



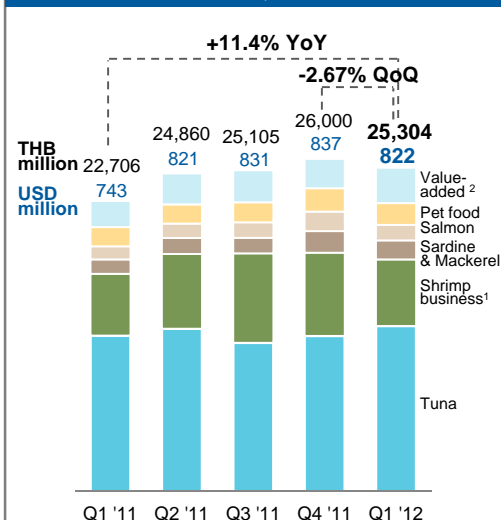
# THAI UNION FROZEN PRODUCTS

Investor Note

## Outstanding Q1'12 Results, Impressive Earnings Up 93% YoY

### Revenue

(THB million and USD million)



### 11.4% Revenue Growth

- Total revenue in Q1'12 was THB 25,304 million, increased 11.4% YoY from THB 22,706 million in Q1'11
- The growth was mainly due to price adjustment of tuna products and remarkable growth in sardine and mackerel products and value-added and other products
- On QoQ basis, there was a slightly drop in revenue of 2.67% from THB 26,000 million in Q4'11
- QoQ revenue decline was very limited as revenue growth from MW Brands help smooth seasonality in seafood business

### Stock Information

(Bloomberg/ Reuters) (TUF TB/ TUF.BK)

Share price (09/05/2012) : THB 72.75  
 Historical price :  
 52-week high : THB 75.25  
 52-week low : THB 41.88

No. of Shares : 956.3m  
 Par value : THB 1.0  
 Market Capitalization : THB 69.1bn  
 Avg. daily turnover (last 6 months) : THB 202.66m

Free float : 53.06%  
 Foreign ownership : 33.4%  
 Foreign limit : 45.0%

### Major shareholders :

(25/03/2011)

Chansiri Family	25.56%
Niruttinanon Family	7.93%
Mitsubishi Corporation	7.57%
Thai NVDR Co., Ltd.	3.30%
Merrill Lynch International	3.28%

### Gross profit improve 29% YoY with improved GPM at 17.2%

- Improving GP and GPM both QoQ and YoY due to better condition for export business out of Thai operation and also better yield management

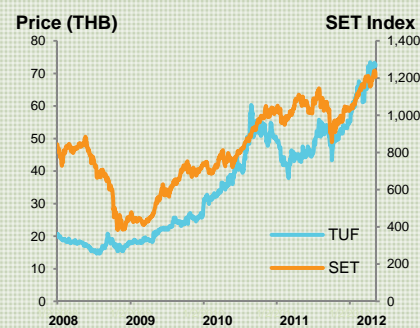
### EBITDA expanded 54% YoY, better EBITDA margin at 11.1%

- Improvement in EBITDA and EBITDA margin is mainly resulted from core operation (in line with improvement in GP)
- FX Gain of THB 232 million in Q1'12 also contributed to EBITDA and EBITDA margin improvement

### Net profit up 93% YoY, higher NPM YoY at 5.8%

- Impressive improvement YoY, net profit and NPM have risen mainly due to strong results from core operation (in line with GP and GPM growth)
- High NPM at 5.8% has been maintained from previous period

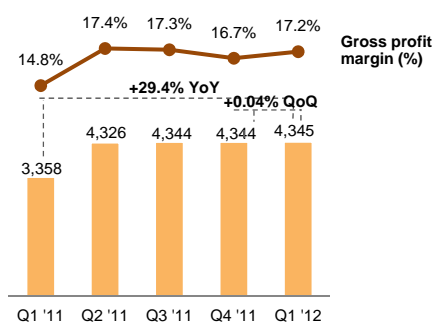
### Share price performance :



Source: Bloomberg (9/5/12)  
 Settrade (9/5/12)

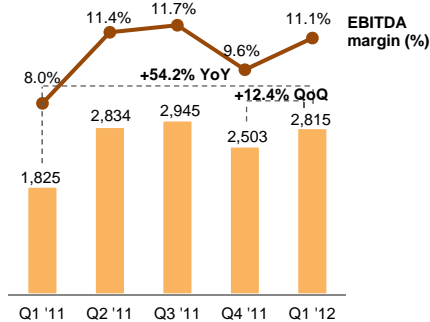
### Gross Profit and GPM

(THB million)



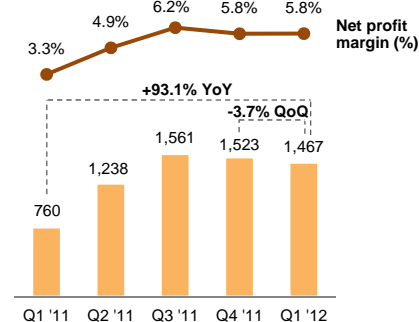
### EBITDA and EBITDA margin

(THB million)



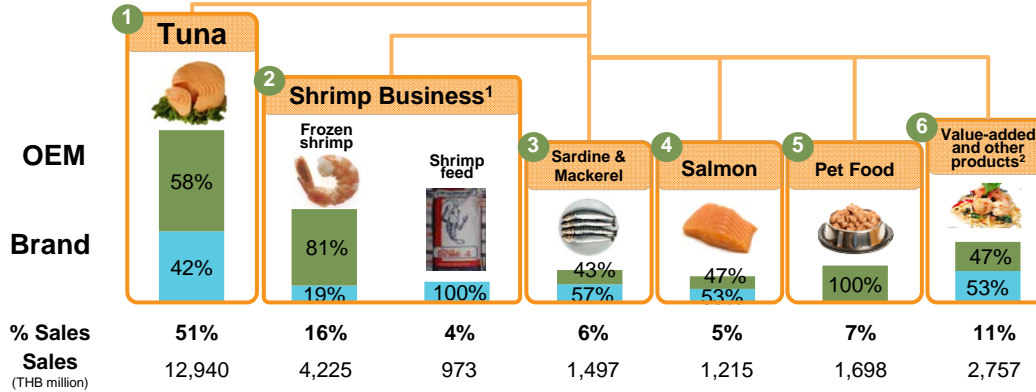
### Net Profit and NPM

(THB million)



## Performance by 6 Strategic Business Units

Total sales Q1'12: THB 25,304m (USD 822m)



**Remark :**

<sup>1</sup>Shrimp Business includes frozen shrimp and shrimp feed

<sup>2</sup>Value-added and other products includes Ready-to-eat (RTE) products, frozen cephalopod, canned seafood, local products, bakery products, and scrap

**Source:**  
TUF's Management Report Q1'12

### Tuna

- Sales increase from higher selling price adjusted in accordance with rising tuna raw material price
- TUF's broad customer base allows the company to pass on costs to customers at higher selling price
- On gross profit level, OEM product has shown an improvement in GM while branded product GM is well-maintained last year level

**Outlook;**

- Volume is expected to increase in Q2 and Q3 as a result of seasonal factor and growing acceptance of higher raw material price by customers
- Tuna raw material price should remain at high level but is expected to be more stable
- Branded product margin will be maintained while OEM product margin should improve. TUF will be able to gain profit from both branded and OEM business

### Sardine & Mackerel

- Sales and volume increased significantly YoY, mainly from increase in order from Africa, Japan, and ASEAN market
- Sardine & mackerel is the highest-growing product in this quarter only after value-added and other products
- GM has been improved since Q4'11 from a well-diversified sourcing

**Outlook;**

- Sales should continue to grow given more opportunities in existing markets as well as AEC market
- Plan for production expansion to support new market expansion
- Sardine & mackerel is targeted to be the next rising star of TUF

### Shrimp Business<sup>1</sup>

- Seasonal effect of shrimp business with peak in Q2 and Q3 of the year
- Sales increase YoY mainly from increase in shrimp selling price
- Gross profit and GPM are improving YoY but lower than previous quarters from seasonal effects to price of shrimp

**Outlook;**

- Sales and volume should both improve in Q2 and Q3 given high season period
- Expected increase in sales volume in high-season Q2 and Q3 should lead to high utilization and, therefore, high profitability

### Pet Food

- Sales increase mainly due to higher selling price
- GPM remains high at 20% given relatively-higher margin pet food products

**Outlook;**

- Pet food has good prospect given growing market with inelastic demand and high margin
- Capacity is now being prepared in order to capture opportunity in market
- Potential of US pet food operation should be more significantly realized within next year

### Salmon

- Low season in Q1, however, sales and volume increase YoY
- Sales increase YoY resulting from both higher volume and selling price adjustment
- GP and GPM increase significantly YoY

**Outlook;**

- Outlook for salmon is stable with continuous growth expected

### Value-Added and Other Products<sup>2</sup>

- 36% sales increase was mainly driven by growth in sales of pasteurized crab and canned seafood

**Outlook;**

- There will be more focus on high-margin ready-to-eat (RTE) products that tend to provide relatively higher margin

## Q1'12 Financial Position and Performance

### Income Statement

Consolidated								
(Million baht)	Q1'12	% to sales	Q1'11*	% to sales	Q4'11	% to sales	Q1'12/ Q1'11 change	Q1'12/ Q4'11 Change
Sales	25,304	100.0%	22,706	100.0%	26,000	100.0%	11.4%	-2.7%
Cost of sales	(20,959)	82.8%	(19,348)	85.2%	(21,656)	83.3%	8.3%	-3.2%
<b>Gross profit</b>	<b>4,345</b>	<b>17.2%</b>	<b>3,358</b>	<b>14.8%</b>	<b>4,344</b>	<b>16.7%</b>	<b>29.4%</b>	<b>0.0%</b>
SG&A expenses	(2,372)	9.4%	(2,085)	9.2%	(2,444)	9.4%	13.8%	-2.9%
FX gain (loss)	232	0.9%	-	0.0%	109	0.4%	N/A	113.2%
Other income	167	0.7%	137	0.6%	201	0.8%	21.7%	-17.2%
<b>EBIT</b>	<b>2,372</b>	<b>9.4%</b>	<b>1,410</b>	<b>6.2%</b>	<b>2,210</b>	<b>8.5%</b>	<b>68.3%</b>	<b>7.3%</b>
Finance cost	(542)	2.2%	(522)	2.3%	(571)	2.2%	3.9%	-5.1%
EBT	1,830	7.2%	888	3.9%	1,639	6.3%	106.1%	11.6%
Tax	(161)	0.6%	(36)	0.1%	203	0.8%	351.0%	-179.0%
<b>Net income</b>	<b>1,669</b>	<b>6.6%</b>	<b>852</b>	<b>3.8%</b>	<b>1,842</b>	<b>7.1%</b>	<b>95.9%</b>	<b>-9.4%</b>
Net income (loss) attributable to:								
Equity holder of the parent	1,467	5.8%	760	3.4%	1,523	5.9%	93.1%	-3.7%
Non-controlling interests of the subsidiaries	202	0.8%	92	0.4%	319	1.2%	118.4%	-36.7%
<b>Earnings per share</b>								
Basic earnings per share	1.53		0.79		1.59		93.7%	-3.8%
Diluted earnings per share	1.49		0.78		1.55		91.0%	-3.9%
<b>Exchange rate</b>								
THB/USD	30.71		30.69		31.18			

### Statement of financial position

Consolidated					
(Million baht)	Q1'12	% to total assets	2011*	% to total assets	Q1'12/ 2011 Change
Cash and cash equivalents	487	0.6%	903	1.1%	-46.0%
Trade and other receivables	11,975	13.9%	11,161	13.4%	7.3%
Inventories - net	27,491	31.8%	26,179	31.4%	5.0%
Other current assets	1,846	2.1%	1,735	2.1%	6.4%
Total current assets	41,799	48.4%	39,978	48.0%	4.6%
Fixed assets	16,737	19.4%	15,655	18.8%	6.9%
Other non-current assets	27,832	32.2%	27,644	33.2%	0.7%
<b>Total assets</b>	<b>86,368</b>	<b>100.0%</b>	<b>83,277</b>	<b>100.0%</b>	<b>3.7%</b>
Bank overdrafts and short-term loans	13,987	16.2%	14,477	17.4%	-3.4%
Trade and other payables	9,958	11.5%	7,919	9.5%	25.7%
Other current liabilities	3,097	3.6%	2,746	3.3%	12.8%
Total current liabilities	27,042	31.3%	25,142	30.2%	7.6%
Long-term borrowings	23,785	27.5%	24,305	29.2%	-2.1%
Other non-current liabilities	6,985	8.1%	6,713	8.0%	4.0%
<b>Total liabilities</b>	<b>57,812</b>	<b>66.9%</b>	<b>56,160</b>	<b>67.4%</b>	<b>2.9%</b>
Non-controlling interests of the subsidiaries	2,738	3.2%	2,659	3.2%	3.0%
<b>Total shareholders' equity</b>	<b>28,556</b>	<b>33.1%</b>	<b>27,117</b>	<b>32.6%</b>	<b>5.3%</b>
<b>Total liabilities and shareholders' equity</b>	<b>86,368</b>	<b>100.0%</b>	<b>83,277</b>	<b>100.0%</b>	<b>3.7%</b>

Remark: \*Numbers from restated financial statement

### Financial Statement Analysis

Regarding the overall operating results, financial position and profitability in Q1'12 have been in line with our expectation. There has been no significant change in any particular line item that should be concerned. Given no extraordinary change, NPM was impressive at 5.8%

#### Selling and administrative expense

- Despite 13.8% YoY increase in SG&A expense, the number has been in line with our expected range of SG&A-to-sales between 8.5 – 9.5%. The current period figure of 9.4%, closed to the upper end of our range, resulted from cost associated with the start-up of US pet food operation.

#### FX Gain/loss

- Foreign exchange gain in Q1'12 was THB 232m compared to THB 109m in Q4'11. The increase was caused by favorable exchange rate movement and mark-to-market of the hedging instrument. Regarding the currency risk, the company engages in various forward contract as a mean of risk management without any speculative effort

#### Other income (including share of income from investment in associates)

- Other income has increased by 21.7% YoY mainly due to gain from sales of scrap and compensation from suppliers

#### Finance cost

- Comparing to the last quarter, finance cost remains at the same level as the level of long-term debt remains fairly unchanged. Later in this year, with capital raised in the rights offering, a debt repayment should lead to a reduction in finance cost

### Relevant Financial Ratios

Ratio	Q1'12	Q4'11	Q3'11	Q2'11	Q1'11
ROE	21.08%	23.32%	25.12%	20.68%	13.04%
ROA <sup>1</sup>	11.20%	10.68%	12.08%	11.96%	7.36%
A/R Turnover (days)	41	37	39	39	39
Inventory Turnover (days)	115	104	105	97	99
Gearing Ratio <sup>2</sup>	2.02x	2.07x	2.27x	2.34x	2.34x
ND/E Ratio <sup>3</sup>	1.34x	1.43x	1.53x	1.52x	1.61x

Remark: <sup>1</sup>ROA = EBIT / Average total assets

<sup>2</sup>Gearing ratio = Total liability / Total equity

<sup>3</sup>ND/E ratio = Net interest-bearing debt / Total equity, Net interest-bearing debt =

Total interest-bearing debt – Cash and Cash equivalents

Source: TUF's Financial Statement

## Financial Statement Analysis (cont'd)

### Income tax expense

- Income tax expense increased significantly at 347.2% YoY. Effective tax rate in Q1'12 was approximately 8.7% compared to 4.0% in the same quarter last year. The lower effective tax rate in Q1'11 was due to the utilization of tax credit which has ended last year. We expect this year effective tax rate to be around 10% on annual average basis

### ND/E ratio

- Net debt-to-equity ratio in Q1'12 was 1.34x reduced from 1.43x at the end of last year mainly due to increase in shareholders' equity as a result of good operating results (net income). Additionally, with proceeds from capital increase, we expect an immediate debt repayment later within this year.

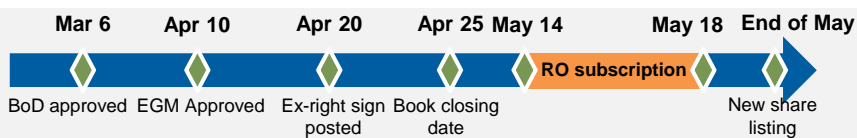
### Inventory turnover

- Inventory turnover days remains quite constant from last quarter (Q1'12: 115 days, Q4'11: 104 days). A slightly increasing trend since last year was from higher value of inventory balance due to higher raw material price.

### Account receivable turnover

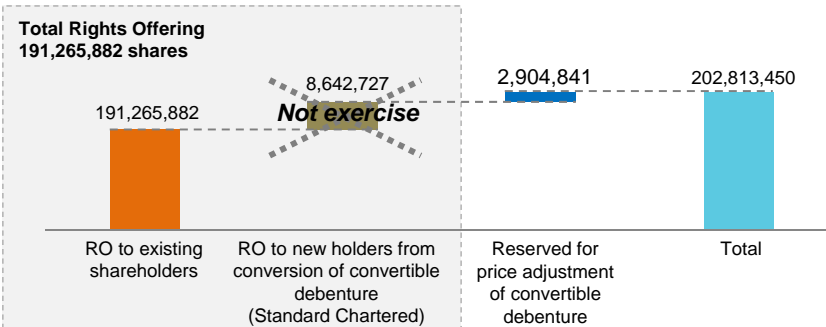
- As with inventory turnover days, an account receivable days was stable with small rising trend. The slight increase was associated with higher selling price.

## 2012 Rights offering



### Rights Offering Structure

Unit: shares



### Offering Price and Ratio

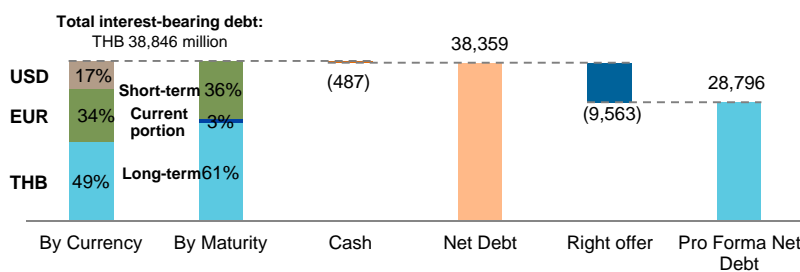
Rights Offering of **191,265,882 shares**

- Reissued at **THB 50.00 per share**
- Ratio 5:1** – Right to buy 1 shares for every 5 shares owned

### Strategic rationale for RO

- Partially repay MWB acquisition debt
- Optimize capital structure
- Fund working capital & future business expansion
- Enhance flexibility for potential M&A opportunities

### Net debt after rights offering



**Net Debt / Equity:** 1.34x (Current) vs 0.76x (Pro Forma)

- The capital increase will bring TUF's Debt / Equity ratio back to its historical levels pre-MW Brands acquisition or around 0.80x

## Q1' 12 News

### Asia's first "2012 Person of the Year" from IntraFish Media



Thiraphong Chansiri, president of Thai Union Frozen Products, was named IntraFish Media's 2012 Person of the Year.

The award was presented to Mr. Chansiri at the IntraFish Seafood Leadership Luncheon in Brussels.

Through his patient approach to growth and his continued leadership, Mr Chansiri has helped grow Thai Union into the largest seafood company in the world outside of Japan by focusing on strategic acquisitions, organic growth and a dedication to seafood sustainability.

### About IntraFish Media

IntraFish Media is the world's leading provider of news and analysis for the global seafood industry.

The group operates the world's leading daily online news services [IntraFish.com](http://IntraFish.com) and [IntraFish.no](http://IntraFish.no)



IntraFish Media is a subsidiary of NHST, a Norway-based publishing company whose publications cover the shipping, oil and seafood industries.

### Criteria of award

- A person who shows exceptional industry leadership
- A person who helps grow his/her company
- A person who helps promote and improve the image of the global seafood industry
- A person who incorporates seafood sustainability into the management of their business

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