TRIS RATING

CreditUpdate เครดิตวาระ
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Contacts	E-mail Addresses
Yingyong Chiaravutthi, CFA	yingyong@tris.co.th
Rungtip Charoenvisuthiwong	rungtip@tris.co.th
Nalin Tungtumniyom	nalin@tris.co.th
WatanaTiranuchit, CFA	watana@tris.co.th

Thai Union Frozen Products Public Company Limited

Company Rating:	A+
Issue Rating:	
Up to Bt4,000 million senior debentures due 2011	A+
Rating Outlook:	Stable

Rating History:	**Company Rating**	**Issue Rating**	
		Secured	**Unsecured**
30 Aug 2006	A+	-	-

Rating Rationale

TRIS Rating affirms the company rating of Thai Union Frozen Products PLC (TUF) at "A+". At the same time, TRIS Rating assigns the rating of "A+" to TUF's proposed up to Bt4,000 million senior debentures. The ratings reflect the company's strong market position as one of the world's leading tuna processors, solid valuable "Chicken of the Sea" canned tuna brand, and the management team's proven track record in the seafood export business. The ratings also take into consideration the company's conservative business expansion policy, as well as its product and geographic diversity. These factors are partially offset by the maturity of the canned tuna industry in the US, high exposure to tuna price fluctuations, threats from manufacturers in low-cost countries, and the implementation of import trade barriers by major trading countries.

TUF's major product portfolio includes canned tuna, frozen shrimp, and other seafood products, as well as pet food and shrimp feed. Over the last 10 years, TUF has steadily built up its market position in the global tuna industry. The company's business profile has been enhanced after becoming the sole owner of the "Chicken of the Sea" brand in 2001. As a result, revenue in 2001 increased sharply to Bt35,324 million from Bt19,120 million in 2000. TUF's current canned tuna production capacity is 280,000 tonnes per annum, making it one of the top tuna processors in the world. This enables the company to benefit from economies of scale in raw material procurement and production. In addition, the company's competitive position has been strengthened by its efforts to vertically integrate through the acquisitions of packaging and distribution networks. The company also entered the shrimp breeding and hatchery businesses, which will also enhance its ability to control and improve shrimp quality. Although the company's historical performance has been quite stable, various uncontrollable factors, including foreign exchange rates, climate change, and trade policies implemented by foreign government, stand as threats to its operating performance.

For the first quarter of 2007, TUF's total sales were Bt12,802 million, down 6.7% from the same period last year, due to the appreciation of Thai baht. However, net profit rose by 27.2% to Bt528 million as a result of improved selling and administrative cost controls and lower interest expense. Cash flow protection, as measured by the ratio of funds from operations (FFO) as a percentage of total debt, was 34.9% in 2006, slightly down from 35.2% in 2005. The ratio is considered adequate, although it has been relatively volatile over the past few years as outstanding debt increased sharply after major acquisitions and declined afterward when the company utilized internal cash to repay the debt. The ratio of operating income before depreciation and amortization to sales had remained in the range of 6%-7% during the last three years. The company's total debt to capitalization ratio as of March 2007 was 37.7%, improved from 39.3% as of year end 2006. TUF will use the proceeds from the proposed debentures for refinancing its existing borrowings and for working capital requirements.

__CreditUpdate__ reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company's current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been "upgraded," "downgraded," "affirmed" or "cancelled." The update includes information to supplement the previously published ratings.

CreditUpdates are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

Rating Outlook

The "stable" outlook reflects TRIS Rating's view that TUF will continue to maintain its competitive strength through economies of scale and production efficiency, expand business operations in a conservative manner, and improve its financial profile in the intermediate term.

Financial Statistics and Key Financial Ratios*

Unit: Bt million

		------------- Year ended 31 December -------------				
	3/2007**	2006	2005	2004	2003	2002
Sales	12,802	55,039	53,643	46,751	40,343	34,243
Gross interest	128	608	361	220	140	158
Net income from operations	430	1,873	2,058	1,970	2,047	1,942
Funds from operations (FFO)	742	3,182	3,354	2,757	3,019	2,216
Capital expenditures	304	1,425	1,030	1,744	848	845
Total assets	26,708	27,136	26,994	23,950	20,687	17,988
Total debt	8,665	9,123	9,536	8,631	6,627	4,398
Shareholders' equity	12,808	12,648	11,695	10,706	9,937	9,451
Operating income before depre. and amort. as a % of sales	6.05	6.39	6.36	6.19	7.88	8.86
Pretax return on permanent capital (%)	2.94**	13.04	13.69	12.95	17.46	18.41
Earnings before interest, tax, depre. and amort. (EBITDA) interest coverage (times)	7.05	6.29	10.40	14.49	24.53	21.07
FFO/total debt (%)	8.56**	34.88	35.17	31.94	45.56	50.39
Total debt/capitalization (%)	37.72	39.28	42.66	42.18	37.81	29.92

* *Consolidated financial statements*

** *Based on three-month performance ending 3/2007 (non-annualized)*

Rating Symbols and Definitions

TRIS Rating uses eight letter rating symbols for announcing medium- and long-term credit ratings. The ratings range from AAA, the highest rating, to D, the lowest rating. The medium- and long-term debt instrument covers the period of time from one year up. The definitions are:

AAA The highest rating, indicating a company or a debt instrument with smallest degree of credit risk. The company has extremely strong capacity to pay interest and repay principal on time, and is unlikely to be affected by adverse changes in business, economic or other external conditions.

AA The rating indicates a company or a debt instrument with a very low degree of credit risk. The company has very strong capacity to pay interest and repay principal on time, but is somewhat more susceptible to the adverse changes in business, economic, or other external conditions than AAA rating.

A The rating indicates a company or a debt instrument with a low credit risk. The company has strong capacity to pay interest and repay principal on time, but is more susceptible to adverse changes in business, economic or other external conditions than debt in higher-rated categories.

BBB The rating indicates a company or a debt instrument with moderate credit risk. The company has adequate capacity to pay interest and repay principal on time, but is more vulnerable to adverse changes in business, economic or other external conditions and is more likely to have a weakened capacity to pay interest and repay principal than debt in higher-rated categories.

BB The rating indicates a company or a debt instrument with a high credit risk. The company has less than moderate capacity to pay interest and repay principal on time, and can be significantly affected by adverse changes in business, economic or other external conditions, leading to inadequate capacity to pay interest and repay principal.

B The rating indicates a company or a debt instrument with a very high credit risk. The company has low capacity to pay interest and repay principal on time. Adverse changes in business, economic or other external conditions could lead to inability or unwillingness to pay interest and repay principal.

C The rating indicates a company or a debt instrument with the highest risk of default. The company has a significant inability to pay interest and repay principal on time, and is dependent upon favourable business, economic or other external conditions to meet its obligations.

D The rating for a company or a debt instrument for which payment is in default.

The ratings from AA to C may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within a rating category.

TRIS Rating's short-term ratings focus entirely on the likelihood of default and do not focus on recovery in the event of default. The symbols and definitions for short-term ratings are as follows:

T1 Issuer has strong market position, wide margin of financial protection, appropriate liquidity and other measures of superior investor protection. Issuer designated with a "+" has a higher degres of these protections.

T2 Issuer has secure market position, sound financial fundamentals and satisfactory ability to repay short-term obligations.

T3 Issuer has acceptable capacity for meeting its short-term obligations.

T4 Issuer has weak capacity for meeting its short-term obligations.

All ratings assigned by TRIS Rating are local currency ratings; they reflect the Thai issuers' ability to service their debt obligations, excluding the risk of convertibility of the Thai baht payments into foreign currencies.

TRIS Rating also assigns a *"Rating Outlook"* that reflects the potential direction of a credit rating over the medium to long term. In formulating the outlook, TRIS Rating will consider the prospects for the rated company's industry, as well as business conditions that might have an impact on its fundamental creditworthiness. The rating outlook will be announced in conjunction with the credit rating. In all cases, the outlook assigned to a company will apply to all debt obligations issued by the company. The categories for *"Rating Outlook"* are as follows:

Positive The rating may be raised.
Stable The rating is not likely to change.
Negative The rating may be lowered.
Developing The rating may be raised, lowered or remain unchanged.

For subscription information, contact
TRIS Rating Co., Ltd., Office of the President, Tel: 0-2231-3011 ext 500
Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10550, Thailand, www.trisrating.com

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