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Veracyte Announces Medicare Coverage for Its Afirma® Gene Expression Classifier for Improved Thyroid Nodule Diagnosis

South San Francisco, Calif. --- January 9, 2012 --- Veracyte, Inc., a molecular diagnostics company pioneering the emerging field of molecular cytology, today announced that Palmetto GBA, a national contractor that administers Medicare benefits, has established coverage for the company's Afirma® Gene Expression Classifier for use in thyroid nodule diagnosis. This means that Veracyte's genomic test is now accessible to 40 million Medicare patients nationwide. Clinical data has shown that Veracyte's test helps resolve inconclusive results on thyroid nodule fine needle aspiration (FNA) samples being tested for cancer with a high degree of accuracy, demonstrating potential to help tens of thousands of patients each year avoid surgery.

Thyroid cancer is the fastest-growing cancer in the United States, with an estimated 48,020 new cases expected in 2011, according to the American Cancer Society. Approximately 450,000 thyroid nodule FNAs – a minimally invasive alternative to surgical biopsy – are performed each year in the U.S. In up to 30 percent of cases, the results are ambiguous, with current guidelines recommending surgery for most of these patients to obtain an accurate diagnosis. This approach is invasive, costly and can result in lifetime hormone therapy for the patients. Inconclusive thyroid FNA results, however, carry only a 20-30 percent chance of malignancy.

"We are pleased by this coverage decision," said Bonnie Anderson, cofounder and chief executive officer of Veracyte. "Inconclusive results on thyroid nodule FNA samples are a common and significant problem for patients and their physicians. This decision will help Medicare patients with inconclusive results access our Afirma Gene Expression Classifier, enabling them to potentially avoid surgery, while also saving money for the Medicare program."

With the move, Veracyte's Afirma Gene Expression Classifier also becomes one of the first molecular diagnostics tests to be granted Medicare coverage under Palmetto GBA's new Laboratory and Molecular Diagnostics Services Program. The initiative requires companies seeking Medicare coverage for such tests to register them and submit evidence of their clinical utility and effectiveness.

"Palmetto GBA's coverage of the Afirma Gene Expression Classifier demonstrates our commitment to ensuring that the molecular diagnostics tests we cover provide a proven clinical benefit to Medicare patients," said Elaine Jeter, M.D., medical director of Palmetto GBA. "We also believe that a more consistent and transparent approach to reimbursement will help to further drive innovation in the rapidly growing molecular diagnostics field."

Veracyte's gene expression test has been shown in two independent studies – both part of a large, multicenter, prospective clinical trial involving academic and community sites – to be able to reclassify patients with indeterminate thyroid FNA results as "benign" with the same degree of accuracy as a benign diagnosis by cytopathology. Additionally, researchers from the Johns Hopkins University School of Medicine concluded recently that routine use of the Afirma Gene Expression Classifier on patients with indeterminate thyroid nodule FNA results would prevent tens of thousands of unnecessary surgeries each year and would provide more than \$600 million in direct medical savings over five years in the U.S. Their findings were published recently in the *Journal of Clinical Endocrinology & Metabolism*.

Veracyte began commercializing its genomic test in late 2010 as part of its comprehensive Afirma Thyroid FNA Analysis offering. This comprehensive approach to thyroid nodule diagnosis combines expert cytopathology assessment by Veracyte's partner, Thyroid Cytopathology Partners, with the company's Afirma Gene Expression Classifier used to clarify inconclusive thyroid FNA results as benign or suspicious for cancer.

About Veracyte

Veracyte, Inc., based in South San Francisco, Calif., is pioneering the emerging field of molecular cytology, applying molecular biomarkers to cytology samples in order to improve disease diagnosis by clarifying indeterminate results obtained from current methods. The company aims to enable doctors to make more informed treatment decisions that improve patient care and provide cost savings to the healthcare system. The company utilizes rigorous science and an extensive, multicenter clinical program throughout discovery and development. Veracyte's first product – the Afirma Thyroid FNA Analysis – combines expert cytopathology assessment with the Afirma Gene Expression Classifier, a genomic test that clarifies inconclusive thyroid nodule results as benign or suspicious for cancer. The company is currently in the early biomarker discovery phase for lung cancer and interstitial lung diseases. Veracyte is privately held and funded by Domain Associates, Kleiner Perkins Caufield & Byers,

TPG Biotech and Versant Ventures. For more information, visit www.veracyte.com.

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