



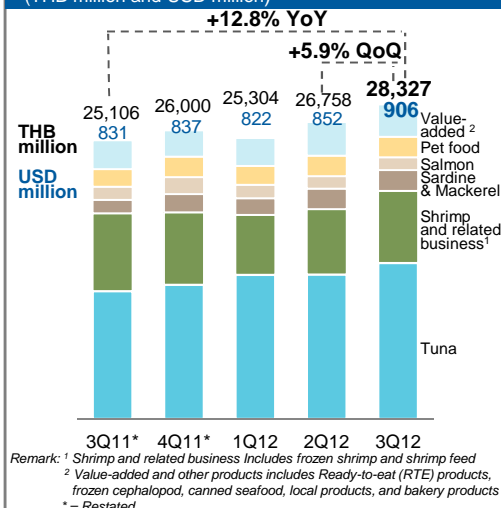
# THAI UNION FROZEN PRODUCTS

## Investor Note

### Another quarterly record in 3Q12 with 13.8% net profit growth in 9M12

#### Sales

(THB million and USD million)



#### 10.6% sales growth in 9M12

- 3Q12 total sales was THB 28,327 million, increased 12.8% YoY due to strong sales growth of tuna, sardine and mackerel, pet food, and value-added and other products.
- Total sales also rose 5.9% QoQ mainly as a result of stronger sales in tuna and shrimp.
- 9M12 total sales increased 10.6% YoY to THB 80,389 million driven by higher sales of tuna, sardine and mackerel, pet food, and value-added and other products.

#### 9M12 GPM maintained YoY while 3Q12 GPM dampened by increasing cost and strong THB QoQ

- 3Q12 GPM was lower YoY and QoQ to 15.7% mainly as a result of rising raw material prices of tuna and shrimp business, early stage of USPN operations, intense price competition at the US canned tuna market (though it is subsiding), and the recent minimum wage hike. QoQ GPM was also lower due to fast THB appreciation during the quarter. 9M12 GP increased by 10.3% YoY with stable GPM of 16.5%.

#### Better EBITDA QoQ due to FX gains but lower YoY from slightly higher SG&A expenses

- 3Q12 EBITDA improved by 4.3% QoQ due mainly to FX gains from selling USD forward, but dropped by 5% YoY as a result of lower GPM and higher SG&A expenses. However, SG&A expenses were well controlled at 8.8% to sales, lower QoQ from 9.1%.
- 9M12 EBITDA rose by 8.2% YoY to THB 8,262 million with EBITDA margin of 10.3%.

#### Lower interest expense improved 3Q12 net profit to grow 4.6% YoY

- 3Q12 net profit increased 4.6% YoY due mainly to significant drop in interest expense from MW Brands loan repayment in 2Q12. On QoQ basis, net profit boosted by 61.0% thanks to one-off finance fee booked in 2Q12, higher FX gains and lower interest expense in 3Q12. Excluding the one-off extraordinary item, 3Q12 normalized net profit growth should have been 14.5% QoQ. 9M12 net profit rose by 13.8% YoY (or 25.2% normalized growth) to THB 4,082 million.

#### Stock Information

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

Share price (05/11/2012) : THB 73.25

Historical price :

52-week high : THB 78.50

52-week low : THB 52.25

No. of Shares : 1,147.6m

Par value : THB 1.0

Market Capitalization : THB 84.1b

Avg. daily turnover (last 6 months) : THB 202.7m

Free float : 53.5%

Foreign ownership : 37.2%

Foreign limit : 45.0%

#### Major shareholders :

(23/08/2012)

Chansiri Family : 24.62%

Niruttinanon Family : 7.55%

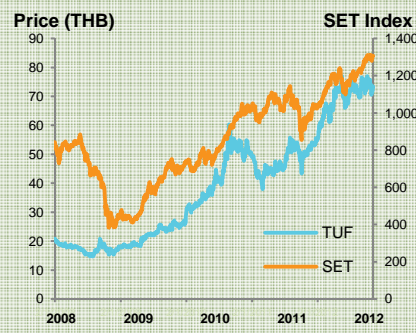
Mitsubishi Corporation : 7.58%

Thai NVDR Co., Ltd. : 4.26%

Merrill Lynch International : 2.51%

Hagoromo Foods : 1.68%

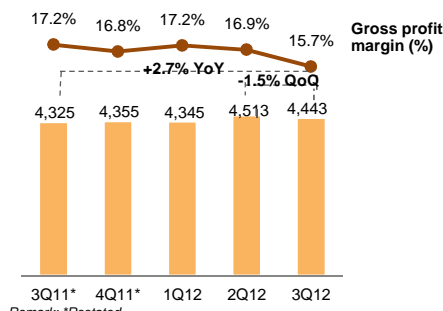
#### Share price performance :



Source: Settrade (5/11/12)

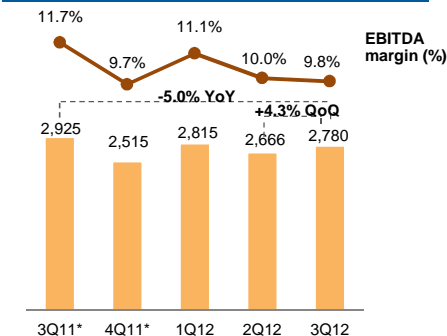
#### Gross Profit and GPM

(THB million)



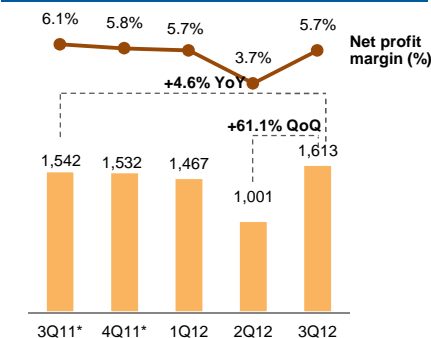
#### EBITDA and EBITDA margin

(THB million)



#### Net Profit and NPM

(THB million)



## Performance by 6 Strategic Business Units

Total sales 9M12: THB 80,389m (USD 2,580m)



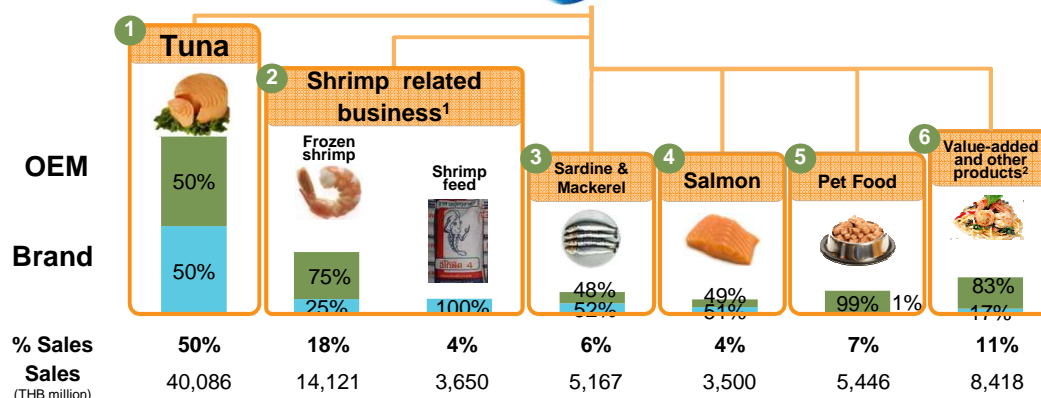
**Remark :**

<sup>1</sup>Shrimp and related 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 3Q12



### Tuna

- 3Q12 sales increased 22.0% YoY mainly as a result of increasing volume of OEM business and higher selling price. The quarterly record high tuna price resulted in weaker QoQ volume. Sales grew by 8.1% QoQ due mainly to higher selling price.
- US branded sales showed sign of improvement QoQ after strong competition in 1H12, but GPM only started to recover. Europe branded sales were lower QoQ due to poor weather conditions in July, but higher YoY thanks to higher volume.
- Price adjustment in branded business took longer time to pass on the increasing cost than that of OEM business. GPM of branded products declined YoY and QoQ while GPM of OEM business increased YoY and QoQ.

**Outlook:**

- Volume should continue to increase in 2H12 due to seasonal factors.
- Raw material prices should remain high despite a possibility of any short term correction in the future, but the raw material prices in general should sustain and will not drop sharply for all reasons.

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

- 3Q12 sales declined 7.2% YoY due mainly to lower shrimp feed sales volume from lower demand from shrimp farms as a result of EMS (Early Mortality Syndrome) outbreak in the Eastern Gulf of Thailand this year. Sales of frozen shrimp was also lower due to limited production capacity of rented plant. However, sales increased 9.9% QoQ due to the high season and higher shrimp selling prices as a result of lower shrimp supply from EMS impact.
- GPM of frozen shrimp products decreased YoY and QoQ mainly as a result of fast rising in raw material prices.
- White shrimp raw material price rise sharply in 3Q12 due to lower shrimp supply from EMS outbreak.

**Outlook:**

- Shrimp feed outlook should recover when EMS outbreak fades and the cost of animal feed stabilizes.
- Frozen shrimp sales export growth has been limited by the current rented production capacity. The new shrimp plant is expected to be completed around mid-2014.
- Rising shrimp price could stabilize if the current EMS problem can be resolved soon.

### Sardine & Mackerel

- 3Q12 sales boosted 53.6% YoY due to a capacity expansion in 2Q12 and stronger volume from Africa. Sales slightly increased 1.6% QoQ mainly as a result of lower selling price regardless of higher volume.
- GPM improved YoY due to high raw material prices in 3Q11, but declined QoQ due to lower selling price.

**Outlook:**

- Continue to be a rising star for TUF from rising demand in Africa and market expansion in AEC market.

### Salmon

- 3Q12 sales declined 4.4% YoY as a result of weaker demand from certain Japanese customers.
- GPM decreased YoY due to higher cost.

**Outlook:**

- Outlook for salmon is stable

### Pet Food

- 3Q12 sales increased 17.9% YoY from higher selling prices of higher value-added products as well as higher volume. Sales slightly increased 0.3% QoQ due mainly to higher selling prices.
- GPM remained at 18% given relatively-higher margin pet food products.

**Outlook:**

- Promising outlook as the market has grown with inelastic demand and relatively higher margin.
- Capacity is now being prepared to capture opportunities in the US market.
- Potential of US pet food operation should be more significantly realized within next few years.

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

- 3Q12 sales increased 11.9% YoY due mainly to higher sales of canned seafood products.

**Outlook:**

- Focus will be put on higher margin ready-to-eat (RTE) products.

## 3Q12 & 9M12 Financial Position and Performance

### Consolidated Income Statement

(Million baht)	3Q12	% to sales	3Q11*	% to sales	2Q12	% to sales	3Q12/ 3Q11 Change	3Q12/ 2Q12 Change	9M12	% to sales	9M11*	% to sales	9M12/ 9M11 Change
Sales	28,327	100.0%	25,105	100.0%	26,758	100.0%	12.8%	5.9%	80,389	100.0%	72,671	100.0%	10.6%
Cost of sales	(23,883)	-84.3%	(20,781)	-82.8%	(22,244)	-83.1%	14.9%	7.4%	(67,087)	-83.5%	(60,609)	-83.4%	10.7%
<b>Gross profit</b>	<b>4,443</b>	<b>15.7%</b>	<b>4,325</b>	<b>17.2%</b>	<b>4,513</b>	<b>16.9%</b>	<b>2.7%</b>	<b>-1.5%</b>	<b>13,302</b>	<b>16.5%</b>	<b>12,062</b>	<b>16.6%</b>	<b>10.3%</b>
SG&A expenses	(2,502)	-8.8%	(2,184)	-8.7%	(2,440)	-9.1%	14.6%	2.5%	(7,314)	-9.1%	(6,438)	-8.9%	13.6%
FX gain (loss)	237	0.8%	133	0.5%	21	0.1%	78.6%	1029.7%	490	0.6%	196	0.3%	150.3%
Other income	137	0.5%	187	0.7%	118	0.4%	-26.8%	16.0%	421	0.5%	496	0.7%	-15.0%
<b>EBIT</b>	<b>2,315</b>	<b>8.2%</b>	<b>2,460</b>	<b>9.8%</b>	<b>2,212</b>	<b>8.3%</b>	<b>-5.9%</b>	<b>4.7%</b>	<b>6,899</b>	<b>8.6%</b>	<b>6,315</b>	<b>8.7%</b>	<b>9.2%</b>
Finance cost	(338)	-1.2%	(567)	-2.3%	(1,058)	-4.0%	-40.3%	-68.0%	(1,939)	-2.4%	(1,701)	-2.3%	14.0%
<b>EBT</b>	<b>1,977</b>	<b>7.0%</b>	<b>1,894</b>	<b>7.5%</b>	<b>1,154</b>	<b>4.3%</b>	<b>4.4%</b>	<b>71.3%</b>	<b>4,960</b>	<b>6.2%</b>	<b>4,615</b>	<b>6.3%</b>	<b>7.5%</b>
Tax	(145)	-0.5%	(69)	-0.3%	68	0.3%	109.2%	-311.3%	(237)	-0.3%	(395)	-0.5%	-40.1%
<b>Net income</b>	<b>1,832</b>	<b>6.5%</b>	<b>1,824</b>	<b>7.3%</b>	<b>1,222</b>	<b>4.6%</b>	<b>0.4%</b>	<b>49.9%</b>	<b>4,723</b>	<b>5.9%</b>	<b>4,219</b>	<b>5.8%</b>	<b>11.9%</b>
<b>Net income (loss) attributable to:</b>													
<b>Equity holders of the Company</b>	<b>1,613</b>	<b>5.7%</b>	<b>1,542</b>	<b>6.1%</b>	<b>1,001</b>	<b>3.7%</b>	<b>4.6%</b>	<b>61.0%</b>	<b>4,081</b>	<b>5.1%</b>	<b>3,586</b>	<b>4.9%</b>	<b>13.8%</b>
Non-controlling interests of the subsidiaries	219	0.8%	282	1.1%	221	0.8%	-22.3%	-0.6%	642	0.8%	634	0.9%	1.3%
<b>Earnings per share</b>													
Basic earnings per share	1.41		1.61		1.01		-12.4%	39.6%	3.91		3.75		4.3%
Diluted earnings per share	1.37		1.57		0.99		-12.7%	38.4%	3.81		3.66		4.1%
<b>Exchange rate</b>													
THB/USD	31.25		30.21		31.40				31.15		30.44		
<b>Normalized net profit</b>	<b>1,613</b>	<b>5.7%</b>	<b>1,542</b>	<b>6.1%</b>	<b>1,409</b>	<b>5.3%</b>	<b>4.6%</b>	<b>14.5%</b>	<b>4,489</b>	<b>5.6%</b>	<b>3,586</b>	<b>4.9%</b>	<b>25.2%</b>

Remark: \*Restated

### Statement of financial position

(Million baht)	Consolidated				
	2Q12	% to total assets	2011*	% to total assets	Change
Cash and cash equivalents	827	0.9%	903	1.1%	13.3%
Trade and other receivables	12,267	13.7%	11,161	13.4%	14.8%
Inventories - net	29,320	32.7%	26,180	31.4%	12.1%
Other current assets	2,006	2.2%	1,735	2.1%	3.0%
Total current assets	44,420	49.5%	39,978	48.0%	12.5%
Fixed assets	17,543	19.6%	15,655	18.8%	6.9%
Other non-current assets	27,740	30.9%	27,644	33.2%	0.7%
<b>Total assets</b>	<b>89,703</b>	<b>100.0%</b>	<b>83,277</b>	<b>100.0%</b>	<b>8.1%</b>
Bank overdrafts and short-term loans	19,796	22.1%	14,477	17.4%	38.5%
Trade and other payables	9,864	11.0%	7,919	9.5%	22.7%
Other current liabilities	1,770	2.0%	2,746	3.3%	-40.7%
Total current liabilities	31,430	35.0%	25,142	30.2%	26.8%
Long-term borrowings	12,158	13.6%	24,306	29.2%	-61.3%
Other non-current liabilities	6,371	7.1%	6,713	8.1%	92.6%
<b>Total liabilities</b>	<b>49,959</b>	<b>55.7%</b>	<b>56,161</b>	<b>67.4%</b>	<b>-14.5%</b>
Non-controlling interests of the subsidiaries	2,982	3.3%	2,659	3.2%	9.3%
<b>Total shareholders' equity</b>	<b>39,744</b>	<b>44.3%</b>	<b>27,117</b>	<b>32.6%</b>	<b>45.3%</b>
<b>Total liabilities and shareholders' equity</b>	<b>89,703</b>	<b>100.0%</b>	<b>83,277</b>	<b>100.0%</b>	<b>4.5%</b>

Remark: \*Restated

### Financial Statement Analysis

3Q12 is another record quarter of total sales and net profit. 3Q12 sales were in-line with our expectation given the rising trend of tuna raw material price and seasonal factor. Although sales of shrimp feed were lower as a result of EMS outbreak, frozen shrimp sales were higher QoQ due to high season and rising shrimp price. Despite temporary lower GPM from rising raw material prices of tuna and shrimp, and fast THB appreciation, 3Q12 net profit reached a new record level of THB 1,613 million thanks to FX gains from hedging instruments, well-controlled SG&A expense and lower interest expense following MW Brands loan repayment in 2Q12. For QoQ basis, net profit increased significantly by 61.0% resulting from the absence of the one-off finance fee booked in 2Q12. Excluding this extraordinary item, 3Q12 normalized net profit should have grown by 14.5% QoQ.

For 9M12, sales grew 10.6% YoY to THB 80,389 million while the net profit growth outpaced at 13.8% to THB 4,081 million thanks to stable GPM, higher FX gain and lower interest expense. Excluding this extraordinary item, 9M12 normalized net profit should have increased by 25.2% YoY.

#### Selling and administrative expense

- 3Q12 SG&A was 14.6% higher YoY as a result of higher sales promotion expense and other administrative expenses. However, % SG&A to sales was 8.8%, below the 9% budget.

#### FX Gain/loss

- FX gain increased by 78.6% YoY and 1,027.6% QoQ due to timely USD forward hedging upon THB appreciation.

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

- Other incomes were lower 26.8% YoY due to lower share of income from investment in associates (Pakfood) and lower tax coupon received. On QoQ basis, other incomes increased by 16.04% mainly as a result of lower compensation from suppliers.

### Relevant Financial Ratios

Ratio	3Q12	2Q12	1Q12	4Q11*	3Q11
ROE <sup>1</sup>	17.6%	12.9%	23.3%	25.9%	27.4%
ROA <sup>2</sup>	10.3%	10.0%	11.2%	10.7%	12.0%
A/R Turnover (days)	40	41	41	38	39
Inventory Turnover (days)	111	115	115	107	105
Gearing Ratio <sup>3</sup>	1.26x	1.28x	2.02x	2.07x	2.26x
ND/E Ratio <sup>4</sup>	0.79x	0.80x	1.34x	1.43x	1.52x

Remark: \* = Restated

<sup>1</sup>ROE = Annualized quarterly net profit / Average total shareholders' equity

<sup>2</sup>ROA = Annualized quarterly EBIT / Average total assets

<sup>3</sup>Gearing ratio = Total liability / Total shareholders' equity

<sup>4</sup>ND/E ratio = Net interest-bearing debt / Total shareholders' equity, Net interest-bearing debt = Total interest-bearing debt - Cash and Cash equivalents

Source: TUP's Financial Statement

## Financial Statement Analysis (cont'd)

### Finance cost

- Interest expense was lower significantly YoY and QoQ due to MW Brands loan repayment in 2Q12. The effective interest rate of the outstanding loans for the quarter is around 4.2%.

### Income tax expense

- Income tax expense increased significantly 109.1% YoY and 311.3% QoQ due to lower base last year and from tax credit utilization in 2Q12. The effective tax rate was 7.3% compared to 3.6% in 3Q11 and -5.9% in 2Q12.

### ND/E ratio

- Net debt-to-equity ratio slightly declined to 0.79x in 3Q12 from 0.80x in 2Q12 and 1.52x in 3Q11. Current gearing ratio is close to the historical level before MW Brands acquisition.

### Inventory turnover

- Inventory turnover days slightly declined QoQ to 111 days due to improved sales at US subsidiaries and slightly increased YoY due to higher value of inventory balance from the higher raw material prices.

### Accounts receivable turnover

- Accounts receivable days were also stable at 40 days with a slightly increasing trend from 3Q11 in associated with higher selling prices.

## 3Q12 News

### The Southeast Asia Challengers 2012 Award



TUF presented with The Southeast Asia Challengers 2012 Award.

- The abilities to outgrow the other players in the same business segment
- A business management model that can delivered robust growths and generate good returns
- The proven record/strong potential to expand abroad

“Mr. Thiraphong Chansiri, President of Thai Union Frozen Products PCL.(TUF), was presented with the Southeast Asia Challengers 2012 Award as one of the region’s rising star by the Boston Consulting Group.

Selection criteria are the abilities to outgrow the other players in the same business segment, business management model that can deliver robust growths and generate good returns on a continued basis and the proven record/strong potential to expand abroad.”

### About The Boston Consulting Group



*is a global  
management  
consulting firm*

*and the world's leading advisor on  
business strategy.*

*BCG work on projects ranging from  
strategy to corporate development in  
industries such as consumer goods,  
energy, financial services, industrial  
goods, media and telecom sectors*

### TUF Investor Relations Department

- WAI YAT PACO LEE
- SUTHIPA VACHAROTAYANGUL
- PANWARD CHANSIRI

E-mail: [ir@thaiunion.co.th](mailto:ir@thaiunion.co.th)  
TEL : (662)298-0024 EXT. 611, 698  
FAX : (662)298-0342