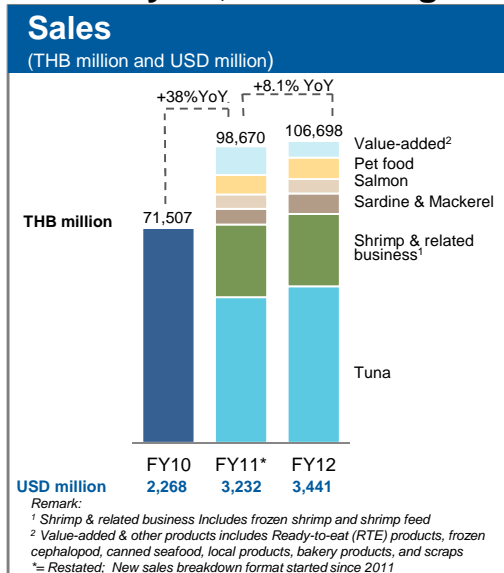




THAI UNION FROZEN PRODUCTS

Investor Note

Short term challenges plunged 4Q, in an otherwise resilient year, but with signs of recovery in sight



Another year of record sales

- 2012 total sales hit a record level of THB 106.7bn with 8.1% growth YoY due to higher sales of tuna, sardine & mackerel, value-added & other products and pet food.
- 2012 GPM plunged YoY to 15.3% due mainly to the loss from USPN's first year of operations, high volatility of tuna raw material prices in 4Q12, intense price competition in the US canned tuna market, and a significant drop of shrimp feed margin (due to rising raw material prices and lower demand from shrimp farms as a result of EMS outbreak in 2H12).

4Q12 GPM hurt by loss in USPN, volatile tuna raw material prices, strong THB and EMS

- 4Q12 total sales were lower QoQ (seasonal factors) due to poorer tuna, sardine & mackerel, and shrimp &

related business. In addition, THB appreciation dampened export sales growth QoQ and YoY. But, total sales edged up YoY, thanks to higher sales from value-added & other products.

- 4Q12 GPM was pressured, dropping QoQ to 11.6%, by a drastic fall of tuna raw material prices, rising shrimp raw material prices from Early Mortality Syndrome (EMS) epidemic, stronger THB, and loss from USPN's first year of operations. GPM also declined YoY due to higher raw material prices (tuna and shrimp), stronger THB, and loss from USPN.

Dented EBITDA from lower GPM

- 2012 EBITDA slightly declined by 3.3% YoY as a result of lower GP despite a higher FX gain. EBITDA margin dropped to 9.2% while SG&A was well-controlled at 8.9% of sales.
- 4Q12 EBITDA was lower YoY and QoQ due to a squeezed GPM and a lower FX gain. %SG&A to sales declined YoY and QoQ to 8.3%, below the budget (9%) due partially to the reclassification of a portion of USPN's startup SG&A expenses to COGS after USPN's commercial run in 2012.

Lower earnings, plagued by challenges

- 2012 net profit decreased by 8.3% YoY owing to a lower GPM, higher finance cost (due to 2Q12 prepayment of MWB loan) and lower tax expenses (from 4Q12 tax credit). Excluding the one-off extraordinary finance fee booked in 2Q12, the normalized annual net profit should only decline by 0.3%YoY to THB 5,101mn.
- 4Q12 net profit nosedived YoY to THB 612mn mainly as a result of a lower GPM. On QoQ basis, net profit was dwarfed by a lower GPM and a smaller FX gain in spite of a tax credit caused by an operating losses in US subsidiaries (the quarterly effective tax rate was -18.4%).

Stock Information

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

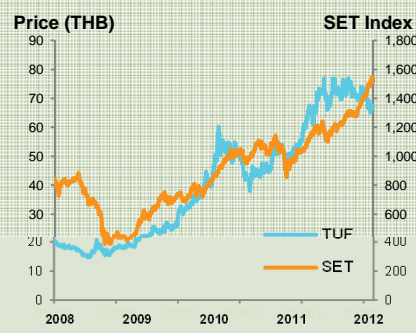
Share price (28/02/2013) :	THB 67.00
Historical price :	
52-week high	THB 78.00
52-week low	THB 58.59
No. of Shares :	1,147.6m
Par value :	THB 1.0
Market Capitalization :	THB 76.9b
Avg. daily turnover (last 6 months) :	THB 232.7m
Free float :	53.5%
Foreign ownership :	38.1%
Foreign limit :	45.0%

Major shareholders :

(03/01/2013)

Chansiri Family	24.26%
Niruttinanon Family	7.49%
Mitsubishi Corporation	7.58%
Thai NVDR Co., Ltd.	4.09%
Social Security Office	2.97%
Hagoromo Foods	1.68%

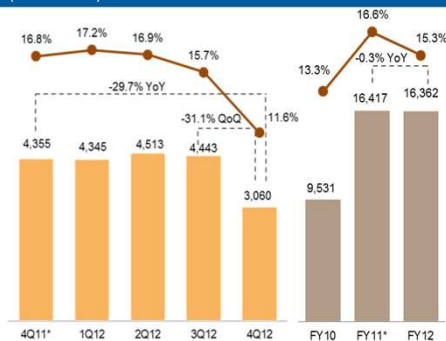
Share price performance :



Source: Settrade (28/02/13)

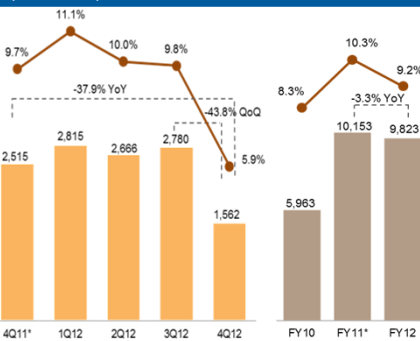
Gross Profit and GPM

(THB million)



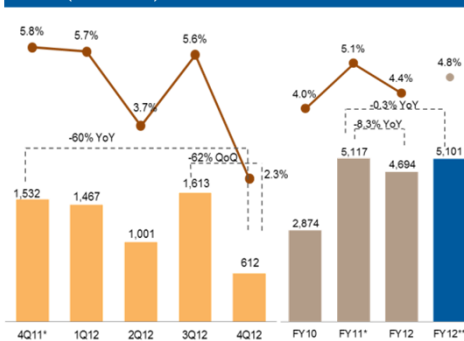
EBITDA and EBITDA margin

(THB million)



Net Profit and NPM

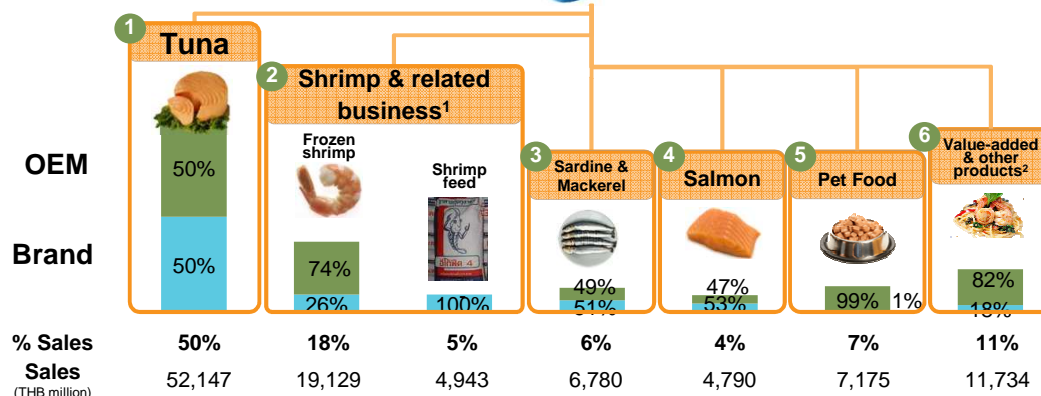
(THB million)



Remark: *Restated; ** = Normalized net profit by adjusting back one-off accounting treatment of amortizing deferred finance fee from MWB loan prepayment that occurred in 2Q12 (THB407mn, net of tax)

Performance by 6 Strategic Business Units

Total sales 2012: THB 106,698m (USD 3,441m)



Remark :

¹Shrimp & related business includes frozen shrimp and shrimp feed

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

Source: TUF

Tuna

- 2012 tuna sales increased 7.5% YoY mainly from higher selling prices. 4Q12 sales dropped 14.3% QoQ due to seasonal factors.
- The growth of OEM sales outpaced that of branded sales (10.7% vs 4.5%), thanks to the US, Africa and Middle East markets.
- A sharp decrease of tuna raw material prices in 4Q12 depressed GPM of tuna OEM business QoQ due to the higher cost of the buffer stocks carried over from 3Q12. 2012 GPM plunged to 14.8% from 16.3% in 2011 due to a lower GPM of branded business in 3Q12 and a lower GPM of OEM business in 4Q12.

Outlook:

- Volume should continue to increase in tandem with the global seafood demand since tuna remains the cheapest food protein compared to other meat products.
- With canned tuna market competition in the US becoming more rational, COSI operations should improve in 2013.
- Tuna raw material prices should remain high upon precautionary conservative fishing regulations albeit healthy Skipjack fish stock.
- 4Q12 possibly marked the bottom and we expect to see an improvement in tuna business in 1Q13 based on a more steady, though rising, trend of tuna raw material prices and better matching of raw material cost and selling prices.

shrimp trading operations (COSFF) remains intact from current EMS impact thanks to its global sourcing network.

- Acquiring a majority stake of PPC should support TUF's growth and strengthen shrimp business capabilities thanks to the firm's ready and sufficient production capacity.
- Expect to see shrimp raw material prices to stay high due to the shortage of domestic supply. Shrimp prices should return to the normal level once EMS problem is easing.

Sardine & Mackerel

- 2012 sales grew by 30.4% YoY thanks to higher OEM sales from Africa.
- 2012 GPM dropped slightly YoY due to temporarily sales decline of higher margin products from the local market after a year of strong sales in 2011 prompted by the major Thai flood.

Outlook:

- Promising growth from an increasing demand in emerging market such as Africa and AEC.

Salmon

- 2012 sales and GPM remained stable from 2011.
- Short term decline of GPM in 4Q12 came from lower sales to the high margin Japanese market.

Outlook:

- Outlook for salmon is stable

Pet Food

- 2012 sales rose 10.3% YoY from higher selling prices of higher value-added products and higher volume. 4Q12 sales dropped 7.5% QoQ due mainly to lower selling prices.
- 2012 GPM plunged to 10.2 % due to the reclassification of a portion of USPN's start up cost from SG&A expense to COGS after USPN commercial run in 2012.

Outlook:

- Promising outlook as the market, characterized by inelastic demand, has grown with higher margins.
- USPN operations should improve soon, realizing its full potential within next few years.

Shrimp and Related Business¹

- 2012 shrimp & related business sales slightly declined by 0.4% YoY due to lower volume and lower selling prices. Frozen shrimp export sales were limited by the current production facilities (rented) as a result of the fire incident at our Samutsakorn shrimp plant in 2Q12 and the adverse impact from EMS outbreak in 4Q12. 4Q12 sales alone dropped 2.8% QoQ due to lower shrimp feed sales (EMS epidemic in Thailand) and seasonal factors.
- 2012 GPM declined YoY to 12.1% from 12.8% in 2011 due to higher shrimp raw material prices from the EMS outbreak in 2H12. With stronger THB in 4Q12, TUF's frozen shrimp export margin came under pressure since production costs are all in THB. However, total frozen shrimp GPM did not significantly drop thanks to the strong performance of COSFF's frozen shrimp operations in the US.

Outlook:

- Likely to see scarcity of domestic shrimp supply until late May or June 2013. Expect to see TUF's export shrimp business recovery in 2H13 assuming easing EMS problem. US frozen

Value-Added and Other Products²

- 2012 sales increased by 23.8% YoY due to higher sales of canned seafood, local products and non-tuna fish products.

Outlook:

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

Financial Position and Performance

Consolidated Income Statement

(Million baht)	2012	% to sales	2011*	% to sales	2012/ 2011*	Change	4Q12	% to sales	4Q11*	% to sales	4Q12/4Q11*	Change
Sales	106,698	100.0%	98,670	100.0%	8.1%		26,309	100.0%	26,000	100.0%	1.2%	
Cost of sales	(90,336)	-84.7%	(82,253)	-83.4%	9.8%		(23,249)	-88.4%	(21,645)	-83.2%	7.4%	
Gross profit	16,362	15.3%	16,417	16.6%	-0.3%		3,060	11.6%	4,355	16.8%	-29.7%	
SG&A expenses	(9,493)	-8.9%	(8,882)	-9.0%	6.9%		(2,179)	-8.3%	(2,444)	-9.4%	-10.9%	
FX gain (loss)	497	0.5%	305	0.3%	63.0%		7	0.0%	109	0.4%	-93.8%	
Other income	555	0.5%	698	0.7%	-20.5%		133	0.5%	202	0.8%	-34.0%	
EBIT	7,921	7.4%	8,537	8.7%	-7.2%		1,021	3.9%	2,222	8.5%	-54.0%	
Finance cost	(2,329)	-2.2%	(2,272)	-2.3%	2.5%		(390)	-1.5%	(571)	-2.2%	-31.8%	
EBT	5,592	5.2%	6,265	6.3%	-10.7%		632	2.4%	1,650	6.3%	-61.7%	
Tax	(120)	-0.1%	(192)	-0.2%	-37.5%		116	0.4%	203	0.8%	-42.6%	
Net income	5,471	5.1%	6,073	6.2%	-9.9%		748	2.8%	1,854	7.1%	-59.6%	
Net income (loss) attributable to:												
Equity holders of the Company	4,694	4.4%	5,117	5.2%	-8.3%		612	2.3%	1,532	5.9%	-60.0%	
Non-controlling interests of the subsidiaries	778	0.7%	956	1.0%	-18.6%		136	0.5%	322	1.2%	-57.9%	
Earnings per share												
Basic earnings per share	4.39		5.35		-17.9%		0.48		1.60		-70.0%	
Diluted earnings per share	4.29		5.21		-17.7%		0.48		1.55		-69.0%	
Exchange rate												
THB/USD	31.00		30.53		1.6%		30.56		31.07		-1.6%	
Normalized net profit	5,101	4.8%	5,117	5.2%	-0.3%		612	2.3%	1,532	5.9%	-60.0%	

Remark: *Restated

Statement of financial position

(Million baht)	Consolidated				Change
	2012	% to total assets	2011*	% to total assets	
Cash and cash equivalents	1,400	1.5%	903	1.1%	55.1%
Trade and other receivables	11,918	12.6%	11,161	13.4%	6.8%
Inventories - net	33,290	35.1%	26,180	31.4%	27.2%
Other current assets	1,728	1.8%	1,735	2.1%	-0.4%
Total current assets	48,337	51.0%	39,978	48.0%	20.9%
Fixed assets	17,923	18.9%	15,655	18.8%	14.5%
Other non-current assets	28,499	30.1%	27,644	33.2%	3.1%
Total assets	94,759	100.0%	83,277	100.0%	13.8%
Bank overdrafts and short-term loans	22,511	23.8%	14,477	17.4%	55.5%
Trade and other payables	10,545	11.1%	7,919	9.5%	33.2%
Current portion of long-term loans	899	0.9%	984	1.2%	-8.6%
Other current liabilities	1,594	1.7%	2,746	3.3%	-41.9%
Total current liabilities	35,549	37.5%	25,142	30.2%	41.4%
Long-term borrowings	11,598	12.2%	24,306	29.2%	-52.3%
Other non-current liabilities	7,268	7.7%	6,713	8.1%	8.3%
Total liabilities	54,415	57.4%	56,161	67.4%	-3.1%
Non-controlling interests of the subsidiaries	3,128	3.3%	2,659	3.2%	17.6%
Total shareholders' equity	40,344	42.6%	27,117	32.6%	48.8%
Total liabilities and shareholders' equity	94,759	100.0%	83,277	100.0%	13.8%

Remark: *Restated

Relevant Financial Ratios

Ratio	2012	2011*	2010	
ROE ¹	15.2%	22.5%	15.4%	
ROA ²	8.9%	10.8%	8.6%	
A/R Turnover (days)	38	37	40	
Inventory Turnover (days)	119	104	108	
Gearing Ratio ³	1.35x	2.07x	2.22x	
ND/E Ratio ⁴	0.83x	1.43x	1.57x	
Ratio	4Q12	3Q12	2Q12	4Q11*
ROE	6.0%	17.6%	12.9%	25.9%
ROA	4.4%	10.3%	10.0%	10.7%
A/R Turnover (days)	41	40	41	38
Inventory Turnover (days)	121	111	115	107
Gearing Ratio	1.35x	1.26x	1.28x	2.07x
ND/E Ratio	0.83x	0.79x	0.80x	1.43x

Remark: * = Restated

¹ROE = Net profit / Average total shareholders' equity

²ROA = EBIT / Average total assets

³Gearing ratio = Total liability / Total shareholders' equity

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

Source: TUF

Financial Statement Analysis

2012 was a year of challenges, namely the shrimp plant fire incident in February, the rising raw materials prices with high volatility in 3Q & 4Q12, intense price competition in the US canned tuna market, the USPN's first year of operations, and Early Mortality Syndrome (EMS) outbreak. For the first 9 months of the year, TUF's performance was nevertheless satisfactory, particularly strong in 3Q12 when total sales and net profit set new quarterly highs. Full year sales were THB106,698 million (a new record level) with 8.1% growth YoY, but below our budget, partly contributed by lower sales in 4Q12 that was dampened by THB appreciation and other factors.

GPM for 9M12 was successfully sustained at 16.5%, but not until 4Q12 when quarterly GPM fell to 11.6%, pressured by the negative impact of a drastic drop of tuna raw material prices, fast rising shrimp raw material prices from EMS epidemic, higher costs of shrimp feed but lower feed demand from shrimp farms, strong THB, the intense competition in the US canned tuna market, and loss from USPN's first year of operations. 4Q12 net profit was THB 612 million or 60% plunge YoY. Full year net profit fell 8.3% YoY to THB 4,694 million. Excluding the one-off prepayment finance fee in 2Q12, the normalized annual net profit should only drop 0.3% YoY to THB 5,101 million.

Financial Statement Analysis (cont'd)

Selling and administrative expense

- 2012 SG&A was 6.9% higher YoY as a result of higher sales promotion, personnel and other administrative expenses. However, %SG&A to sales was 8.9%, still below the budget (9%) and lower than that of 2011.

FX Gain/loss

- FX gain increased by 63.0% YoY due to timely USD forward hedging upon THB appreciation.

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

- Other income was 20.5% lower YoY due to lower share of income from investment in associates (Pakfood), lower tax coupon received and lower claim from raw material damages.

Finance cost

- Finance cost was 2.5% higher YoY due mainly to the one-time non-cash prepayment expense of MW Brands loan in 2Q12 (THB 407 million net-of-tax). The 2012 effective interest rate therefore temporarily rose to 6.2%. Going forward, the interest expense should decline after the loan repayment.

Income tax expense

- 2012 income tax expense decreased 37.5% YoY mainly as a result of tax credit from operating losses of US subsidiaries. The effective tax rate in 2012 therefore dropped to 2.1% from 3.1% in 2011.

ND/E ratio

- Net debt-to-equity ratio declined sharply to 0.83x in 2012 from 1.43x in 2011 thanks to the successful capital increase and the subsequent repayment of MW Brands loan. 4Q12 net debt-to-equity ratio was 0.83x, slightly higher than 0.79x in 3Q12, due to higher short term debts for higher working capital need.

Inventory turnover

- 2012 inventory turnover days increased to 119 days from 104 days in 2011 mainly as a result of higher value of inventory balance from the higher raw material prices.

Accounts receivable turnover

- Accounts receivable turnover days was stable at 38 days (vs. 37 days in 2011).

TUF Investor Relations Department

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News Update

TRIS RATING upgraded TUF's rating to AA-/Stable

TRIS Rating upgrades the company and issue ratings of TUF to "AA-" from "A+" in January 2013.

The upgrade reflects the company's improved financial profile and its successful business consolidation of MW Brands, a vertically-integrated canned seafood producer in Europe. The "AA-" ratings reflect TUF's strong market position as one of the world's leading tuna processors, as well as the diversity of its products and markets, and the group's well-recognized brands in Europe and the US. The ratings also take into consideration the inherent volatility of raw material cost, the industry's exposure to disease outbreaks, and changes in regulatory framework regarding import tariff and fishing around the world.

The "stable" outlook reflects TRIS Rating's view that TUF will continue to maintain its competitive advantages through economies of scale and production efficiency. The company's diversified base of markets and products is expected to stabilize its revenue streams. TUF's portfolio of highly recognizable brands will help TUF maintain its profitability despite the fluctuations in raw material costs.

SAA The Best CEO & IRO Awards



TUF was presented with the Best CEO and IRO 2012 Awards for the Agriculture and Food Industries from the Securities Analysts Association of Thailand (SAA).

- Highly recognized and respected in their profession by the financial and investment community
- Contributing significantly to the growth of the local economy, capital markets and the country as a whole

"Mr. Thiraphong Chansiri, President, has won the Best CEO Award for four years consecutively since the inception in 2009. Mr. Wai Yat Paco Lee, Head of investor relations and corporate investment, has also won the Best IRO Award for the second time. The awards were presented by H.E. Khun Kittirat Na Ranong, Deputy Prime Minister and Minister of Finance."