Chairman’s Statement

Last year I started by saying that “I am writing this report in unprecedented times”. This statement remains true today and despite the human difficulties associated with the incredibly challenging conditions that we have all faced over the last year, the business has undergone transformational change during 2020 and has been at the heart of providing testing capability both in the UK and in over 130 countries worldwide.

James Wakefield
Chairman

2020 highlights

• Profitable after tax for the first time in the Company’s history with all senior debt repaid by H2
• Net consideration for acquisition of IT-IS after earnouts was £8.7m, 100% out of cash-flow
• Providing testing capability for COVID-19 in over 130 countries around the world

Due to the nature of our business and our highly experienced staff, we were able to benefit from first mover advantage by developing a reliable test for COVID-19 quickly. This received worldwide recognition and approval in 57 countries and enabled us to continue to develop further products in our test portfolio as more and more strains of the virus materialised.

We rose to the challenge of significantly increasing production capacity through a massive scale up internally as well as outsourced production whilst retaining overall control of the process. In the UK, we worked in close partnership with the UK Department of Health and Social Care (“DHSC”) as well as with a number of other customers worldwide. At times, weekly demand levels were greater than we had historically seen in a year.

I want to publicly thank every member of our team for their superb contribution and for going “above and beyond” what is normally expected. I also want to thank, once again, their families for making this possible. Every situation is different and I know that at one time or another, significant sacrifices have been made by everyone.

We remain focussed on the Group’s profitable reagent development and manufacturing business units, which we consider to be the key long-term value drivers of the business.

At the start of 2020, the business repositioned its focus to be at the heart of supporting the global pandemic with its COVID-19 test. Our rapid
response to this latest COVID-19 virus outbreak is a testament to the Group’s core competency of in-vitro diagnostic design, development, manufacturing and commercialisation, and being able to act quickly. I am extremely proud of the Novacyt team who were able to deliver this new COVID-19 test in such a short period of time for our customers who continue to need fast and reliable diagnostic solutions.

During the 2020 period under review, we generated revenues of £277m and a net profit for the first time in the company’s history. By the half year point, all senior debt had been repaid and the Group continued to increase its cash reserves to have over £91m by the year end after financing the £8.7million acquisition of IT-IS. We look forward to continuing to expand into new international markets and can do this from a materially stronger financial position as a result of the exceptional performance during 2020. Regrettably, we now find ourselves in a dispute with the DHSC, our largest customer in 2020, which is explained in the financial section of this report. Overall, however, this has been a transformational year for the business and as I write this report, the valuation is over 20 times higher than it was at the start of 2020 and the business is debt free.

We are delighted to be working with Allegra Finance as our French listing sponsor, SP Angel Corporate Finance LLP as our Nominated Adviser/ Broker, and added Numis as well during 2020.

The Board has reviewed and reconfirmed its strategy to continue to focus on its core strengths of in-vitro diagnostic product development, commercialisation and contract manufacturing by driving value from our profitable Primerdesign and Lab21 businesses. It is the intention to continue to grow both organically and through selective acquisition.

We are not proposing to pay a dividend for the financial year ended 2020 so we can invest in R&D, manufacturing and commercial aspects of the business. In the future, our dividend policy will form part of a wider review of capital allocation, which will be formulated in conjunction with the requirements for continued investment in the business for future business growth to maximise shareholder value as well as the prevailing financial conditions in the markets in which the business operates.

The Company is listed on two stock exchanges: Euronext Growth Paris and AIM London. As such, the Board remains committed to maintaining the highest standards of transparency, ethics and corporate governance, whilst also providing leadership, controls and strategic oversight to ensure that we deliver value to all our stakeholders.

Finally, I would like to take this opportunity of thanking you, the shareholders, for your continued support, and also to thank the Board, the Executive management team and all of our staff for their commitment and contribution to the business and, in particular, to the role that Novacyt has and continues to have in testing during this global pandemic.

James Wakefield
Chairman
Market
Opportunity

The IVD market
The global COVID-19 pandemic has transformed the need for early diagnosis, increasing the demand for diagnostics kits and assays to unprecedented levels. Looking forward, it is likely that we will see elevated levels of demand for years to come.

Impact analysis on the global IVD market

<table>
<thead>
<tr>
<th>Market drivers</th>
<th>1–2 Years</th>
<th>3–5 Years</th>
<th>6–10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adoption of rapid, minimally invasive, and non-invasive diagnostics</td>
<td>High</td>
<td>Medium/High</td>
<td>Medium/High</td>
</tr>
<tr>
<td>Rise in the global geriatric population</td>
<td>Medium/High</td>
<td>Medium/High</td>
<td>Medium/High</td>
</tr>
<tr>
<td>Increase in the number of patients with infectious and chronic diseases</td>
<td>Medium/High</td>
<td>Medium/High</td>
<td>Medium/High</td>
</tr>
<tr>
<td>Rise in the demand for point of care testing</td>
<td>High</td>
<td>Medium</td>
<td>Medium</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Market challenges</th>
<th></th>
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<tbody>
<tr>
<td>Uneven reimbursement scenario</td>
<td>Medium/High</td>
<td>Medium/High</td>
<td>Medium</td>
</tr>
<tr>
<td>Uncertain regulatory environment</td>
<td>High</td>
<td>Medium</td>
<td>Low/Medium</td>
</tr>
</tbody>
</table>

* The table above reflects the Company’s view on main market drivers.
Projected diagnostics market growth¹:

Market size in 2020 (inner): US $69.52 billion
Market size in 2030 (outer): US $113.86 billion

- Software
- Instruments
- Consumables

Global IVD market (by application)¹:

Market size in 2020 (inner): US $69.52 billion
Market size in 2030 (outer): US $113.86 billion

- Diabetes
- Infectious diseases
- Oncology/cancer
- Cardiology and blood disorders
- Nephrology
- Immune diseases
- Drug testing
- HIV/AIDS
- Womens Health
- Others (blood donor screening and human antigen testing)

Global IVD market (by application)¹:

Market size in 2020 (inner): US $69.52 billion
Market size in 2030 (outer): US $113.86 billion

- Central laboratories
- Point of care (POC)
- Clinics
- Academic institutes
- Hospitals
- Others (diagnostic centres and clinical research organisations “CROs”)
In vitro diagnostics (“IVD”) for human clinical diagnosis is a highly fragmented, high-growth, high-margin industry with high barriers to entry as a result of the technology base of the major industry players and the regulatory environment.

The market drivers of growth include the need to provide IVD diagnostic results faster, more easily and nearer to the patient. The unprecedented demand for COVID-19 testing has fuelled these drivers and significant levels of new IVD innovation is expected to be an outcome of COVID-19.

The IVD regulatory barrier is also set to increase across Europe in 2022 and other countries that rely upon the CE mark due to the introduction of the new IVDR regulations, which require Notified Body approval of more than 80% of all IVD diagnostics compared to only 20% today. In 2020, it was estimated that the global IVD market would grow at a compound annual growth rate (“CAGR”) of 5.6% from 2020–25 with the estimated market size to be at US $70 billion in 2020. This forecast was calculated before the full impact of COVID-19 testing was known, so the size of the overall IVD market is expected to be significantly higher than this.

The demand for molecular testing, which is regarded as the Gold standard for diagnosing infectious disease significantly increased as COVID-19 testing grew from the global pandemic. Industry players have responded to this demand by innovating and automating IVD systems for laboratories and hospitals to provide efficient, accurate diagnoses with high sensitivity and specificity.

For most of the first half of 2020, the demand for COVID-19 testing far exceeded supplies from the diagnostics industry and this forced all infectious disease focused diagnostic manufacturers to rapidly invest in the development and scale-up of COVID-19 products. As the virus continued to spread and evolve with mutations and the market needs for near patient testing, as well as central laboratory testing, IVD manufacturers have been designing kits that are easy to use, faster sample to result, and flexible enough to detect variants. As the pandemic has progressed, the market demand for lateral flow tests (“LFT”), which are considered less accurate than PCR test performance but are more convenient to use, has increased significantly as Governments wrestle with the challenge of opening up economies.

Beyond COVID-19, the prevalence of various diseases such as cancer, autoimmune diseases, and inflammatory conditions is escalating globally and is expected to boost demand for IVD, with the infectious disease segment dominating the market at 23% in 2020.

To strengthen manufacturing capacities, product pipelines, and competitive differentiations, companies are rapidly acquiring capabilities through internal development, partnerships and M&A.
References:
Our Strategy

Build on our success in COVID-19 testing to expand test menus in areas adjacent to COVID-19, and then into other prioritised market segments, delivery systems and geographies.

Test Menu Expansion

…underpinned by compelling IVD market dynamics

Build on Novacyt reputation for quality and innovation based upon its ability to rapidly develop new diagnostic reagents. Well positioned with one of the most comprehensive research use only PCR menus in the world and over 60 CE Mark approved clinical diagnostics tests which will continue to grow through this strategy.

Test menu expansion

- COVID-19 testing - Continue to expand Novacyt’s COVID-19 test menu to include additional COVID variants as they are identified and any reagent innovations which support testing efficiencies and results delivery.
- COVID-19 Plus testing - Targeted menu expansion into closely adjacent areas of COVID-19, e.g., Flu A, Flu B, biomarker monitoring to predict COVID progression / response to treatments (e.g., IFI27 biomarker for COVID-19 disease severity) to diagnose conditions in infected / recovered patients (e.g., factors related to “long COVID”).
- Post-COVID testing - Addressing unmet testing needs beyond COVID-19 building on its support for established central lab customer base with high value test menus, such as pathogens resistant to antimicrobials (e.g., Carbapenemresistant Enterobacteriaceae), sepsis, transplantation (CMV, EBV, BKV) as well as building test menu for its near patient strategy.

Underpinned by our strong bioinformatics and test design expertise coupled with extensive regulatory capabilities.

Instrument Expansion

The acquisition of IT-IS has provided Novacyt with a strong mid-throughput near-patient PCR testing platform with the q16 and q32 instruments which are being deployed in multiple near patient markets for use in COVID-19 testing.

- Expand placements of q16’s and q32’s and build out the specific test menu beyond COVID-19 based on the use-case requirements of the various placements.
- Develop multiple tests (multiplexing) leveraging the Company’s core expertise in chemistry development coupled with its near patient instrumentation technology.
Build on our success in COVID-19 testing to expand test menus in areas adjacent to COVID-19, and then into other prioritised market segments, delivery systems and geographies.

- Estimated global market size of $69.5 billion in 2020(1) with the IVD industry set to experience steady growth and continued consolidation
- Growing at a 5-year CAGR of 5%, with some analysts expecting IVD market to top $114 billion by 2030
- Aging world population
- Increased technological innovation
- Rising living standards in developing countries
- Industry consolidation
- An increase in incidence of chronic and infectious diseases

Novacyt has invested heavily in the UK with over 40 people in sales, field support activities and marketing, which puts the Company in a strong competitive position. This direct sales model will be replicated in selected target markets overseas.

- Follow the shift towards further decentralised testing through the development of high utility tests in areas including asymptotic infection control (e.g., Norovirus, C. Diff) sepsis differentiation meningitis and neonatal differentiation (e.g., Echovirus; Listeria).
- Further expand decentralised testing opportunities through protein based diagnostic technologies including lateral flow which will be developed, licensed or acquired by the Company.
- Geographic expansion particularly with a focus in direct sales, marketing and distribution beyond the UK.
- Focus on organic and acquisition investments.
- High priority geographies include the US, Germany and other European markets.
- Targeted organic investment has already commenced in the US with the recent appointment of a US General Manager.
1. How would you summarise Novacyt’s performance during FY20?

The pandemic was an opportunity for Novacyt to help people across the globe. Novacyt reacted quickly in response to the COVID-19 outbreak with our expertise in R&D and innovation shining through, proving our capabilities as an international specialist in clinical diagnostics. This has transformed the business with revenues for the full year having increased by over 20x, gross margin of 76.3% and a cash balance of £91.8 million as at 31 December 2020.

2. What is the focus for Novacyt’s R&D investment for FY21 and beyond?

Novacyt will continue to expand its menu of next generation COVID-19 products and closely adjacent areas along the COVID patient continuum. Beyond COVID, Novacyt will focus on addressing unmet needs with high-value test menus, such as panels to screen for pathogens resistant to antimicrobials. In parallel, Novacyt will support the shift towards decentralised testing through the development of high-utility tests in areas like infection control, sepsis differentiation, meningitis and neonatal differentiation.

3. How has the integration of IT-IS gone and what are Novacyt’s future acquisition priorities?

The acquisition of IT-IS International went smoothly and provides a profitable diagnostic instrument development and manufacturing company, in line with the Group’s strategy. IT-IS has established a solid reputation in development of mobile and rapid PCR instruments with proven high quality, performance and reliability, which strengthens Novacyt’s position to fulfil the growing market demands for rapid near-patient testing of COVID-19, as well as other infectious diseases.

4. What was your proudest moment during 2020?

It is very difficult to answer as 2020 was a truly challenging, dynamic and transformative period for Novacyt with many ‘eureka’ moments throughout the year. However, one of my proudest moments was being invited by AstraZeneca, GlaxoSmithKline (“GSK”) and the University of Cambridge early on in the pandemic to join them in the design, development and operating of a new COVID-19 testing operation, which was later to be sited within Cambridge University. This collaboration resulted in over 3.8 million COVID-19 PCR tests being performed to support the UK’s national testing efforts and new testing work flows and test reagents being created in record time to meet the demands of the laboratory. This is a great example of how UK Life Sciences came together across sectors to work towards a common national cause.

Graham Mullis
Chief Executive Officer
1. What is the strategic direction for Novacyt?
As referenced in our strategy update on pages 18 and 19, we will maintain our leadership in COVID testing whilst looking to build a sustainable future beyond COVID. We have identified specific high-value growth opportunities in the diagnostics market where Novacyt can leverage its innovative position for developing new in vitro diagnostic products. We will add new multiplex instrument technologies with rapid sample to result to support near-patient clinical decision making. We will build on our international reputation to build direct sales channels in targeted priority countries through a combination of organic investment and M&A, should suitable opportunities arise.

2. How do you think the diagnostics market will be changed by COVID-19?
First of all, we believe that the COVID-19 virus will remain a challenge for the next couple of years as we are likely to be exposed to further waves. Hopefully, vaccination will make future waves far less deadly; however, we will also see a commensurate increase in economic activity and movement of people. This will require sustained, elevated levels of testing to keep the virus under control.
Post-COVID-19, more health authorities are expected to demand fast and more cost-effective diagnostic testing. The presence of diseases such as cancer, autoimmune diseases, and inflammatory conditions is escalating globally and is expected to boost demand for IVD products, with the infectious disease segment of the market dominating at 41.8% in 2020.1

3. How will Novacyt compete against the established and very large international players in diagnostics?
COVID-19 has caused a rapid expansion of the overall market, which has provided us with many opportunities we did not have before. The speed and innovation of Novacyt has been a key competitive advantage in a market that has been rapidly changing as the virus changed, vaccines roll out and indeed the types of testing being used have changed. We have shown our ability to scale up our supply chain quickly and to make bolt-on acquisitions where we need to strengthen capabilities like we did with IT-IS. This is a competitive industry, and we have the utmost respect for our competitors; however, we are confident we can continue to build our business successfully.

4. Why did you decide to join Novacyt?
Novacyt is an exciting company that has made a tremendous impact in the fight against the COVID pandemic; however, it was the people behind this success that made the opportunity most attractive to me. The company has a very strong ‘can-do’ culture while taking care of its people and the environment in which they work, which appealed to my values. It has demonstrated its ability to rapidly develop diagnostic tools in response to an ever-changing environment and this positions the company well for future growth, both in the UK and internationally. This transition from a relatively small business to an international player is a unique opportunity, both professionally and commercially, which I find very compelling.

References:
The Company experienced unprecedented sales demand for its COVID-19 products during 2020, which transformed our financial position, resulting in our Company significantly exceeding our full year 2020 budget and surpassing any previous performance. Our response to the COVID-19 pandemic has been outstanding across the entire business and this is down to our employees. I could not be more proud and humbled at how hard everyone continues to work during a difficult and challenging time across the globe. This pandemic is causing havoc with our lives and economy in ways that have not been seen since the Second World War, but Novacyt remains at the heart of the response doing our very best to help more than 130 countries diagnose and manage the spread of the virus and its variants that naturally follow.

The Group achieved an increase in revenues of over 20x to £277.2 million, with gross margin of 76.3% and EBITDA profitability £176 million for the full year of 2020. In June 2020, the Company was able to settle all outstanding debt obligations of £7.1 million in total with Harbert European Growth Capital (“HEGC”) and Vatel Capital SAS (“Vatel”), making the Company debt free for the first time in its history. The Company’s cash position at 31 December 2020 was £91.8 million.

It is with pleasure and pride that we present our progress during these challenging times in 2020. It is humbling to know that Novacyt has been making a difference to millions of people’s lives and continues to be at the forefront of innovative testing during the COVID-19 pandemic. Through the successful operational and financial foundations laid down over these past few years, there is a great opportunity to build a long-term diagnostics business that continues to make a difference to people’s lives and, at the same time, create long-term Shareholder value.

Graham Mullis
Chief Executive Officer
the UK Government’s five pillar plan to increase testing for COVID-19.

The Company’s biggest challenge during 2020 was, and remains to be, to develop the organisation and systems required to support scale-up of the business at an unprecedented rate. Whilst managing to retain our ability to hold onto core competitive advantages, such as speed to market, and the quality of our products, our headcount has increased by more than 100 in the last 18 months.

Manufacturing functions have seen the most change, and the largest scale-up during the past 12 months. Chartwell Consulting continue to assist Novacyt as the complexity of this function increases. Despite this, the Company continues to deliver substantial margins through low cost of goods and is continuously adapting to the pandemic with new products being introduced monthly.

Our PCR reagent manufacturing capacity remains high with capacity to scale further. The Company has a number of non-financial key metrics that management use to monitor, control and make decisions balancing demand, supply, stock levels, customer service and capacity decisions, which are reviewed weekly. Multiple QC KPIs are also reviewed weekly and a cross-functional Material Review Board (“MRB”) is active and in control of manufacturing quality.

In parallel with the day-to-day management challenges in the current pandemic, Novacyt is making good progress in developing its strategic plans, which includes engaging with potential acquisition targets.

In October 2020, The Company acquired IT-IS International, a profitable diagnostic instrument development and manufacturing company for a net consideration after earnouts of £8.7m. IT-IS is the exclusive manufacturer of Novacyt’s q16 and q32 rapid PCR instruments. The transaction reinforced our new strategy, securing key IP, expanding our core capabilities in instrument manufacturing and strengthening our product offering in mobile PCR devices with an immediate increase in earnings.

IT-IS has been an important addition to the business’s capability and we now have a guaranteed supply of many thousands of q16 and q32 machines and can scale to virtually any level of capacity the business could require. The deep knowledge of PCR instrumentation that comes with IT-IS means we are well placed for the development of the next generation of machine, the planning of which has already begun.

We seek to predict and stay abreast of the fast pace of product differentiation required in the market to maintain our competitive position, and this is evident with our rapid development and launch of new Variants of Concern (“VOC”) tests branded as SNPsig®. To date, Novacyt has launched over 14 new COVID-19-related products since the beginning of 2020.

In the last 12 months, the business has moved from one to three major product platforms:

i. 96 reaction genesig® product for small laboratories;
ii. PROmate® for near-patient testing; and
iii. High throughput kits for large laboratories.

All three product platforms have proven to be successful and open different
potential markets. There are a number of other exciting and potentially large new business development opportunities that could drive major increases in COVID-19 sales during the remainder of 2021.

Innovative R&D and IP

2020 was a year of agile and innovative product development. The Group’s key strength is to innovatively address market needs with our products.

We were quick to respond to COVID-19, producing one of the first tests in January 2020. We maintained this pace through the year and launched new assays and workflow solutions to build a comprehensive COVID-19 product portfolio.

Our broad technology base covers both protein and molecular platforms and a range of testing settings: near-patient, hospital laboratory and high throughput (“HT”). Therefore, we can develop a range of PCR, ELISA and lateral flow antibody and antigen tests for near patient, central labs, HT settings that can run on many laboratory systems as well as our own q16/q32 rapid PCR systems. Our internal R&D is complemented by an expert business development function, which has developed a global network of innovative partners and has successfully in-licensed antibody, antigen and workflow solutions.

Across the COVID-19 market, testing requirements are increasing in complexity. There is a regulatory requirement for multi-gene assays (2 and 3 gene assays) that exclude the (S and N) genes that are most prone to mutations and for suppliers to provide detailed bio-informatics surveillance. We are well positioned with an expert bio-informatics team and will continue to invest in this area especially as we develop our plans for the non-COVID-19 products.

During the period, the Group developed a new patent strategy to protect our novel content with the filing of patents now being a routine part of the Group’s product development process, forming a key part of protecting future value within the business.

We have filed over 20 patents to protect our proprietary assays, the q16/q32 PCR systems and workflow innovations. This culture and practice of developing novel and cutting-edge diagnostic technology underpins the Group’s continued growth and agility. As such, the R&D team has more than doubled in size and now includes a leading bio-informatics team and the Group’s clinical trial function that undertakes clinical trials in the UK, Europe, USA and Latin America. This clinical expertise is a key requirement of the new IVD-R regulation and, as such, the Group has built an industry-leading team, which completed over a dozen product validations in 2020, including the successful TVG validation of PROMate®, the best-in-class direct to PCR COVID-19 assay and the recent launch of VariPLEX™, the first CE-IVD registered COVID-19 variant detection assay. The Group’s clinical expertise also includes over a dozen physicians, clinical and laboratory scientists that provide real-time scientific advice. This, coupled to our leading bio-informatics and surveillance functionality, enables the Group to remain at the forefront of new diagnostic innovation.

By combining a broad technology base with an agile and innovative product development and clinical trial functionality, the Group is well positioned to rapidly address new areas of unmet need with market-leading products. The R&D outlook for 2021 is strong, with a record-breaking number of new products in development that will continue to meet the rapidly changing COVID-19 requirements and address the broader non-COVID-19 respiratory, transplant and infectious disease markets.

Graham Mullis
Chief Executive Officer
Section 172(1) Statement

The Directors acknowledge their duty under s172 of the Companies Act 2006 and consider that they have, both individually and together, acted in the way that, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, they have had particular regard to:

- **the likely consequences of any decision in the long term**
  The Group’s long-term strategic objectives, including progress made during the year, and principal risks to these objectives, are set out in the Chief Executive Officer’s Report on pages 22 to 24, and in the Principal Risks and Risk Management section on pages 66 to 72 respectively.

- **the interests of the Company’s employees**
  Our employees are fundamental to the Group achieving its long-term strategic objectives, and further disclosure on how we look after the interests of our employees is contained in Principle 3 of the Corporate Governance Statement on pages 47 to 48.

- **the need to foster the Company’s business relationships with suppliers, customer and others**
  A consideration of our relationship with wider stakeholders and their impact on our long-term strategic objectives is disclosed in Principles 2 and 3 of the Corporate Governance Statement on pages 47 and 48.

- **the impact of the Company’s operations on the community and the environment**
  The Group operates honestly and transparently. We consider the impact of our day-to-day operations on the community and the environment, and how this can be minimised, as more fully explained in Principle 3 of the Corporate Governance Statement on pages 47 and 48. Further disclosure on how we promote a corporate culture based on ethical values and behaviours is included in Principle 8 of the Corporate Governance Statement on pages 54 and 55.

- **the desirability of the Company maintaining a reputation for high standards of business conduct**
  Our intention is to behave in a responsible manner, operating within a high standard of business conduct and good corporate governance. This is explained more fully in our Corporate Governance Statement on pages 46 to 56, and is also encapsulated in our risk management framework on pages 66 to 72.

- **the need to act fairly as between members of the Company**
  Our intention is to behave responsibly towards our Shareholders and to treat them fairly and equally so that they may also benefit from the successful delivery of our strategic objectives.
The business finished 2020 debt free with a cash balance in excess of £90 million. **Financial performance**

Group revenue increased (20x) to £277.2 million), compared to £11.5 million for the full year of 2019. This was driven by the continued successful global commercialisation of the Company’s COVID-19 product portfolio, underpinned by one of the world’s first approved polymerase chain reaction (“PCR”) tests for the virus. Primerdesign accounted for the major part of this growth achieving £272.8 million of revenue in 2020 compared with £5.5 million in 2019. All key territories saw year-on-year growth, with the UK market seeing sales increase to £219.4 million in 2020 compared with £2.1 million in 2019, largely driven by contracts supporting the UK testing pandemic response. Sales to Europe (excluding the UK) were £32.0 million in 2020 compared with £2.7 million in 2019, driven by increased distributor sales of our range of COVID-19 tests. Sales to the Americas were £10.3 million compared £2.3 million in 2019.

**Primerdesign** sales grew by over 4,800% to £272.8 million, and was principally responsible for the Group’s growth during 2020, due to the success of the COVID-19 product portfolio, following the launch of one of the world’s first approved polymerase chain reaction (“PCR”) tests in Q1 2020. All geographical regions have experienced significant growth during 2020, with the UK, Middle East, Germany and US accounting for the main revenue growth. Primerdesign has been at the forefront of the global response to COVID-19 testing requirements, selling into over 85 countries in 2020. There have been several product launches to address emerging market needs including multiple gene tests, test panels to help differentiate COVID-19 from common winter diseases and new reagents to aid PCR testing workflow for users.

**Lab21** sales decreased by £0.8 million in 2020 to £5.2 million, compared with sales of £6.0 million in 2019. There is £1.9 million of intercompany sales included in the £5.2 million of Lab21 Products segment sales that are eliminated at a Group level in the consolidated Group accounts. This intercompany revenue relates to services that Microgen Bioproducts provided to Primerdesign in its manufacturing of COVID-19 kits, rather than outsourcing the task to a third party and thus diluting the gross margin. The Lab21 Products business was severely impacted in 2020 by its core customers diverting testing from veterinary and food testing to COVID-19 testing. As a result of strong partnerships built over many years, a number of Lab21 Products distributors

It gives me great pleasure to present my first Financial Review for the Novacyt Group.

James McCarthy
Chief Financial Officer
migrated to purchasing COVID-19 tests from Primerdesign and significant sales were generated from key Lab21 Products customers as a result.

**IT-IS International** sales for the period post acquisition, 15 October to 31 December 2020, totalled £6.9 million. There is £5.8 million of intercompany sales included in the £6.9 million of IT-IS International segment sales that are eliminated at a Group level in the consolidated Group accounts.

Group gross profit increased to £211.5 million in 2020 compared with £21.3 million in 2019, giving a Group gross margin of 78.3% in 2020 compared with 64.0% in 2019. This continues the trend of increased gross margin every year since 2014, driven by Primerdesign increasing its share of Group revenue to 98% from 48% in 2019, and Primerdesign delivering a gross margin of 77% in 2020 compared with 85% in 2019, demonstrating strong control of margins as the business is scaled. During H1, Novacyt identified that it had operational capacity constraints due to its facility footprint and thus, to quickly scale the business and meet increasing demands, elements of manufacturing were outsourced. This, however, did not have a detrimental impact on the gross margin of the Group.

Group operating costs increased year-on-year by £28.2 million, to £35.4 million in 2020 compared with £7.2 million in 2019. To support the growth in the business, significant investment has been made in the workforce and headcount increased from 110 at the end of December 2019 to 237 at the end of December 2020.

The acquisition of the IT-IS International business in Q4 resulted in an additional £0.3 million of operating costs in Q4 and the effect in 2021 will be bigger as the annualised impact is seen. The main driver for the year-on-year cost increase was the Long Term Incentive Plan ("LTIP") that commenced in November 2017 and vested in November 2020, which was linked to the Company's share price.

As a result of the significant share price increase in 2020, driven by the financial performance of the business, the LTIP liability that crystallised in 2020 accounts for £19 million of the year-on-year cost increase.

The Group delivered an EBITDA of £176.1 million in 2020 compared with breakeven in 2019 (£0.2 million), driven by significantly increased sales. In 2019, the NOVAprep® business continued to be reported under IFRS 5 and is disclosed as discontinued operations in the income statement, which did not impact EBITDA.

2020 delivered recurring operating profit of £174.8 million versus a recurring operating loss of £1.1 million in 2019, delivering an improvement of over £175 million, driven by increased sales. Amortisation and depreciation remained flat year-on-year at £1.3 million in 2020, as the significant scale up in manufacturing has been largely supported by third party manufacturers rather than significant capital investments.

Total depreciation charges of £0.6 million (2019: £0.6 million) and amortisation charges of £0.7 million (2019: £0.7 million) for 2020 are consistent with 2019. The 2020 depreciation charge includes £0.3 million of IFRS 16 leasing costs, predominantly covering the rental fees for Novacyt premises.

The Group has moved from an operating loss in 2019 of £1.6 million to an operating profit of £167.4 million in 2020 and is stated after non-recurring charges amounting to £7.4 million. The 2020 charges comprise a £5.8 million impairment charge in relation to the goodwill associated with the Lab21 Products business, a £1.1 million impairment charge in relation to intangible assets associated with the Omega Infectious Diseases business and other non-recurring costs totalling £0.5 million. The other non-recurring costs include acquisition related expenses, site closure costs and other miscellaneous costs.

The Group generated a total net profit of £132.4 million in 2020, compared with a net loss in 2019 of £5.7 million, and is stated after £1.6 million of gross borrowing costs (2019: £1.0 million), other financial expenses of £0.7 million (2019: £0.9 million) and tax of £32.7 million (2019: £nil) based on the increased profit generated by the Group in the year.

2020 saw a profit per share being generated of £1.94 vs a loss per share in 2019 of £0.13, as a result of the Group delivering a total net profit for the year compared with a loss in 2019.

**Post balance sheet event / DHSC Dispute**

On 9 April 2021, Novacyt announced it was in dispute with the DHSC in relation to its second supply contract and made a further update on 21 May 2021. The dispute primarily relates to Q4 2020 revenue totalling £129.1m in respect of a specific product supplied to the NHS. The Company has taken independent legal advice and a provision has been made in the financial statements with the Board’s estimate at this time in respect of this claim with DHSC.

The Board has formed a judgment that, in accordance with the contractual terms, and if required, it should be possible to replace the product in dispute and a product warranty provision has been made accordingly. The Board’s best estimate of the cost to replace is up to a maximum of £19.8 million, the timing of any outflow is dependent on settlement of the dispute. If no settlement is achieved and legal action is required, the timing of any possible outflow will be extended.

It is possible, but not probable, that the DHSC’s claim for a refund under the limited assurance warranty will be successful. The timing of any cash outflow is dependent upon the success of the claim and the terms negotiated for repayment. If the resolution of the claim is materially different from the Board’s determination of replacing the product,
the financial statements with regard to revenue and the provision for product warranty could be significantly impacted.

Of the Q4 2020 revenue, invoices amounting to £24.0 million in respect of product delivered to the DHSC remain outstanding at the date of signing the financial statements and recovery of this amount is also dependent on the outcome of the dispute. In addition, after the year-end, a further £49.0 million of product delivered and invoiced to the DHSC in 2021 remains unpaid and is now also part of the dispute. The unpaid invoices total £73.0 million and include VAT.

**Balance sheet**

Goodwill has increased to £17.9 million in 2020 from £13.6 million in the previous year. Goodwill totalling £9.4 million was recognised on the acquisition of IT-IS International. This has been partially offset by a reduction in Lab21 Products goodwill following the annual impairment process, where an impairment charge of £5.8 million has been recorded, reflecting a prudent view of the future expected discounted cash flows generated from the business. The remaining £0.7 million goodwill increase is due to exchange differences on balances based in Euros.

A deferred tax asset of £3.0 million has been recorded in 2020, compared with a £nil prior year balance. £2.1 million of the balance relates to the portion of the LTIP charge that is recognised by Novacyt in the UK books, but will be deducted for taxation when payments are made in 2021 and 2022. The remaining balance of £0.9 million arises from the elimination of the internal margin on products acquired by Primerdesign from Microgen and IT-IS International, and still held in stock at the year end.

Other non-current assets have increased to £6.1 million from £4.9 million in 2019. Other intangibles have increased by a net £0.6 million, but includes additions totalling £2.6 million, predominantly relating to the assets created as part of the IT-IS International acquisition (customer relationships and brands) offset by disposals (impairment of the Omega ID business intangible assets) and amortisation totalling a combined £2 million. Property, plant and equipment has increased by a net £0.8 million, and includes £1.2 million of capital expenditure offset by charges (mainly depreciation) totalling £0.4 million. The remaining £0.2 million decrease relates to the reduction in other long-term assets and financial assets.

Inventory increased in the year by £27.8 million (1,335%) to £29.9 million to support the Group’s revenue growth, with significant finished goods being held in stock ready for immediate dispatch. As the lead time for obtaining some key raw materials is significant, bulk orders were placed to ensure there were no supply shortages, which also contributed to the higher inventory balance in 2020.

Trade and other receivables have increased in the year by £77.7 million (4,200%) to £79.6 million. Novacyt finished the year with strong sales in Q4 and this balance is reflective of that trading, with most of the balance being less than 30 days old. An expected credit loss provision of only £0.2 million was booked at year end, demonstrating a strong credit control process.

Other current assets have increased to £37.8 million in 2020 from £0.4 million in 2019, driven by a £3.3 million increase in prepayments. The key balances at 31 December 2020 include prepayments for annual Group commercial insurance, stock that was not delivered to Primerdesign in 2020, rent, rates and support costs.

All outstanding debt as at 31 December 2019, totalling £7.1 million, was fully repaid during 2020 using cash generated in the year. The Group is now debt free and the closing 2020 balance is £nil.

The contingent consideration balance increased from £nil in 2019 to £1.8 million in 2020 as a result of the two earnout milestones associated with the IT-IS International acquisition. It will be settled in two payment tranches, due in September 2021 and 2022, upon the achievement of certain deliverables.

Short-term provisions increased to £19.9 million in 2020 from £0.04 million in 2019. A product warranty provision for £19.8 million has been booked in 2020 to cover management’s view of the maximum cost of replacing products after receiving notification of a product warranty claim.

Trade and other liabilities increased to £36.8 million in 2020 from £3.9 million in 2019. Trade payables and accrued invoices have increased by £10.7 million in line with increased trading activity. In addition, the improved Group liquidity position has meant that credit facilities have been secured with many suppliers who previously did not offer such terms. The closing year end Value Added Tax (“VAT”) liability payable to HMRC in the UK, covering the months of November and December, has increased by £16.7 million from 2019. The other key increase for £5.8 million is for the second tranche of the LTIP payment that is due to be paid in November 2021.

Corporation tax due at the end of 2020 totalled £15.1 million from £nil in 2019, which reflects the UK corporation tax liability of the Group. The amount represents the tax due at the full UK rate (19%) on taxable profits, although in due course, if patents are granted and a Patent Box claim is made, future taxable profits should be taxable at a much lower rate.

Other long-term liabilities relate to the third tranche of the LTIP payment that is due to be paid in November 2022. The closing 2020 balance was £5.6 million, from £nil in 2019.
### Cash flow

Cash has increased to £91.8 million in the year from £1.5 million in 2019, driven by the strong trading performance of the business. Net cash generated from operating activities increased to £103.0 million in 2020 driven by the EBITDA profitability of the business of £176.1 million offset by working capital expenditure of £73.2 million.

Net cash outflow from investing activities increased to £8.0 million in 2020 from £1.0 million in 2019. £6.9 million of the 2020 balance is due to the net cash consideration paid for IT-IS International, where the cash paid in 2020 totalled £11.6 million less the £4.7 million cash acquired. Capital expenditure increased year-on-year to £1.1 million in 2020, to support the growth in the business, this being less than 1% of revenue.

Net cash outflow from financing activities in 2020 totalled £5.0 million vs a net inflow in 2019 of £2.5 million. The 2020 cash outflow was primarily due to Novacyt paying down all outstanding debt as at 31 December 2019. Debt repayments covering capital and interest, totalled £6.2 million, a short-term financing facility was repaid in full totalling £0.7 million, lease payments of £0.3 million were made and these outflows were offset by a net cash inflow from the conversion of warrants totalling £2.2 million.

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<table>
<thead>
<tr>
<th>Financial Metric</th>
<th>2020 (£’000)</th>
<th>2019 (£’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group revenue</td>
<td>277,204</td>
<td>11,468</td>
</tr>
<tr>
<td>Group gross margin</td>
<td>211,500</td>
<td>7,340</td>
</tr>
<tr>
<td>Group EBITDA</td>
<td>176,145</td>
<td>174</td>
</tr>
</tbody>
</table>

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James McCarthy  
Chief Financial Officer
Sustainability

As Novacyt has grown, we have also increased our focus on Environment, Social and Governance (“ESG”) matters. We are pleased to share initial ESG data in this Annual Report and will continue to develop our approach over time. Environment and Social information is covered in this section, while our overall approach to Governance is addressed on page 46.

Environment: Measuring our impact

Streamlined Energy & Carbon Reporting
The section across includes Novacyt’s first year of reporting under the new Streamlined Energy & Carbon Reporting requirements.
The reporting period is the same as the Company’s financial year, 1 January 2020 to 31 December 2020.

Organisation boundary and scope of emissions

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors’ Reports) Regulations 2018. These sources fall within Novacyt’s consolidated financial statement.

An operational control approach has been used in order to define the organisational boundary. This is the basis for determining the Scope 1, 2 and 3 emissions for which Novacyt is responsible, and includes emissions from Novacyt’s two operational facilities:

• In October 2020, Novacyt acquired IT-IS International, manufacturer of its q16 and q32 instruments. For the purpose of this year’s baseline, we have excluded IT-IS from the organisational boundary for the year ending 31 December 2020. The IT-IS acquisition will be adequately reflected in the subsequent reporting cycle for the year ending 31 December 2021;
• We have included Microgen Bioproducts Ltd and Lab 21 Healthcare Ltd (“Microgen”), based in Camberley, UK; and
• Primerdesign, based in Southampton, UK.

The emissions sources that constitute the Company’s operational boundary for the year ending in 31 December 2020 include:

Scope 1: energy use and related emissions from Novacyt’s fuel combustion (gas) and operation of facilities;

Scope 2: energy use and related emissions from electricity purchased for Novacyt’s own use; and

Scope 3: energy use and related emissions from business travel in rental cars or employee-owned vehicles where Novacyt is responsible for purchasing the fuel.
Methodology

For reporting purposes, Novacyt has employed the services of a specialist advisor, to quantify and verify the Greenhouse Gas (“GHG”) emissions associated with Novacyt’s operations.

The following methodology was applied in the preparation and presentation of this data:

- application of appropriate emission factors to Novacyt’s activities to calculate GHG emissions;
- Scope 2 reporting methods – application of location-based emission factors for electricity supplies;
- inclusion of all the applicable Kyoto gases, expressed in carbon dioxide equivalents, or CO2e; and
- presentation of gross emissions as Novacyt does not purchase carbon credits (or equivalents).

Total energy use

The total energy use for Novacyt for the year ending 31 December 2020 was 582,158 kWh.

This represents a 70% increase in total energy use compared to the year ending 31 December 2019 (343,325 kWh). The increase in total energy use in 2020 relative to 2019 can largely be attributed to the significant scale-up of operations and production in response to the COVID-19 pandemic.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Microgen</td>
<td>Primer-design</td>
</tr>
<tr>
<td>Gas</td>
<td>13,530</td>
<td>32,226</td>
</tr>
<tr>
<td>Electricity</td>
<td>230,060</td>
<td>67,510</td>
</tr>
<tr>
<td>Transport</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>243,590</td>
<td>99,736</td>
</tr>
</tbody>
</table>

Absolute emissions

The total Scope 1, 2 and 3 GHG emissions from Novacyt’s operations in the year ending 31 December 2020 were 132.73 tonnes of CO2 equivalent (tCO2e), using a ‘location-based’ emission factor methodology for Scope 2 emissions.

This represents a 57% increase in total emissions compared to the year ending 31 December 2019 (84.5 tCO2e). As with total energy use, the increase in total emissions in 2020 relative to 2019 can largely be attributed to the significant scale-up of operations and production in response to the COVID-19 pandemic.
COVID-19 impact

The COVID-19 pandemic has had a substantial impact on Novacyt’s year-end performance due to the increased sales of the Company’s market-leading polymerase chain reaction (“PCR”) COVID-19 test. The volume of orders for the Company’s COVID-19 product portfolio and the Company’s new strategy implemented to continue growth trajectory, and consolidate performance through broadening focus on respiratory and transplant clinical diagnostics has been transformational for Novacyt, delivering sales growth of more than 2,300%. To meet the unprecedented demand for the Company’s PCR test following its launch, Novacyt initiated a programme to significantly scale-up the organisation. This included increasing the Company’s production capacity at the Primerdesign site in Southampton, UK. The increase in total emissions in 2020 relative to 2019 can largely be attributed to the significant scale-up of the organisation to support laboratories and clinicians in the fight against the spread of COVID-19.

**Figure 1.2 Absolute emissions (tCO2e)**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Microgen Lab21</td>
<td>Primer-design</td>
</tr>
<tr>
<td>Scope 1</td>
<td>2.5</td>
<td>5.9</td>
</tr>
<tr>
<td>Scope 2</td>
<td>58.8</td>
<td>17.3</td>
</tr>
<tr>
<td>Scope 3</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>61.3</td>
<td>23.2</td>
</tr>
</tbody>
</table>

**Figure 1.1 Breakdown of emissions by scope (tCO2e)**

References:

1 Scope 1 data calculated by multiplying total fuel consumption (gas – kWh) by the UK Government GHG Conversion Factor for natural gas kWh (Gross CV) defined for the given year (2019: 0.18385 kg CO2e/kWh; 2020: 0.18387 kg CO2e/kWh).

2 Scope 2 data calculated by multiplying total electricity consumption (kWh) by the UK Government GHG Conversion Factor for electricity generated defined for the given year (2019: 0.2556 kg CO2e/kWh; 2020: 0.23314 kg CO2e/kWh).

3 Novacyt does not purchase fuel for business travel or employee-owned vehicles, as such Scope 3 emissions are not applicable based on the defined organisational boundary.
Intensity ratios

As well as reporting the absolute emissions, Novacyt’s GHG emissions are reported below on the metrics of kg of CO₂ equivalent per full-time employee (“FTE”) and kg of CO₂ equivalent per square foot of the occupied areas. These are the most appropriate metrics given that the majority of emissions result from the operation of Novacyt’s offices and the day-to-day activities of the employees. All of the intensity ratios have been calculated using Scope 1 and Scope 2 emissions only.

The intensity metrics based on floor area in the year ending 31 December 2020 was 45.4 kg CO₂e per m². The employee number metric in the year ending 31 December 2020 was 961.8 kg CO₂e per FTE using the location-based method.

<table>
<thead>
<tr>
<th>Table 1.3 Intensity ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>2019</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>2020</td>
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<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>kg CO₂e/FTE</td>
<td>73.8</td>
<td>81.0</td>
</tr>
<tr>
<td>kg CO₂e/m²</td>
<td>2.9</td>
<td>3.8</td>
</tr>
<tr>
<td>kg CO₂e/FTE</td>
<td>667.2</td>
<td>880.8</td>
</tr>
<tr>
<td>kg CO₂e/m²</td>
<td>26.0</td>
<td>41.6</td>
</tr>
<tr>
<td>Scope 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scope 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scope 3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total GHG</td>
<td>741.0</td>
<td>961.8</td>
</tr>
<tr>
<td>Emissions</td>
<td>28.9</td>
<td>45.4</td>
</tr>
<tr>
<td></td>
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</tr>
</tbody>
</table>

Energy efficiency actions undertaken

Novacyt has taken a number of actions to increase the business’s energy efficiency in the year ending 31 December 2020, focused on:

i. Reducing absolute energy consumption through capital investment projects; and

ii. Reducing energy consumption per unit output through scaling up production (economies of scale), increasing asset utilisation, and increasing automation.

Principal actions reported have had a direct impact on the energy efficiency related to Scope 1 and Scope 2 emissions, as defined by the Company’s operational boundary for the year ending in 31 December 2020. For increased transparency in emissions disclosure reporting, additional information has been provided on actions impacting the energy efficiency related to Scope 3 emissions despite falling outside the Company’s operational boundary.

References:

1 Number of FTE equivalents calculated based on total headcount from Novacyt operations, adjusted to remove discontinued operations (2019) and the IT-IS International Ltd acquisition made in October 2020.

2 Number of FTE equivalents in 2019 was 114.

3 Number of FTE equivalents in 2020 was 138. FTE increase can be attributed to the significant scale-up of the organisation during the COVID-19 pandemic, including the addition of a number of new hires across operations.

4 Building area in 2019 was 2,923 m².

5 Building area in 2020 was 2,923 m².
Details of relevant energy efficiency actions can be found in Table 1.4 below. Resulting energy savings from the actions listed have not been quantified.

Table 1.4 Energy efficiency actions

<table>
<thead>
<tr>
<th>Energy efficiency action</th>
<th>Reduced energy consumption (absolute)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Capital investment projects</td>
</tr>
<tr>
<td></td>
<td>Novacyt has invested in new equipment to reduce energy consumption, including new heat sealers in kitting and LED light fittings with light sensors at the Company’s two operational facilities (Microgen/Lab21 and Primerdesign).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Energy efficiency action</th>
<th>Reduced energy consumption (per unit output)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Improved energy efficiency through economies of scale</td>
</tr>
<tr>
<td></td>
<td>Novacyt has increased manufacturing capacity to meet demand without expanding the Company’s real estate footprint, leading to increased output relative to overhead energy consumption.</td>
</tr>
<tr>
<td></td>
<td>• Increased asset utilisation</td>
</tr>
<tr>
<td></td>
<td>Novacyt has improved asset utilisation efficiency by optimising manufacturing batch size, adopting more efficient practices, and scaling up asset size commensurate with the ramp up in operations.</td>
</tr>
<tr>
<td></td>
<td>• Increased automation</td>
</tr>
<tr>
<td></td>
<td>Dispensing methods were moved from manual methods to automated methods to increase labour efficiency.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Energy efficiency action</th>
<th>Reduced transportation across the value chain</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Reduced global transportation</td>
</tr>
<tr>
<td></td>
<td>RNase-free water production has been brought in-house, displacing the need for RNase-free water procurement from North America.</td>
</tr>
<tr>
<td></td>
<td>• Reduced road transportation</td>
</tr>
<tr>
<td></td>
<td>Newly localised manufacturing and storage has reduced the need for movement between sites.</td>
</tr>
</tbody>
</table>

Managing waste

Novacyt’s manufacturing process generates very low levels of non-hazardous and hazardous waste. This is an area of the manufacturing operations that will receive more focus in 2021 as we introduce more rigorous measurement and a more comprehensive set of waste reduction measures.
Reducing packaging

- **Improved packaging**
  New packaging features more sustainable materials. This includes a change from foil pouches and foam inserts to recyclable lightweight card and plastic bags with direct printing in place of standard labels.

- **Improved product design**
  New PROmate® design features less plasticware, pipettes, PPE, and laboratory decontamination materials to reduce end-to-end consumables. New laser-etched barcodes have replaced standard labels to reduce material usage.

- **Reduced waste**
  Novacyt has taken action to reduce single-use waste by increasing the materials reused and recycled through the Company’s operation. This includes an updated anti-contamination procedure to move from single-use disposable lab coats to reusable lab coats, and implementation of a standard recycling practice across all sites using recycling bins, compactors, and third-party recycling organisations.

- **Improved product design**
  The exsig® direct to PCR and PROmate® product streamline process for the end user and reduce the need for downstream energy intensive processing stages.

Social: supporting our people and wider society

At Novacyt, we take pride in how our work positively impacts people’s global health, most recently with our products in the front line of the fight against COVID-19. Our employees are at the heart of what we do, and their hard work and dedication were critical to our success in 2020. We also actively look for ways to support wider society.

**Employees**

**Diversity and inclusion**

Novacyt actively supports diversity and inclusion, and seeks to create a culture where everyone feels comfortable to be themselves at work and have their contribution valued, and where individual differences can be celebrated. This approach is captured in our Equality, Inclusion and Diversity policy.

In 2020, Novacyt’s workforce was 52% female, and 53% of managers were women. There are five Non-Executive Board members: one white female and four white males.

**Pay gap analysis**

Novacyt’s Company headcount in 2020 was fewer than 250, and so was below the threshold to conduct pay gap analysis; this will be reviewed as the Company continues to evolve.

**Health and safety**

At Novacyt, we have a clear policy on health and safety. Employees are provided with health and safety training, and protective clothing and other equipment if required. Novacyt complies with the OH&SAS 18001 standard.

In 2020, no injuries were reported at work.

**Employee turnover and growth**

Novacyt’s workforce expanded in 2020 due to the rapid growth of the business. The number of full-time equivalents rose from 110 in 2019 to 237 in 2020. The unplanned turnover rate was 11%.

Whistleblower protection

Novacyt complies with the Employment Rights Act 1996, which provides protection for workers who ‘blow the whistle’ in the public interest and has a policy for employees to follow.

**Anti-bribery**

Integrity and transparency are of the utmost importance to Novacyt and we expect everyone connected with our business to comply with the highest ethical standards. We have a zero-tolerance approach to bribery and corrupt activities of any kind, whether committed by employees or by third parties acting on or behalf of the Company.

**Training**

We have launched a management development programme for all employees with people management responsibility. We have also launched a sales training programme for all sales employees. In addition to these group training programmes, individuals are supported with ad hoc training courses as and when required, to enable them to fulfil their role, e.g., bio-safety training, and we support employees who wish to undertake professional qualifications.

Supporting communities and wider society

**Charitable giving**

At Novacyt, we believe in contributing to communities where we operate, and we have made donations to various charities and schools in the Camberley, Southampton and Middlesborough areas. As a result of the Company’s growth in 2020, a fund has been established to support a range of charitable initiatives.

To support efforts to tackle the COVID-19 pandemic in Africa, Novacyt is working in partnership with non-governmental organisations such as Unicef and the World Health Organization to provide tests. Primerdesign signed a 12-month long-term agreement with UNICEF in July 2020 and supplied COVID-19 qPCR testing kits to Nigeria, Tunisia and Palestine throughout the financial year.