectations of the Company as well as significantly accelerate the profitability objective. We currently have six new launches expected in the next 12/18 months.

### *Selective acquisitions*

The financially transformative acquisition of Primerdesign which completed earlier this year, has expanded Novacyt into a global *in vitro* diagnostics business focused in high growth molecular diagnostic products. The integration of Primerdesign is proceeding well, Group margins have increased significantly and we are on track to deliver record Group sales, whilst accelerating our track to profitability, which we will communicate at the forthcoming EGM.

Building on the success of the acquisition of Primerdesign and to continue to take advantage of a fragmented market in clinical diagnostics, the Board will evaluate additional acquisition targets with the potential to increase profitability, scale the business and enhance shareholder value. Acquisitions

of diagnostic companies based in key strategic markets such as the US, Europe and Asia will be carefully evaluated to increase the footprint and outreach of Novacyt.

**Preparing for the next stage of growth**

The Company remains on track to accelerate profitability as we continue Novacyt’s transformation from a local niche operator into multi-platform international clinical diagnostic business. The Board believes that the proposed resolutions will allow Novacyt to continue to execute against its three strategic pillars and specifically offer flexibility and access to capital should the Company be required to move quickly to secure further accretive acquisitions. Therefore, the Board is seeking the authority to issue new shares up to the value of €1.7m at par value.

The Board is pleased with the growth the Company has achieved in sometimes challenging market conditions and I would like to take this opportunity to thank the significant commitment from all members of its staff. The Board is committed to growing shareholder value and firmly believes that by increasing Novacyt’s size, accelerating its profitability and positioning the Company as a global clinical diagnostics player, this can be achieved.

As part of the ongoing growth, I am pleased to report that the Board has unanimously agreed that it believes listing Novacyt SA on the UK’s Alternative Investment Market (“AIM”), in addition to its current listing on the Paris Alternext market, is in the best interest of all shareholders. For an international, high growth company, the Board believes a dual listing will open opportunities for the Company to increase liquidity, increase its international profile and therefore increase its attractiveness to new shareholders and drive shareholder value. The interest of our shareholders remains paramount and we have therefore proposed a resolution that will allow the Company the option to undertake a rights issue. This resolution will provide all shareholders with the right to invest in future capital raises.

In summation, the Board considers that the proposed resolutions will promote the success of the Company for the shareholders as a whole. Accordingly, the Board unanimously recommends that shareholders vote in favour of the resolutions.

Yours sincerely,



**James Wakefield**  
Chairman of the Board