

THAI UNION GROUP PCL.

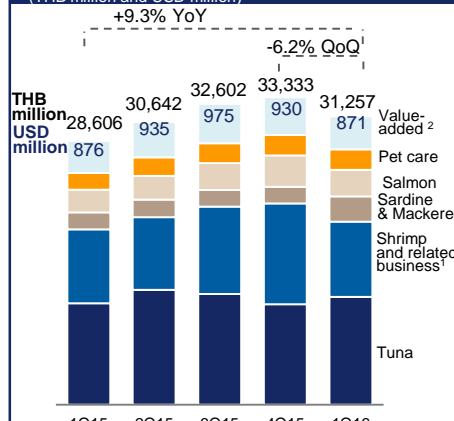
Investor Note



On track for another record year

Sales

(THB million and USD million)



Remark:
¹ Shrimp & related business includes frozen shrimp (including lobster since 3Q14) & shrimp feed
² Value-added & other products includes Ready-to-eat (RTE) products, frozen cephalopod, canned seafood, local products, bakery products, and scraps.

14.2% in 4Q15. An improvement in GPM was attributable to the strong brand recognition in our European business, our shift of focus to product profitability over market share in the US market, continued recovery of our pet care unit, and the favorable impact of low raw material costs on our tuna and shrimp businesses.

1Q16 report solid operational improvement despite missing hefty FX gains occurred in 1Q16

• **1Q16 sales grew 9.3% YoY to THB 31,257mn** (but down 0.6% YoY in dollar term to USD 871mn), thanks to the consolidation of Rugen Fisch, Baht depreciation against both USD and EUR. Tuna sales rose by 6.5% given both strong brand recognition in Europe and rising tuna raw material cost (+14% YoY to USD1,257/ton in 1Q16) supporting private label sales. Pet care business continued to see strong sales growth from more launches of new products, which supported both volume and average selling price. Although not without challenges, the company still see pressure from the domestic shrimp price decline (-3% YoY to THB155/kg in 1Q16).

Gross profit margin improved 172bps YoY to 15.5%

• **1Q16 gross profit was reported at THB 4,848mn** (+22.9% YoY, +2.5% QoQ). 1Q16 GPM stood at 15.5%, versus 13.8% in 1Q15 and

Stock Information

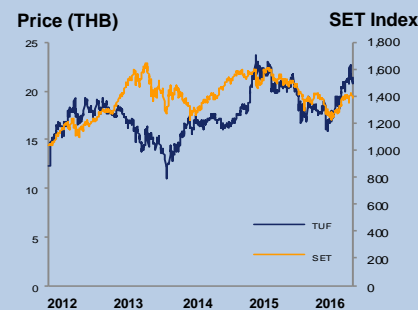
(Bloomberg/ Reuters)
(TU TB/ TU.BK)

Share price (04/05/2016) :	THB 21.40
Historical price :	
52-week high	THB 23.00
52-week low	THB 15.80
No. of Shares :	4,771.8m
Par value :	THB 0.25
Market Capitalization :	THB 102.1b
Avg. daily turnover (last 6 months) :	THB 207.6m
Free float :	64.8%
Foreign ownership :	39.7%
Foreign limit :	45.0%

Major shareholders :

(10/03/2016)	
Chansiri Family	20.17%
Niruttinanon Family	6.86%
Mitsubishi Corporation	7.29%
Thai NVDR Co., Ltd.	11.49%
Social Security Office	4.58%

Share price performance :



Source: Settrade (04/05/16)

Operating profits up 55% YoY to THB 1.4bn while SG&A growth remain under control

• **Operating profits was up 55% YoY to THB 1,454mn**, mainly due to the solid improvement in gross margin. While the SG&A to sales ratio rose by a marginal 35bps YoY to 10.9% from higher marketing and promotional spending, Rugen Fisch consolidation as well as an increase in personnel expenses, we were still able to deliver strong operating profit margin of 4.7%, up from 3.3% during 1Q15.

1Q16 EBITDA decline 6.6% YoY from an absence of FX gains

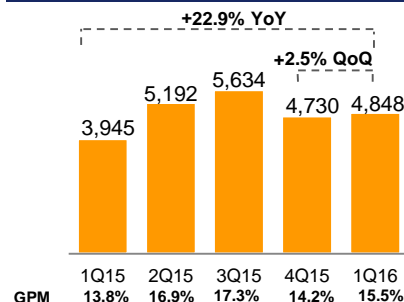
• **1Q16 EBITDA was at THB 2,755mn, down 6.6% YoY**, mainly due to missing FX gains during 1Q15 (FX gain of THB 1,125mn in 1Q15 vs. THB 264mn in 1Q16). Such missing FX gains were partly offset by the underlying improvement in core operations, gross margin improvement and business consolidation of Rugen Fisch.

1Q16 net profits adjusted for FX still up 146% YoY

• **1Q16 net profit dropped by 19% YoY to THB 1,231mn**, particularly due to an absence of hefty FX gains during 1Q15. Excluding all FX impacts, 1Q16 adjusted net profits should be THB 967mn, up 146% from THB 393mn in 1Q15. The solid underlying performance was driven by the strong operational improvement and lower financing costs both from the continued debt repayment and an absence of the acquisition-related fees in 1Q16.

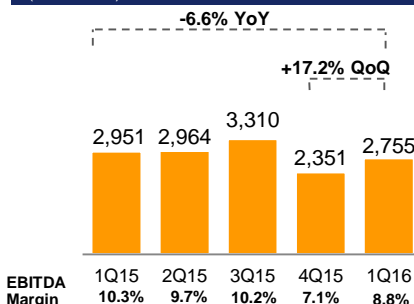
Gross Profit and GPM

(THB million)



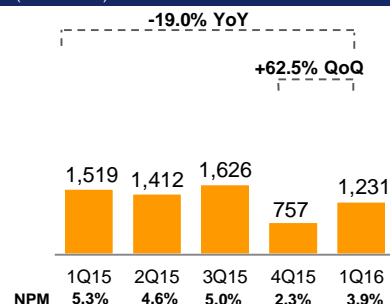
EBITDA and margin

(THB million)



Net Profit and NPM

(THB million)



Performance by 3 Strategic Business Units

Total 1Q16 sales: THB 31,257mn

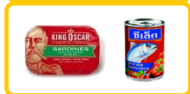
Ambient seafood

Sales: THB 15,198mn

Tuna business



Sardine & Mackerel



Ambient & Pouch Salmon



Frozen, chilled seafood and related

Sales: THB 12,225mn

Shrimp & related business¹



Frozen, chilled & smoked salmon



Other seafood²



Pet care, value added and others

Sales: THB 3,833mn

Pet care



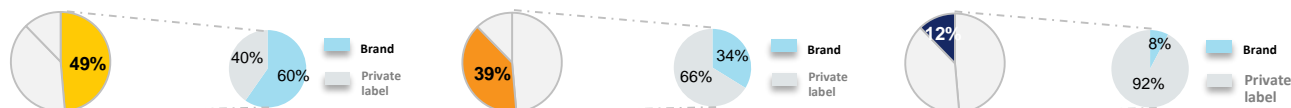
Value-added business³



Other products⁴



Sales Split:



Ambient Seafood

Solid growth boosted by branded businesses

- **1Q16 ambient seafood business sales were at THB 15.2bn, up 8.3% YoY**, mainly driven by strong brand presence in Europe, rising tuna raw material price that boosted OEM sales and the acquisition of Rugen Fisch.
- **Branded business and rising raw material price propel 1Q16 sales growth.** With the strong brand presence in Europe and an acquisition of Rugen Fisch, branded ambient seafood business sales has improved 13% YoY. On the private label business, private label sales also improved thanks to 1Q16 average tuna price improve significantly from the same period last year (+14% YoY to USD1,257/ton in 1Q16).
- **Gross profits margin has improved 192bps YoY to 18.5%**, thanks to strong margin improvement in branded tuna business and the prudent cost-plus pricing strategy of OEM sales. Growing sales in Europe, low cost of raw material inventory and a profitability-focused pricing policy in the US have supported margin expansion. Our emerging market expansion in the Middle East also started to contribute to gross profits in 1Q16.

Frozen, chilled seafood and related

Enhanced profitability

- **1Q16 frozen and chilled seafood business sales were at THB 12.2bn, up 12.7% YoY**, thanks to strong growth recovery of domestic shrimp and fish feed business, and higher lobster and shellfish sales in the US.
- **Gross profits margin has improved 214bps YoY to 9.5%**, thanks to strong margin improvement in shrimp trading business from lower shrimp raw material prices (-3% YoY to THB 155/kg) and higher utilization rate in domestic shrimp facilities.

Pet care, value added and others

Pet care recovery continued

- **1Q16 pet care and other product sales were at THB 3.8bn, up 3.1% YoY**, mainly driven by continued recovery of sales of pet care business.
- **Growing pet care business.** Sales growth of 3.1% was due to launches of more high value-added pet care products and our leadership and commitment in sustainability.
- **1Q16 Gross profits margin was at 22.8%**, up from 22.1% in 1Q15, thanks to the restructuring at USPN that continued to improve its profitability and more sales volume.

Remark: 1. Shrimp & related business includes frozen shrimp, lobster, shrimp feed and value-added shrimp

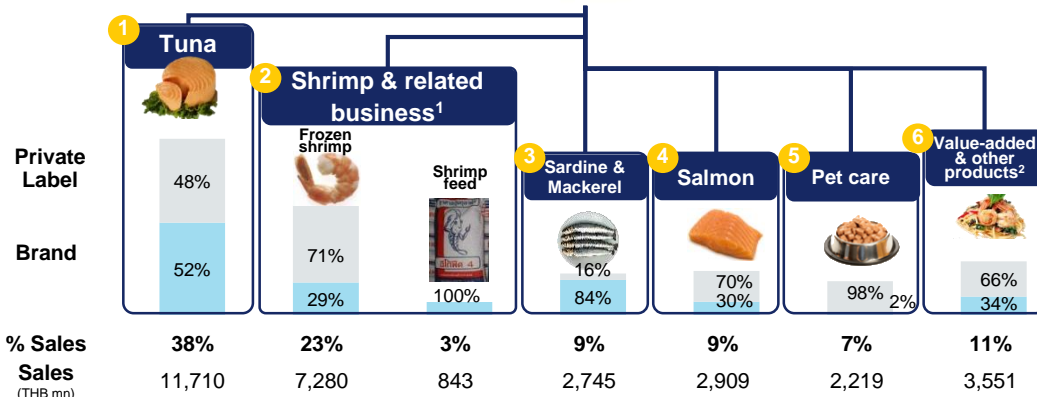
2. Other seafood includes frozen cephalopod, crab, scallop, shellfish and other fish

3. Value-added business includes ready-to-eat products, maguro & cephalopod sashimi, local products, bakery products and snack

4. Other products include scrap, fishery and others

Performance by 6 Key Business Units

Total sales 1Q16: THB 31,257mn (USD 871mn)



Remark :

¹Shrimp & related business includes frozen shrimp (including lobster) & shrimp feed

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

Source: TU

Tuna

Solid growth amid favorable environment and prudent pricing policy

- 1Q16 tuna business sales was at THB 11.7bn, up 6.5% YoY, driven by both growing sales volume (+1.6% YoY) and rising tuna raw material price. While gross profit margin has significantly improved from strong brand presence and prudent pricing strategy.
- **Private label tuna delivered strong sales growth.** With the 1Q16 average tuna price improved from the same period last year, private label tuna business sales has deliver a solid 13.4% YoY, while delivering a slight margin improvement to 10.9% (from 10.7% in 1Q15).
- **Gross profits margin has improved 260bps YoY to 17.8%**, thanks to strong margin improvement in branded tuna business. Growing sales in Europe, low raw material price inventory and a profitability-focused pricing strategy have supported margin expansion. The Company's emerging market strategy started to deliver gross profits in 1Q16.

Shrimp & Related Business¹

Weak sales growth offset by improved profitability

- 1Q16 shrimp and related businesses sales was at THB 8.1bn, up 1.4% YoY, as growing volume sales was offset by falling shrimp prices. However, the low raw material prices and growing utilization has boosted 1Q16 gross margin.
- **Weak sales growth was mainly driven by shrimp price correction YoY**, but was offset by growing domestic aqua feed business and USD appreciation against Thai Baht.
- **Low shrimp prices present opportunity for margin expansion.** 1Q16 gross profit margin has significantly improved 302bps YoY to 10.6% thanks to falling shrimp raw material cost and a better utilization in domestic shrimp feeds business as the Company diversify into fish feed business.

Sardine & Mackerel

Boosted by acquisition

- 1Q16 sardine and mackerel business sales was at THB 2.7bn, up 49% YoY, mainly driven by the consolidation of Rugen Fisch during 1Q16. While gross profit margin saw some setback from weak domestic sales, the gross profits still improved along with solid sales growth.
- **Strong sales growth driven by acquisition.** Rugen Fisch sales was consolidated from January 2016, supporting 49% sales growth during 1Q16. While sales volume has improved by 33.4% to 17,651 tons during 1Q16, the average selling price also improved as a result from growing relatively higher-priced branded sales.
- **Gross profits margin declined YoY to 18.7%**, mainly due to weak domestic sales. However, offsetting by the strong sales growth, 1Q16 sardine and mackerel business gross profits still improved 20% YoY.

Salmon

Strong sales growth curb by a more intense competition environment

- 1Q16 salmon sales at THB 2.9bn, up 18% YoY, mainly driven by strong volume growth and the consolidation of Rugen Fisch during 1Q16.
- **Solid salmon business sales growth.** 1Q16 salmon sales was up 18% YoY, in line with the sales volume growth of 22% YoY, mainly thanks to the consolidation of Rugen Fisch. Salmon segment consists of ambient (US and European brands) and frozen/chilled (private label products made in Thailand and Europe).
- **Gross profits margin declined 125bps YoY to 8.8%**, due to the competition in the US market. However, offset by the strong sales growth, the gross profits still deliver a 3% growth YoY.

Pet Care

USPN restructuring continue to deliver more

- 1Q16 pet care sales was at THB 2.2bn, up 22% YoY, mainly driven by strong volume growth of 13.9% YoY. Gross profit margin also improve significantly from an ongoing improvement in the USPN restructuring progress.
- **Growing business.** With more launches of high value-added pet care product and a demonstration of leadership of sustainability, the pet care business sales volume has improved 14% YoY, resulting in a strong sales growth.
- **1Q16 Gross profits margin was at 24.1%**, up from 19.3% in 1Q15, thanks to continued restructuring at USPN that continue to improve its profitability and more sales volume from private label business.

Value-Added and Other Products²

YoY sales value continue to grow

- 1Q16 sales was at THB 3.6bn, up 2.3% YoY, in line with volume growth of 3.3% YoY during the quarter. However, with 1Q16 gross profit margin declined to 16.9% (from 18.4% in 1Q15), the gross profits showed a small decline in 1Q16.

1Q16 Financial Statement and Performance

Consolidated Income Statement

(Unit: Million THB)	Consolidated								
	1Q16	% to sales	1Q15	% to sales	4Q15	% to sales	1Q16/1Q15 Change	1Q16/4Q15 Change	
Sales	31,257	100%	28,606	100%	33,333	100%	9.3%	-6.2%	
Cost of sales	(26,409)	-84.5%	(24,660)	-86.2%	(28,603)	-85.8%	7.1%	-7.7%	
Gross profit	4,848	15.5%	3,945	13.8%	4,730	14.2%	22.9%	2.5%	
SG&A expenses	(3,394)	-10.9%	(3,005)	-10.5%	(3,465)	-10.4%	12.9%	-2.0%	
FX gain (loss)	264	0.8%	1,125	3.9%	128	0.4%	-76.5%	106.3%	
Other income*	336	1.1%	240	0.8%	246	0.7%	39.8%	36.3%	
EBIT	2,054	6.6%	2,305	8.1%	1,639	4.9%	-10.9%	25.3%	
Finance cost	(329)	-1.1%	(412)	-1.4%	(452)	-1.4%	-20.1%	-27.3%	
EBT	1,725	5.5%	1,894	6.6%	1,187	3.6%	-8.9%	45.3%	
Tax	(352)	-1.1%	(301)	-1.1%	(211)	-0.6%	16.8%	66.8%	
Net income	1,373	4.4%	1,593	5.6%	976	2.9%	-13.8%	40.7%	
Net income (loss) attributable to:									
Equity holders of the Company	1,231	3.9%	1,519	5.3%	757	2.3%	-19.0%	62.5%	
Non-controlling interests of the subsidiaries	142	0.5%	74	0.3%	219	0.7%	92.4%	-34.9%	
Earnings per share									
Basic earnings per share	0.26		0.32		0.16		-19.0%	60.2%	
Diluted earnings per share	0.26		0.32		0.16		-19.0%	60.2%	
Exchange rate									
THB/USD	35.90		32.65		35.83		10.0%	0.2%	
Normalized net profit	1,082	3.5%	1,481	5.2%	1,614	4.8%	-26.9%	-33.0%	

*Other income incl. share of profit from investments in associates

Statement of Financial Position

(Unit: Million THB)	1Q16	% to total assets	2015	% to total assets	Change
Cash and cash equivalents*	962	0.9%	2,816	2.5%	-65.8%
Trade and other receivables	15,536	14.2%	16,554	14.9%	-6.2%
Inventories - net	33,063	30.3%	35,180	31.7%	-6.0%
Other current assets	2,141	2.0%	2,547	2.3%	-15.9%
Total current assets	51,702	47%	57,097	51.5%	-9.4%
Fixed assets	23,061	21.1%	22,165	20.0%	4.0%
Goodwill and other intangible assets	30,030	27.5%	27,396	24.7%	9.6%
Other non-current assets	4,314	4.0%	4,300	3.9%	0.3%
Total Assets	109,108	100%	110,958	100%	-1.7%
Bank overdrafts and short-term loans	15,287	14.0%	19,437	17.5%	-21.4%
Trade and other payables	13,590	12.5%	13,731	12.4%	-1.0%
Current portion of long-term loans	1,520	1.4%	1,561	1.4%	-2.7%
Current portion of debentures	1,950	1.8%	1,949	1.8%	0.0%
Current portion of finance lease liabilities	80	0.1%	91	0.1%	-12.3%
Other current liabilities	1,564	1.4%	1,904	1.7%	-17.9%
Total current liabilities	33,989	31.2%	38,674	34.9%	-12.1%
Long-term loans from financial institutions	1,687	1.5%	1,697	1.5%	-0.5%
Debentures	14,232	13.0%	14,231	12.8%	0.0%
Finance lease liabilities - net of current portion	239	0.2%	212	0.2%	12.4%
Other non-current liabilities	9,731	8.9%	8,127	7.3%	19.7%
Total Liabilities	59,879	54.9%	62,941	56.7%	-4.9%
Non-controlling interests of the subsidiaries	4,721	4.3%	2,754	2.5%	71.4%
Total Shareholders' Equity	49,229	45.1%	48,017	43.3%	2.5%
Total liabilities and shareholders' equity	109,108	100%	110,958	100%	-1.7%

*Including short term investments

Relevant Financial Ratios

Ratio	1Q16	4Q15	3Q15	2Q15	1Q15
ROE ¹	11.0%	6.6%	14.2%	12.7%	13.9%*
ROCE ²	11.1%	8.9%*	13.7%	12.1%	12.4%*
A/R days	46	41	38	42	46*
Inventory (days)	116	110	114	119	131
Gearing Ratio ³	1.22x	1.31x*	1.30x	1.25x	1.29x
ND/E Ratio ⁴	0.69x	0.76x*	0.64x	0.68x	0.76x

Remark:

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

²ROCE = Annualized EBIT / Average capital employed
Capital Employed = total assets - total current liabilities (incl. current portion of long-term debt)

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

*The figures were restated according to accounting restatement

1Q16 Financial Statement Analysis

1Q16 was in line with our expectations. Overall business remained on track. Higher YoY sales were a result of organic growth and the recent acquisition of a 51% stake in Germany's leading seafood player Rugen Fisch (consolidated into TU's books since January 2016). Compared with last year, weaker THB (against USD and EUR) also positively impacted our financials. We also benefited from some FX gains from hedging. Nevertheless, there was not without challenges. Intensifying competition in the US ambient seafood sector took a toll on our subsidiary at a time when we traded sales for sustainable margin with a stronger focus on profitable categories.

Sales

- 1Q16 sales in THB term showed strong growth at THB 31,257mn (+9.3% YoY), equivalent to USD 871mn (-0.6% YoY, -5.8% QoQ), mainly boosted by completion of the acquisition of Rugen Fisch, robust performance of most operating units and weaker THB. On QoQ basis, sales however slipped by 6.2% due to the typically seasonal factors.

Gross profit

- 1Q16 gross profit was reported at THB 4,848mn (+22.9% YoY, +2.5% QoQ). 1Q16 GPM stood at 15.5%, versus 13.8% in 1Q15 and 14.2% in 4Q15. An improvement in GPM was attributable to the, strong performance of our other European business and their brands, COSI' shift of focus to product profitability over market share, continual recovery of our pet care unit, and the favorable impact of low raw material costs on our tuna brands and shrimp trading business.

Selling and administrative expenses

- 1Q16 SG&A expenses rose by 12.9% YoY to THB 3,394mn primarily due to higher marketing and promotional spending to support our brands, Rugen Fisch consolidation as well as an increase in personnel expenses. On QoQ basis, SG&A expenses slightly dropped by 2%, mainly helped by an absence of one-time expenses (booked in 4Q15). However, %SG&A to sales rose to 10.9% versus 10.5% in 1Q15 and 10.4% in 4Q15. The company's guidance of % SG&A is still maintained at 10%.

FX Gain/loss

- 1Q16 FX reported gain at THB 264mn, mainly from an accounting adjustment as a result of the new policy on valuation of financial derivatives according to TFRS. Without this adjustment, 1Q16 FX gain should have been THB 29mn. Compared to other quarters, we also reported FX gains in 1Q15 and 4Q15 at THB 1,125mn and THB 128mn, respectively.

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

- 1Q16 other incomes rose to THB 336mn (+39.8% YoY, +36.3% QoQ) mainly thanks to an increase in amortised premium/discount on derivatives and compensation received from accounts payable.

Finance cost

- 1Q16 finance cost fell to THB 329mn, a significant YoY and QoQ drop of 20.1% and 27.3% respectively. The significant drop was a result of a sizeable reduction in the amount of interest-bearing debts down to THB 34,994mn (a 3-year low). Additionally, an absence of one-time expenses, such as commitment fees secured to acquire Bumble Bee and acquisition-related financing expenses also kept the finance cost low. Thanks to ongoing implementation of prudent financial strategies and a low interest rate environment, 1Q16 effective interest rate has been lowered to 3.55%, compared with 3.73% and 4.21% in 1Q15 and 4Q15 respectively.

Income tax expense

- 1Q16 income tax expense surged by 16.8% YoY and 66.8% QoQ to THB 352mn, primarily due to continued robust performance of overseas operations where they normally are subjected to higher corporate income tax rates.

Net profit

- 1Q16 net profit dropped by 19% YoY to THB 1,231mn, particularly due to a significant decrease in FX gain (FX gain of THB 1,125mn in 1Q15 vs. THB 264mn in 1Q16). On QoQ basis, net profit rose sharply by 62.5%, mainly thanks to an improvement in operating profitability, a reduction in finance cost as well as an absence of special year-end one-time items, such as impairment charge on the fishing fleet, expenses incurred for the capital raising exercise and acquisition related expenses (recorded in 4Q15).

ND/E ratio

- Net debt-to-equity ratio as of 1Q16 continued to decline to 0.69x, well below the company's threshold of 1.0x, compared to 0.76x in 1Q15 and 0.76x in 4Q15. The continued decline was attributable to a reduction of interest-bearing debts (driven by lower working capital requirement) but also continual increase in shareholders' equity as the company has consistently delivered net profits every quarter. Interest-bearing debts as of the end of 1Q16 were worth THB 34,994mn while in 1Q15 and 4Q15 were THB 41,433mn and THB 39,179mn respectively. On the other hand, total shareholders' equity reported at THB 49,229mn in 1Q16, compared with THB 47,641mn in 1Q15 and THB 48,017mn in 4Q15.

Inventory days

- 1Q16 inventory days dropped to 116 days, compared to 131 days in 1Q15, mainly thanks to a robust sales growth and an efficient inventory management despite rising tuna raw material price. However, inventory days slightly increased from 110 days in 4Q15 as a result of typically seasonal factors.

Accounts receivable days

- 1Q16 account receivable days remained constant from a year ago at 46 days. Accounts receivable days however increased from 41 days in 4Q15.

News Update:

Thai Union Acquiring 40% of Avanti Frozen Foods



March 2016: Thai Union has entered into a joint venture agreement to acquire a 40% equity stake of Avanti Feeds Limited's wholly owned shrimp processing unit Avanti Frozen Foods Private Limited India. The stake will be worth INR 1,254.1 million.

Avanti Frozen Foods Private Limited (AFFPL) focuses on shrimp processing in India for exports and domestic markets. With the existing capacity of about 25 tons per day, the new one will add another 50 tons, totaling 75 tons per day.

Thai Union has been awarded multiple ranks by FinanceAsia



March 2016: From a total of 129 portfolio managers and buy-side analysts with mandates on listed companies in Asia, Thai Union Group has received overwhelmingly positive results and have won the first place in five categories:

- #1 Best Managed Company in Thailand**
- #1 Best CEO in Thailand**
- Thiraphong Chansiri, Thai Union**
- #1 Best at Investor Relations in Thailand**
- #1 Most committed to corporate governance in Thailand**
- #1 Best at Corporate Social Responsibility in Thailand**

TU Investor Relations Department

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