

National Milk Records plc
(“NMR”, the “Company”, or, together with its subsidiaries, the “Group”)

QUARTERLY UPDATE FOR THE THREE MONTHS ENDED 30 JUNE 2020

National Milk Records plc, the leading supplier for essential dairy and livestock information services, announces its unaudited quarterly update for the three months ended 30 June 2020.

HIGHLIGHTS

- Turnover for the quarter of GBP 5.346 million (June 2019: GBP 5.597 million)
- Milk recording revenues impacted by Covid-19 social distancing rules and restrictions, decreasing 12.9% when compared to the same quarter last year
 - 30% of farmers temporarily moved to ‘Do it Yourself’ services demonstrating the robustness of farmer demand for milk recording services
- Revenues for testing of Johne's disease increased by GBP 47,976 or 4.9% when compared to the same quarter last year despite the disruption to recording services
- Limited disruption to core revenue streams such as payment testing, BVD testing and surveillance tag sales
- No staff furloughed as NMR regarded as an “Essential Service”
- Levels of assisted services gradually transitioning back towards normal in the final quarter

Andy Warne, Managing Director, commented:

"In light of the restrictions and measures put in place to mitigate Covid-19, we have had a challenging quarter with a decrease of 4.5% in overall revenue, not normally a reason to celebrate but I regard this as a positive outcome for the quarter. In our last quarterly update, I said that “a meaningful analysis of our trading position in this snapshot in time is difficult because NMR was both recovering from the RYUK cyber-attack and beginning to feel the effects of Covid-19”. This quarterly update begins to address some of those unanswered questions as it covers the period of the first Covid-19 lock down. I am proud of how our field, transport, laboratory and administrative staff have responded. As part of the food supply industry NMR is regarded as an essential service and has carried on regardless albeit with our administrative staff working from home. Many of our farmers moved to a ‘Do it Yourself’ option of recording in which the farmer takes their own samples showing the necessary nature of our recording services.

“Despite somewhat misleading media reports, our view of the UK dairy sector remains positive. The initial closure of various service-sector milk channels (such as coffee outlets and restaurants) resulted in around 0.6% of one week’s worth of milk supply being tipped away over two days, however the supply chain quickly re-balanced to support the increased retail demand. The recovery in the service-sector

supply channel will be easier to manage. As society reviews its priorities following Covid-19 we believe food security and food provenance will become even higher on the public's agenda.

"I want to thank all the staff who work at NMR and who have maintained our operational readiness throughout the Covid-19 lockdown such that NMR has maintained an overall position of being open for business to ensure our service levels with key customers are maintained."

TRADING UPDATE

Turnover for the fourth quarter was GBP 5.346 million, GBP 251,000 below the same period last year, a decrease of 4.5%. This performance reflects the fact that NMR's core milk recording revenue was disrupted by Covid-19 social distancing and reported a 12.9% decrease in revenue. NMR's effort to support customers and self-employed milk recorders during lockdown was based on switching to a self-service option where delivering on-site recording services in a Covid-secure way was not possible. This approach was effective in retaining the customer but resulted in reduced revenue (which was partially offset by reduced costs). NMR was still recovering from the RYUK cyber-attack in the second quarter of this financial year and NMR staff worked hard to bring some sense to a rapidly evolving situation. During the final period of this quarter, the Company has seen a gradual transition back towards a more normal level of assisted services.

It is reassuring to see that growth projects such as Johnes's testing continued to show a year on year improvement of 4.9%. This is despite the fact that Johnes's testing is normally based on milk recording samples and any disruption to milk recording will also affect Johnes testing. We have seen an increase in ad hoc Johnes's disease testing in which a separate sample of milk is taken for the test.

In each of NMR's customer sales channels, whether farmers, processors or third parties such as retailers, cash flow is following normal business practice although service related issues are being uncovered which relate to the RYUK attack in the second quarter. These have resulted in some disputes on farmer invoices with consequent impact on debtor ageing.

KEY PROJECTS

The largest project for 2020 is the implementation of Microsoft Dynamics 365. The scope of this project covers systems for finance, billing and customer engagement. As well as replacing existing outdated systems, the benefits to the business in terms of flexibility, efficiency and analysis are expected to be significant. The project remains on track having made significant progress in 2020.

Last quarter NMR announced the signing of an agreement with Seenergi, a French company specialising in dairy farm consulting, for the exclusive rights to the patent and know-how for use of "Genocells" technology in the UK. NMR considers that the Genocells offering could become one of the most significant developments in the milk recording sector for 25 years. In order to exploit this technology NMR needs to build genotyping capability within its laboratories. The contract with the supplier of this equipment has been agreed, but the installation has been delayed in order to maintain the bio-security of the NMR laboratories. It is anticipated this will delay the first revenues from Genocells until 2021 rather than the final quarter of 2020.

In addition, NMR continues to invest in other new equipment and technology in its laboratories.

OUTLOOK

Management's expectation of the full year result for the year to 30 June 2020 comprises a material uplift in earnings in the second half of the year compared to the first half, which had been impacted by the RYUK cyber-attack. The second half sees slightly depressed top-line figures during the Covid-19

lockdown period as evidenced by Q4 revenues, alongside some final adjustments for service interruptions from RYUK. Understandably, given the two significant challenges to trading in the year, the full year EBITDA will show a significant percentage decline versus 2019, but nevertheless demonstrating the resilience of the business and the sector in which it operates. These expectations are based upon a financial position which is as yet unaudited. Management also note that the operational impact of Covid-19 on service provision has extended into our new financial year.

Uncertainty caused by Covid-19 is the 'new normal' and NMR is operating in a business environment in which versatility is a key requirement. The impact of Brexit was an uncertainty prior to Covid-19, although the Company continues to forecast that Brexit will be mildly positive for NMR in the medium term.

The Quarterly Update gives investors a higher-level view on how NMR has performed through the first part of the Covid-19 period and which NMR looks forward to updating investors in detail in the Annual Report for the year ending 30th June 2020 as well as an outlook for the coming year. Management remain positive about the long-term robustness of the business and opportunities for future growth.

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This announcement is available on the NMR website at www.nmr.co.uk

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014.

The Directors of the Company are responsible for the contents of this announcement.

About NMR

NMR is the leading supplier of management information to the UK dairy supply chain. Through a team of self-employed milk-recorders, it collects and tests milk samples for approximately 50% of the UK's two million cows. In addition, its laboratories provide payment testing and disease testing services for Britain's milk processors. NMR has a joint-venture laboratory in the Republic of Ireland providing similar services to farmers and processors across the whole of Ireland. Another division of the Group is a livestock traceability business, Nordic Star, which services the UK dairy and beef sectors.

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