



**11 February 2022**

***The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.***

**OMEGA DIAGNOSTICS GROUP PLC**  
(“Omega” or the “Company” or the “Group”)

**Sale of Alva manufacturing business**

**Sub-contract approach for VISITECT® COVID-19 antigen test**

Omega (AIM: ODX), the specialist medical diagnostics company focused on industry-leading Health & Nutrition and Global Health (CD4 and COVID-19) products, announces that it has signed a conditional sale and purchase agreement (the “Agreement” or the “Sale”) with Accubio Limited, a wholly-owned subsidiary of Zhejiang Orient Gene Biotech Co. Ltd (“Orient Gene”) in relation to the sale of Omega’s diagnostic test kit manufacturing business and facility in Alva, Scotland, for a cash consideration of £1m, payable at completion. The Sale is conditional on, amongst other things, the execution of a comprehensive transitional services agreement in line with the principles which have been agreed, the consent of the landlord to assign the Alva lease and the Secretary of State for the Department of Business, Energy and Industrial Strategy not issuing a Public Interest Intervention Notice requiring a review of the Sale, in each case prior to 7 March 2022.

The manufacturing business is being sold as a going concern with approximately 109 full-time employees based in Alva transferring across with the business, with no resultant redundancies. The Agreement also covers the sale of certain fixed assets, including plant and equipment (although not any Government-funded equipment on site), as well as the assignment of the lease for the Alva site.

The transitional services agreement to be entered into pursuant to the Agreement will contain transitional arrangements that address the ongoing requirements for the site to produce Lateral Flow Tests (“LFTs”) for Omega, in particular the VISITECT®CD4 Advanced Disease test and the VISITECT® COVID-19 antigen test. These arrangements will cover a transitional period to December 2022. In the meantime, the Company will consider a number of options regarding the ongoing manufacture of the VISITECT®CD4 Advanced Disease test, one of which is the transfer to manufacturing at Omega’s planned new manufacturing site in Ely, Cambridgeshire. Longer-term, Omega plans to move to a sub-contract manufacturing model for its VISITECT® COVID-19 antigen test, which is expected to significantly reduce manufacturing costs.

**Background to and reasons for the Sale**

In February 2021 Omega was awarded a contract with the Department of Health and Social Care (“DHSC”) to provide manufacturing capacity for COVID-19 antigen LFTs. As a result, and with pre-production funding provided by the DHSC as well as the Group’s own cash resources, Omega expanded the manufacturing site in Alva in good faith, increasing the site footprint, staffing levels and equipment, as well as installing Government funded-equipment to seek to support UK-based manufacturing capacity for COVID-19 LFTs, as required by the DHSC. This substantially increased the cost base of the Alva site and for the Company as a whole. The DHSC failed to licence a third-party developed test to technology transfer to Omega’s Alva site for Omega to manufacture on their behalf and allowed the contract to expire, as confirmed in the Company’s announcement on 10 December 2021.

As a result of the DHSC not progressing the contract to the Phase 2 manufacturing stage, Omega was left with insufficient demand for production volume and a manufacturing cost-base in Alva that was accordingly not sustainable. The Alva site generated a £4.9m loss in the nine months to 31 December 2021. As stated in the Interim Results announcement on 25 November 2021, the Company highlighted the need to re-size its LFT manufacturing capacity, to improve operational efficiency and to substantially reduce costs. The sale of the Alva site and the corresponding step-change in the Company's cost base represents the first stage of the implementation of this strategy.

As part of the Alva exit plan, Omega is facilitating discussions with several manufacturing partners who may be willing to purchase the Government-funded equipment from the DHSC. Omega does not intend to purchase the equipment for its own use and remains in discussion with the DHSC with regards to the £2.5m pre-production payment provided.

**Jag Grewal, CEO of Omega, commented:**

*"Today's news is the first stage of a planned strategy to deliver on our stated objectives to see an increase in revenue across the Group and to reduce losses. We had previously highlighted our need to re-size our COVID LFT manufacturing capacity and it is hugely disappointing that having acted in good faith to establish UK manufacturing for Government-issued COVID tests, we find that these tests are, in the main, sourced from China instead."*

*"The deal with Orient Gene allows the historical Alva site, which has been producing diagnostics products since September 2003, to continue to thrive, and importantly provides greater job security for the 109 employees who will be transferring to Accubio."*

*"The sale will significantly reduce the Groups fixed cost base and eliminate a number of potential future liabilities, whilst generating funds for further investment and growth."*

*"The focus of the Omega team is on delivering significant growth in the profitable Health & Nutrition division, determining the best way to deliver shareholder value from our CD4 product, which is now building momentum, and executing on a sub-contract production model for COVID-19."*

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**About Omega Diagnostics Group PLC**

Omega manufactures and distributes high quality in-vitro diagnostic products for use in hospitals, clinics, laboratories and healthcare practitioners in over 75 countries and specialise in the areas of health and nutrition and global health.

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