

8 October 2020

Re: Management Discussion and Analysis for the second quarter and six-month period ended 30 June 2020

Attn. The President

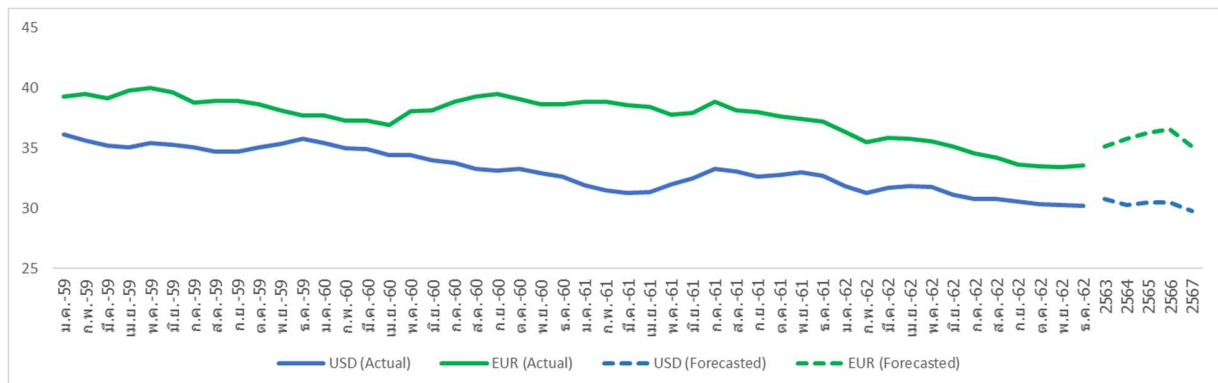
The Stock Exchange of Thailand (SET)

NR Instant Produce Public Company Limited and its subsidiaries would like to notify the operating results stated in the consolidated financial statements for the second quarter and six-month period ended 30 June 2020 with the following details.

Operating Result

The Company was registered as a limited company on 30 December 1991 and later became a public company on 16 December 2019, where the company operates as a manufacturer, procurement and distribution of food seasoning, ready-to-eat, ingredients for cooking, plant-based products, and instant drinking water and powder. As of 30 June 2020, the Company’s business is divided into 3 main groups: (1) Ethnic Food, which consists of OEM products and products under the Company’s brand (2) Plant-Based Food, and (3) Functional Products. The Company sells its products to many continents including America, Europe, Asia, Australia, and Africa. The Company’s incomes are mostly in foreign currencies and have been impacted by Baht appreciation since 2017. The THB/USD exchange rate from 1 January 2016 to 31 December 2019, including the forecast of the exchange rate trend is shown below.

Unit: Baht per foreign currencies



Source: Exchange rates 2016 - 2019 from the Bank of Thailand and Forecast Exchange Rates (Bloomberg)

The company exports products all over the world with domestic sales. Currently, the Company earns about 77% in US dollars and 22% in Baht. The revenue in euro currency is only 1%. Although the Company’s revenue was impacted by Baht appreciation, the company also have a strong revenue growth both from the sales volume and sales value. Comparing to 2017, the 2018 revenue growth rates in US dollars and euros were at the rate of 17.7% and 7.0%, respectively. Comparing 2019 with 2018, revenue growth rates in terms of US dollars and Baht were at the rate of 2.9% and 5.1%, respectively. Such growing

performances were mainly from the Company's strategy to respond to customer needs in a timely manner, expanding the customer base for new markets, and participating in international trade fairs in various countries. For the six-month period ended 30 June 2020, revenues in US dollar term increased at the rate of 31.7% whilst decreasing in Baht term at the rate of 13.0% comparing to the same period of 2019 since the domestic sales to re-exporter was dropped from COVID-19 crisis.

	2017 (million)	2018 (million)	Growth rate (%)	2019 (million)	Growth rate (%)	Six-month period ended June 2019	Six-month period ended June 2020	Growth rate (%)
Revenue in major currencies								
1) US dollar	20.9	24.6	+17.7%	25.3	+2.9%	11.0	14.4	+31.7%
2) Baht	294.0	278.0	-5.5%	292.2	+5.1%	150.0	131.1	-13.0%
Revenue in Baht terms based on the assumption of average exchange rate¹ in 2017								
Baht	1,054.2	1,166.6	+10.7%	1,194.3	+2.4%	542.0	626.8	+15.6%
Sales quantity (metric ton)								
Production quantity	11,919	12,142	+1.9%	12,654	+4.2%	5,986	6,668	+11.4%

Type of product	2017		2018		2019		Six-month period ended June 2019		Six-month period ended June 2020	
	Amount (mb)	Portion (%)	Amount (mb)	Portion (%)	Amount (mb)	Portion (%)	Amount (mb)	Portion (%)	Amount (mb)	Portion (%)
Revenue from sales	1,048.2	99.0%	1,124.0	98.7%	1,111.1	99.2%	513.2	99.2%	592.1	98.1%
1) Export	828.4	78.2%	942.8	82.8%	921.7	82.3%	417.6	80.7%	505.2	83.7%
1.1 North America	290.1	27.4%	368.5	32.3%	350.4	31.3%	158.8	30.7%	188.3	31.2%
1.2 Europe	362.2	34.2%	353.9	31.1%	372.8	33.3%	178.4	34.5%	199.0	33.0%
1.3 Asia	128.1	12.1%	110.5	9.7%	101.6	9.1%	48.9	9.5%	83.1	13.8%
1.4 Oceania and Africa	48.0	4.5%	109.9	9.7%	96.9	8.7%	31.5	6.1%	34.8	5.8%
2) Domestic ¹	219.8	20.8%	181.2	15.9%	189.4	16.9%	95.6	18.5%	86.9	14.4%
Gain from exchange rate	0.0	0.0%	5.8	0.5%	0.0	0.0%	-	-	-	-
Other income ²	10.9	1.0%	8.8	0.8%	8.6	0.8%	4.2	0.8%	11.7	1.9%
Total revenues	1,059.1	100%	1,138.6	100%	1,119.7	100%	517.4	100%	603.8	100%

Remark /1 Most of domestic customer are re-exporter

/2 Other income comprises with other services income, tax card from export compensation, interest income, income from Plant & Bean Limited ("P&B") for legal expenses paid by one of subsidiary in the previous year as specified by its right in the agreement

¹ Average exchange rate of commercial banks located in Bangkok, source: The Bank of Thailand

For the six-month period ended 30 June 2020, the company had total revenues of 603.7 million Baht, increasing by 86.4 million Baht (+16.7% YoY). Exporting sales increased in all regions including America, Europe, Oceania, and Asia except sales to Traders in Thailand that decreased by 14.4% YoY due to impact of COVID-19. As ended customers of those Traders are small ethnic stores and restaurants that were affected by social distancing caused temporary closing of those stores/restaurants during such period. The increase of exporting sales were from all product categories comprising of 1) Recipe Mix and Basic Seasoning (+6.3% YoY) 2) Ready-to-eat and beverage (+19.6 YoY) and 3) Functional Product in which the top three products with highest growth were 1) Meal kit (double growth) 2) Noodle products (+20% YoY) and 3) Soup products (+20% YoY). It has been continuously growing for several years due to the increasing trend of Ethnic food consumption. Moreover, for the six-month period ended 30 June 2020, the company started to have sales from Functional product for the first time, which was equal to 25.2 million Baht, from Alcohol gel in V-Shape packaging.

For the six-month period ended 30 June 2020, the company had gross profit of 184.4 million Baht and gross profit margin of 31.1% higher than that at year end 2019 as the company could improve productivity and Baht slightly depreciated. Almost sales of the company were in foreign currencies while almost costs were in Baht currency.

For the six-month period ended 30 June 2020, the company had selling and administrative expenses of 106.6 million Baht (+12.0% YoY) mainly increasing from selling expenses relating to selling staff in response to sales expansion. Administrative expenses mainly increased from expenses relating to M&A and/or IPO expenses.

For the six-month period ended 30 June 2020, the company had net profit of 41.1 million Baht, increasing by 24.8 million Baht from the same period of the previous year. The rise in net profit was due to increase in exporting sales in all regions, productivity, and cost management, and decrease in finance cost. The company had expenses unrelating to operation (M&A and IPO expenses, amortization, and finance cost from M&A of 64.1 and 63.6 million Baht, respectively. The six-month period ended 30 June 2020 also included legal expenses relating to meat-free business transfer from Brecks to P&B in the UK.

For the six-month period ended 30 June 2020, EBITDA was equal to 122.4 million Baht (including Share of loss from investment in associate of 8.7 million Baht), increasing by 29.59 million Baht (+31.9% YoY). The company had expenses unrelating to operation from M&A and IPO for the period ended 30 June 2019 and 2020 of 2.8 and 9.4 million Baht, respectively.

Revenue from Sales

Revenue from sales can be divided into 4 groups: 1) Ethnic Food - Revenue from sales of manufactured goods (OEM) 2) Ethnic Food - Revenue from sales of products under the Company's brand 3) Plant-based products and 4) Functional products in environmental friendly packaging (V-shape) with details as shown in the table below.

	2017		2018		2019		Six-month period ended June 2019		Six-month period ended June 2020	
	Million Baht	Portion	Million Baht	Portion	Million Baht	Portion	Million Baht	Portion	Million Baht	Portion
Revenue from Sales	1,048.2	99.0%	1,124.0	98.7%	1,111.1	99.2%	513.2	99.2%	592.1	98.1%
1) Ethnic Food	955.2	90.2%	1,059.2	93.0%	1,033.7	92.3%	461.3	89.2%	528.3	87.5%
1.1) OEM Products	642.6	60.7%	733.4	64.4%	729.9	65.2%	326.8	63.2%	372.9	61.8%
1.2) Products under the Company's brand	312.6	29.5%	325.8	28.6%	303.8	27.1%	134.5	26.0%	155.5	25.8%
2) Plant-Based Food	93.0	8.8%	64.8	5.7%	77.4	6.9%	51.9	10.0%	38.5	6.4%
3) Functional Product	-	-	-	-	-	-	-	0.0%	25.2	4.2%
Gain from exchange rate	-	-	5.8	0.5%	-	-	-	-	-	-
Other income	10.9	1.0%	8.8	0.8%	8.6	0.8%	4.2	0.8%	11.7	1.9%
Total Revenue	1,059.1	100%	1,138.6	100%	1,119.7	100%	517.4	100.0%	603.8	100.0%
Exchange rate (Baht per USD) ²	33.94		32.31		31.05		31.60		31.62	

For the six-month period ended June 2020, overall incremental in revenue from sales, especially from export, was 78.8 million Baht (+15.4% YoY) from the increasing in customers' sales orders since March 2020 including with the benefit from Baht depreciation. Revenues from ethnic food of both OEM and products under the Company's brand were increased of 372.9 million (+14.1% YoY) and 155.5 million Baht (+15.6% YoY), respectively. This is mainly from the popularity and trend in ethnic food in ready-to-eat and drinks altogether with the ingredient and seasoning categories. Revenue from plant-based decreased of 38.5 million Baht (-25.8% YoY) because of some of plant-based customers lowered their orders from their internal financial restructuring. There was a delay in the installation of the konjac machine due to the situation of COVID (Currently, the konjac machine has been installed at the company. In addition, for the six-month period ended June 2020, the Company began to generate revenue of 25.2 million Baht in consumer and environment friendly packaging (V-shape), Alcohol Gel, or 4.2% of total revenue.

Other incomes

For the six-month ended June 2020, the Company earned more than those in the same period last year. The increasing was from P&B supported legal expenses, relating to meat-free business transfer from Brecks to P&B, to Nove Foods Limited (the subsidiary of the company "Nove"). Nove had paid such legal expenses in 2019 and, later, Nove negotiated with P&B to support such expenses. Therefore, net value of

² Average exchange rate of commercial banks located in Bangkok, source: The Bank of Thailand

supporting money of such expenses from P&B and legal expenses that Nove paid during the six-month period ended 30 June 2020 was equal to 9.1 THB mm

Cost of Sales

For the six-month ended June 2020, cost of goods sold component comprised with the cost of raw material and packaging at the rate of 76%, labor cost of 14%, and overhead costs and others of 10% of total cost of goods sold.

From the years 2017 to 2019, the proportion of raw material costs to total costs tends to decrease slightly from the Company's ability to negotiate and select raw material suppliers efficiently. However, the ratio of labor costs to total costs is likely to rise slightly from the announcement of the government's minimum wage policy. For the six-month period ended June 2020, the ratio of raw material and packaging costs to total costs slightly increased from approximately 75% in 2019 to approximately 76% due to the change in the percentage of sales of the product group in product portfolio which needs the modern styles packaging that costs higher than other types of products.

Selling Expenses

For the six-month period ended June 2020, the company had selling expenses of 27.4 million Baht increasing of 1.7 million Baht comparing to the same period of last year. Main increasing was from selling expenses relating to selling staff in response to sales expansion.

Administrative Expenses

For the six-month period ended June 2020, the company had administrative expenses of 79.1 million Baht increasing of 9.7 million Baht (+13.9% YoY). This comprised with increasing from staff payroll, computer systems, membership fees in organizations, etc. of approximately 6.8 million Baht, legal fee of 2.9 million Baht. Overall, administrative expenses to total sales dropped to 13.3% comparing to 13.4% of last year.

Financial Cost

For the six-month period ended June 2020, the company had financial costs of 25.9 million Baht (-21.4% YoY). Decreasing was mainly from the repayment of long-term loan in a higher proportion comparing to the beginning of loan period together with the decreasing in interest rate from the policy rate announced by the Bank of Thailand and the result of negotiations.

Share of loss from investment in associate

For the six-month period ended June 2020, share of loss from investment in P&B of 8.7 million Baht was from legal expenses relating to meat-free business transfer from Brecks to P&B. P&B just started to recognize revenues on 13 May 2020; therefore, P&B is still having losses after transfer of business from Brecks. Its revenues could not cover fixed costs and legal expenses that were one-time expenses in such period.

Net Income

For the six-month period ended June 2020, the company had net profit of 41.1 million Baht, increasing by 24.8 million Baht from the same period of the previous year. The rise in net profit was due to increase in exporting sales in all regions, productivity, and cost management, and decrease in finance cost

Financial Position

Assets

The main assets of the company are intangible assets. (Customer relationships, Trade name), property, plant and equipment and goodwill. As of 30 June 2020, those assets accounted for 51.5%, 13.4%, and 8.5% of total assets. Intangible assets and goodwill have high values due to the company acquisitions

As of 30 June 2020, increasing in total assets were from the investment in P&B of 189.6 million Baht, investment in City Food Co., Ltd. of 30 million Baht, and investment in start-up in New Protein Fund I LP, Big Idea Venture GP I, LLC, and Phuture Limited totally of 30.5 million Baht.

Trade and other receivables

As of 30 June 2019, the Company has trade and other receivables totaling 210.6 million Baht, increasing of 8.3% from end of 2019. Greater in trade and other receivables derived from sales incremental, advance payment for purchasing goods. Past due debtors up to 3 months increased from end of 2019, whilst past due debtors in 3 to 6 months and over 12 months decreased as a result of negotiations with some debtors to make order considerably and commit on due date such as 50% or 100% payment in advance before loading. The Company had very confident that allowance for doubtful debt calculated under the Expected Credit Loss Model and set aside by end of June 2020 is appropriate and sufficient. The adopt of new computation method as said also increased the amount of allowance for doubtful debt comparing to end of 2019

(Unit: in thousand Baht)	30 June 2020	31 December 2019	31 December 2018	31 December 2017
<u>Trade receivables – unrelated parties</u>				
Aged on the basis of due date				
Not yet due	150,344	145,012	137,125	117,911
Past due				
Up to 3 months	39,306	21,581	48,577	51,560
3 – 6 months	1,715	13,724	1,284	3,310
6 – 12 months	7,888	6,880	5,252	14
Over 12 months	1,685	3,668	8,867	429
Total Trade receivables – unrelated parties	200,938	190,865	201,105	173,224
Less: Allowance for doubtful accounts	(4,882)	(3,107)	(282)	(282)
Total trade receivables – net	196,056	187,758	200,823	172,942

Inventories

The Company had inventories for the end of fiscal year 2017, 2018, 2019, and as of 30 June 2020 equal to 94.3 million Baht, 92.5 million Baht, 85.1 million Baht, and 115.9 million Baht, respectively. Details of the inventories are as follows:

	31 December 2017		31 December 2018		31 December 2019		30 June 2020	
	Amount (MB)	Portion (%)	Amount (MB)	Portion (%)	Amount (MB)	Portion (%)	Amount (MB)	Portion (%)
Inventories								
1) Finished goods	6.8	7%	5.2	6%	5.9	7%	11.5	10%
2) Semi-finished goods	25.9	27%	23.1	25%	19.9	23%	25.5	22%
3) Raw materials	17.0	18%	17.8	19%	16.3	19%	25.6	22%
4) Packaging and factory supplies	41.9	45%	46.4	50%	43.0	51%	52.7	45%
5) Goods in transit	2.7	3%	-	-	-	-	0.6	1%
Total Inventories	94.3	100%	92.5	100%	85.1	100%	115.9	100%

As of 30 June 2020, major amount of inventory was mainly from packaging accounted for 45%. The Company managed utilization of new and fresh raw material which resulted the appropriate quantity of each type of inventories for more efficiency. In 2018, Net inventory amount slightly decreased approximately 1.8 million Baht (-1.9%). In 2019, net inventory amount was 85.1 million Baht or decreasing of 7.4 million Baht (-8%) as a result of better management in all types of inventories in terms of raw materials, packaging and semi-finished goods to be used to produce finished products for distribution by maintaining the appropriate quantity of each type of inventories for more efficiency. As of 30 June 2020, net inventory amount was 115.9 million Baht or increasing of 30.8 million Baht (+36.2%) to serve production from higher customers' orders.

Other non-current financial assets

In 2019, the Company had investment in other long-term investment of 28.4 million Baht by investing in Dusit Gourmet Co., Ltd., New Protein Fund I LP, Big Idea Venture GP I, LLC, and in convertible bonds of The Meatless Farm Limited. In 2020, the Company adopt new financial reporting standards of TFRS 9 "Financial Instruments" which resulted the change of this account name from "Other long-term investment" to "Other non-current financial assets" As of 30 June 2020, the Company had other non-current financial assets of 60.5 million Baht, increasing from end of 2019 of 32.1 million Baht as a result of new investment in City Food Co., Ltd. of 30 million Baht (accounted to 15% of total shares in City Food Co., Ltd.). In addition, the Company also invested in start-up business of plant-based products in New Protein Fund I LP and Big Idea Ventures GP I, LLC totaling 155,821 US dollar or equivalent to 4.99 million Baht, and invested in Phuture Limited of 25,000 US dollar or equivalent to 0.79 million Baht.

Investment in associate

As of 30 June 2020, the Company had investment in associate of 189.6 million Baht from the investment in ordinary shares of P&B by one of subsidiary in May 2020 of 198 million Baht. The subsidiary had 25% interest in such company. The Company had share of loss during the period of 8.7 million Baht resulting from the one-time legal expenses relating to meat-free business transfer from Brecks to P&B in the UK.

Property, plant, and equipment

For the year end 31 December 2017, 2018, 2019, and as of 30 June 2020, the company has property, plant, and equipment of 280.3 million Baht, 279.4 million Baht, 375.2 million Baht, and 379.2 million Baht, respectively, with details as follows:

	31 December 2017		31 December 2018		31 December 2019		30 June 2020	
	Amount (MB)	Portion (%)	Amount (MB)	Portion (%)	Amount (MB)	Portion (%)	Amount (MB)	Portion (%)
Property, plant, and equipment								
1) Land	90.5	32.3%	99.2	35.5%	119.7	31.9%	119.7	31.6%
2) Building	111.7	39.9%	113.6	40.7%	173.7	46.3%	171.1	45.1%
3) Machineries and tools	54.9	19.6%	50.4	18.0%	47.9	12.8%	48.2	12.7%
4) Office equipment	7.1	2.5%	7.3	2.6%	10.8	2.9%	6.1	1.6%
5) Vehicles	5.4	1.9%	4.3	1.5%	3.4	0.9%	1.5	0.4%
6) Assets under construction	10.7	3.8%	4.6	1.7%	19.7	5.3%	32.6	8.6%
Total Property, plant, and equipment	280.3	100%	279.4	100%	375.2	100%	379.2	100%

As of 30 June 2020, major amount of property, plant, and equipment were from factory plant and building accounted to 45.1%, land at 31.6%, and machineries and tool at 12.7%. Significant increasing in 2019 was from the purchase of additional land connected to the current premises to prepare the production capacity expansion in the future. In addition, increasing were also from the construction of noodle plant and purchasing of new machines for future production.

Goodwill

For the year ended 31 December 2017, 2018, 2019, and as of 30 June 2020, the Company had the same goodwill at 241.6 million Baht, resulting from the acquisition of the business in 2017. Within such fiscal years, the goodwill of the Company has not changed at all.

Intangible Assets

For the year ended 31 December 2017, 2018, 2019, and as of 30 June 2020, the Company had intangible assets of 1,602.9 million Baht, 1,547.7 million Baht, 1,491.0 million Baht, and 1,462.0 million Baht, respectively. This mainly comprised of customer relationships, trade name, and computer software. Intangible assets will gradually be amortized over the useful life of approximately 56.5 million Baht per year. The Company expected that the Customer relationships will have a service life of 25 years and the computer software has a service life of 5 and 15 years.

Liabilities

The Company's total liabilities for the year ended 31 December 2017, 2018, 2019, and as of 30 June 2020 were equal to 1,695.4 million Baht, 1,461.3 million Baht, 1,423.0 million Baht, and 1,629.1 million Baht, respectively. Long-term loans from financial institutions arising from the Company borrowed money from financial institutions for acquisitions in 2017 and for working capital totaling 1,193.3 million Baht was major liabilities and resulted the significantly increased in total liabilities since 2017. In second quarter of 2020, the Company made a 180 million Baht loan drawn down to invest in 25% of shares in P&B. However, in July 2020, the Company repaid such loan of approximately 20 million Baht.

Short-term loans from financial institution

As of 30 June 2020, the Company had short-term loans from financial institution of 139.8 million Baht, increasing from end of 2019 of 49.8 million Baht from letter of credit and trust receipts facilities for purchasing of goods for sales and machine acquisition.

Trade and other payables

As of 30 June 2020, the Company had trade and other payables of 147.2 million Baht or 16.7% increased from end of 2019. The increasing was mainly from the purchase of raw material and packaging for serving the increase in production. The increasing was also from the unearned revenue (advanced payment from customer) under trade terms.

Long-term loan from financial institution

As of 30 June 2020, the Company had long-term loan from financial institution of 988 million Baht, increasing from the draw down of 180 million Baht loan to invest in P&B. However, in July 2020, the Company repaid such loan of approximately 20 million Baht. During the period, the Company repaid principal of loan according to the repayment schedule prescribed in the loan agreement.

As of 30 June 2020, the Company could not maintain the certain financial ratio in accordance with rates prescribed in the loan agreement. However, the Company received the waive letter for the covenants from the bank. The Company also received a letter from a bank granting a one-year grace period for principal repayment from April 2020 to March 2021

Deferred Tax Liabilities

The Company had deferred tax liabilities for the end of fiscal year 2017, 2018, 2019, and as of 30 June 2020 of 338.0 million Baht, 326.6 million Baht, 315.1 million Baht, and 309.2 million Baht, respectively. The Company's deferred tax liabilities mostly consisted of customer relationships, trade name, and surplus on revaluation of assets.

Shareholders' Equity

For the year ended 31 December 2017, 2018, 2019, and as of 30 June 2020, the Company had shareholders' equity of 802.6 million Baht, 998.2 million Baht, 1,172.8 million Baht, and 1,209.4 million Baht, respectively. During such period, the Company continuously increased its capital. This made the issued and paid-up of capital in 2017, 2018, and 2019 equal to 980.9 million Baht, 1,020.9 million Baht, and 1,065.8 million Baht, respectively. At end of 2017, 2018, and 2019, share premium equal to 6.0 million

Baht, 66.0 million Baht, and 155.7 million Baht, respectively. Significant capital increase in 2017 was mainly from an increase by the shareholders from the group of Pathomvanich family as part of the acquisition. The Company has a deficit on amalgamation of the Company with Panthera Company Limited amounting to Baht 290.7 million. Since the end of 2017 onwards, the Company has retained earnings for the year ended 31 December 2017, 2018, 2019, and as of 30 June 2020 of 106.5 million Baht, 202.0 million Baht, 242.1 million Baht, and 280.8 million Baht, respectively. Increasing in shareholders' equity at end of 30 June 2020 was mainly from the profit during the period

Cash Flows Analysis

Liquidity management and working capital in the business of the Company is important for the management in normal courses of business, for the repayment of the Company's loans, and for the payment of its expenditures. From the past, the Company has managed the liquidity with cash flow received from its operations including loans from financial institutions. At the end of 31 December 2017, 2018, 2019, and as of 30 June 2020, the Company's cash flow statement can be summarized as follows:

Cash Flow Statements (Unit: Million Baht)	(Proforma)	(Audited)	(Audited)	(Reviewed)
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2019	As of 30 June 2020
Net cash flows from (used in) operating activities	(1,809.2)	38.5	153.3	61.2
Net cash flows from (used in) investing activities	(60.7)	(21.3)	(141.3)	(250.5)
Net cash flows from (used in) financing activities	1,829.4	(42.2)	84.3	163.7
Unrealized gain (losses) on exchange for cash and cash equivalent	(0.3)	(0.1)	0.4	0.0
Net increase (decrease) in cash and cash equivalents	(40.8)	(25.1)	96.7	(25.6)
Cash and cash equivalent at beginning of period	111.5	70.7	45.6	142.3
Cash and cash equivalent at end of period	70.7	45.6	142.3	116.7

Cash flow from Operating activities

For the year ended 31 December 2017, 2018, 2019, and six-month period ended 30 June 2020, the Company had net cash flow from (used in) operating activities of (1,809.2) million Baht, 38.5 million Baht, 153.3 million Baht, and 61.2 million Baht, respectively. For the six-month period ended 30 June 2020, net cash flows from operating activities were mainly from earning before tax, trade and other payables. Major uses of cash were from inventories, trade receivables and deposit for V-shape machine.

Cash flow from Investing activities

For the year ended 31 December 2017, 2018, 2019, and six-month period ended 30 June 2020, the Company's cash used in investing activities was 60.7 million Baht, 21.3 million Baht, 141.3 million Baht, and 250.5 million Baht, respectively. For the six-month period ended 30 June 2020, major uses of cash

were mainly from investment in P&B of 198 million Baht, and other investments in City Food Co., Ltd., New Protein Fund I LP, Big Idea Ventures GP I, LLC, and Phuture Limited.

Cash flow from Financing activities

For the year ended 31 December 2017, 2018, 2019, and six-month period ended 30 June 2020, the Company had cash flows from financing activities (used in) equal to 1,829.4 million Baht (42.2) million Baht, 84.3 million Baht, and 163.7 million Baht, respectively. For the six-month period ended 30 June 2020, major cash flow from financing activities were mainly from draw down of loan from financial institution.

Financial covenants under loan agreement

Financial covenants		For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2019	As of 30 June 2020
Net Debt/EBITDA ³	times	4.7	3.5	4.3	4.4
Debt to equity	times	2.1	1.5	1.2	1.3
DSCR ⁴⁵	times	0.7	1.0	0.5	0.8
CAPEX	Million Baht	43.5	19.5	116.8	80.3
Financial covenants under loan agreement					
Net Debt/EBITDA	times	≤ 4.0x	≤ 4.0x	≤ 3.5x	≤ 2.5x
Debt to equity	times	-	≤ 2.0x	≤ 2.0x	≤ 2.0x
DSCR	times	≥ 1.2x	≥ 1.2x	≥ 1.2x	≥ 1.2x
CAPEX	Million Baht	≤ 50	≤ 30	≤ 30	≤ 30

From the above table, it showed the company could not maintain the Net Debt/EBITDA ratio according to the conditions in 2017 and 2019. For DSCR, the Company was unable to maintain the ratio in every year, and for CAPEX, the Company was unable to maintain CAPEX according to the conditions in 2019 because the Company invested in a noodle factory and bought land adjacent to the original factory. The company can request for a waiver of conditions from the bank.

According to loan agreement, it states that the financial covenants of the company shall be tested on semi-annual basis. However, due to COVID-19 situation the bank has measure to help customers. Therefore, the company got grace period from the bank until April 2021 and waiver of financial covenants as of 30 June 2020. Currently, the company is planning to use some of IPO proceeds to repay long-term loan⁶ that has financial covenants (please refer to filing No. 2.2.5 Property) in order to enhance company's capability and flexibility of business expansion and increase more debt room of the company for funding

³ EBITDA Excluding share of loss from associates because it is non-cash

⁴ EBITDA Excluding share of loss from associates because it is non-cash

⁵ Before 2019, the DSCR formula is calculated from Adjusted EBITDA, (EBITDA – investment) since 2019, DSCR calculation does not require investment deductions.

⁶ Please consider details in Section 2.1 Use of proceeds. In addition, the long-term loan agreement dated 28 April 2017 specifies the loan amount B, which is a short-term loan facility and issuing a letter of guarantee, the company will use the proceeds from IPO to repay the debt in the loan B and to release the obligation to maintain financial ratios, the Company will continue to apply for new revolving credit lines with commercial banks.

future projects. After the company repays long-term loans, the company will not have risk of breaching financial covenants according to conditions of such loan agreement.

Yours Sincerely

Penhurai Chaichatchaval

(Penhurai Chaichatchaval)

Chief Financial Officer

NR Instant Produce Public Company Limited