



Thai Union Frozen Products

TUF

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Increase/(decrease)	YOY Grw.
	<u>Q1'07</u>
• Net profit	27%
• Baht sales	(7%)
• Dollar sales	3%
• Debt-to-Equity ratio:	0.66x
• Q1'2007 EBITDA:	Bt999.7 m

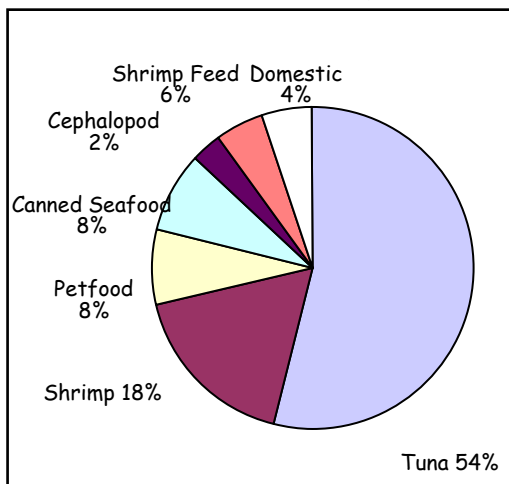
Exch. Rate as of Mar30'07: Bt35.02/USD
 Avg. Exch. Rate for Q1'07: Bt35.41/USD
 Avg. Exch. Rate for Q1'06: Bt39.14/USD
 No. of shares for Q1'07: 874.1 m

Operating performance improved from a year ago. Sales in dollar term grew 3.1% YoY to reach US\$361.1 m. But, the appreciation of the local currency (9.5% YoY) dampened sales in Thai baht term, sending it down to Bt12,801.1 m, vs. Bt13,721.1 m a year ago. Thanks to successful yield improvement and cost control, extra FX gain and lower interest expenses, profits at all level (operating, EBIT, EBITDA and net income) improved from those a year ago. Further, the firm's debt level continue to shrink with D/E ratio dropping further to 0.61x, the lowest level in recent years, from 0.66x at the end of last year.

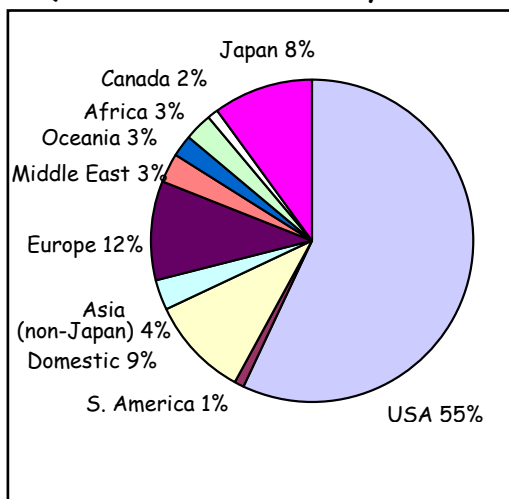
Baht strength exerting pressure Thai baht continued to strengthen during the quarter, surging by 9.5% YoY or 2.8% QOQ to Bt35.41/US\$ on average. Despite this negative impact, sales in dollar term grew 3.1% YoY.

Tuna, shrimp, and shrimp feed driving sales growth Sales of tuna, shrimp and shrimp feed were the key growth factors during the quarter. Tuna and shrimp were up in dollar term 5.4% and 6.3% respectively while shrimp feed up in baht term 7.8%. Pet food sales slowed after a year of strong growth.

Q1'07 Sales Breakdown by Product



Q1'06 Sales Breakdown by Market



PERFORMANCE (Bt million)				
Consolidated	Q1'07	%	Q1'06	%
Sales	12,801.5	100.00	13,721.1	100.00
Cost of goods sold	10,957.1	85.59	11,590.1	84.47
Gross profit	1,844.4	14.41	2,107.5	15.53
SG & A	1,294.0	10.11	1,593.1	11.61
Forex loss	-	-	-	-
Operating profit	550.4	4.30	537.9	3.92
Interest income	2.4	0.01	0.3	0.00
Equity income from associates	3.4	0.03	9.0	0.07
Other income	220.3	1.72	141.2	1.03
EBIT	776.5	6.06	688.4	5.02
Interest expenses	127.9	1.00	136.6	1.00
Income tax / (credit)	67.1	0.52	82.1	0.60
Net income before MI	581.5	4.54	469.7	3.42
Minority interests	53.8	0.42	54.4	0.39
Net Profit	527.7	4.12	415.3	3.03
Earnings per share (Bt)	0.60		0.48	

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EBITDA			
	Q1'07	2006	2005
EBITDA (Bt m)	1,000	3,928	3,775
EBITDA (US\$ m)	28	104	94
Avg. exch. rate	35.41	37.76	40.32

Recent development:

Japan Thailand Economic Partnership Agreement (JTEPA) In April, the Thai and Japanese governments signed JTEPA (a bilateral free trade agreement). The agreement is due to be effective after the final approval by the Japanese Parliament in the next few months. Thai seafood exporters will then benefit from lower or even zero import duties of several items. However, the items will benefit TUF directly are as follows: 1) canned tuna - the normal duty of 9.6% will drop to 0% in 5 years' time, though with the condition that fish used will be caught by boats flying ASEAN flags or boats registered with Indian Ocean Tuna Commission (IOTC); 2) shrimp - duties of all forms of shrimp products (2-6%) will be reduced to 0%; 3) cephalopod - all duties will be gradually eliminated in 5 years' time; 4) pet food - all duties will be gradually eliminated in 10 years .

Better operating profit and margin Under the pressure of sharp appreciation of Thai baht over the year, gross margin was slightly dampened. But, thanks to proactive cost management and absence of extra M&A related expenses (as much as Bt61 m in Q1'06), the operating margin and the actual operating profit were better than a year ago.

FX gain pushing up EBIT Thanks to a foreign exchange gain out of far-sighted but prudent management, EBIT was further boosted. Despite the pressure of loss in translating dollar sales into Thai baht, increased hedging, since the Bank of Thailand's capital inflow cap., helped compensate the potential loss in the operating profit. EBITDA also reached one of the highest levels in recent years.

Lower taxes and interest expenses boosting net profit During the quarter, the firm's debt level was reduced to Bt8,658 m, compared with Bt9,123 m in the previous quarter while the effective interest rate declined, thanks to diligent internal financial management and the Bank of Thailand's aggressive rate cuts which sent our domestic interest cost to a low level. Therefore, the interest expenses were lower than that of the previous quarter. Moreover, the effective income tax rate dropped to 10.3% (from 14.4% a year ago) which helped lower the tax bill and boosted the net profit.

Accounting changes during the quarter Investments in subsidiaries and associated companies on the separate financial statements were restated using the cost method starting this quarter, based on the latest Thai GAAP requirement. Moreover, to comply US subsidiaries' accounting policies (prepared in US GAAP) with Thai GAAP as much as possible, adjustments were made in this quarter, resulting in net profit in Q1'07 to increase by Bt10.1 m while that of Q1'06 decreased by Bt17.5m.

QUARTERLY PERFORMANCE (Bt million)										
Consolidated	Q1'07	%	Q4'06	%	Q3'06	%	Q2'06	%	Q1'06	%
Sales	12,801.5	100.00	13,495.6	100.00	14,637.0	100.00	13,185.3	100.00	13,721.1	100.00
Cost of goods sold	10,957.1	85.59	11,484.7	85.10	12,231.6	83.57	11,277.6	85.53	11,590.1	84.47
Gross profit	1,844.4	14.41	2,010.9	14.90	2,405.4	16.43	1,907.7	14.47	2,107.5	15.53
SG & A	1,294.0	10.11	1,342.5	9.95	1,438.7	9.83	1,435.2	10.88	1,593.1	11.61
FOREX loss	-	-	-	-	-	-	10.1	0.08		
Operating profit	550.4	4.30	668.4	4.95	966.7	6.60	462.4	3.51	537.9	3.92
Interest income	2.4	0.01	4.0	0.03	1.7	0.01	0.5	0.00	0.3	0.00
Equity income from associates	3.4	0.03	0.2	0.00	4.0	0.03	4.8	0.04	9.0	0.07
Other incomes	220.3	1.72	72.9	0.54	108.7	0.74	68.5	0.52	141.2	1.03
EBIT	776.5	6.06	745.5	5.52	1,081.1	7.40	536.2	4.07	688.4	5.02
Interest expenses	127.9	1.00	169.3	1.25	166.9	1.10	144.5	1.10	136.6	1.00
Income tax/ (Tax Credit)	67.1	0.52	(30.0)	(0.22)	107.1	0.73	(25.9)	(0.20)	82.1	0.60
Income before MI	581.5	4.54	606.2	4.49	807.1	5.57	417.6	3.17	469.7	3.42
Minority interests	53.8	0.42	98.7	0.73	129.6	0.89	74.9	0.57	54.4	0.39
Net Profit	527.7	4.12	507.5	3.76	677.5	4.63	342.7	2.60	415.3	3.03
Earnings per share (Bt)	0.60		0.58		0.78		0.39		0.48	
<i>(as of par 1 baht per share)</i>										

SHARE CAPITAL INFORMATION

PRICE (11/5/2007)	: B+21.9
Historical price	: High 26.25
(last 6 months)	Low 21.50
No. of Shares	: 874.06 m
Market Capitalization	: B+19.1 bn
	(US\$550 m)
Average Daily Trading Vol.	: 1,000,000
(last 6 months)	
Major Shareholder	: Chansiri Family
	25.40%

Date	Closing Price	P/E ratio
Dec 29, 06	25.00	11.1x
Dec 31, 05	30.50	12.7x
Dec 31, 04	24.80	11.1x
Dec 31, 03	31.00	11.7x
Dec 27, 02	17.00	9.4x
Dec 28, 01	16.80	8.4x

#4,775,000 new shares were issued on July 2, 2006 upon exercise of share warrants previously issued to the company's employees under the employee share ownership program (ESOP). The total number of warrants available for ESOP was 26 million shares, which would be gradually exercised over a 5-year period with July 2 as the annual exercise day. The remaining number of warrants available for exercise in the future years is 11.0 million.

	Q1'07	2006	2005
Current Ratio (X)	2.20	2.06	1.86
Gearing Ratio (X)*	0.87	0.95	1.11
Debt-to-Equity (X)**	0.61	0.66	0.75
Inventory Turnover(days)	99	93	90
Collection Period (days)	36	36	34
Payment Period (days)	17	17	17
GP Margin (%)	14.41	15.30	15.52
NP Margin (%)***	4.05	3.43	3.86
ROAE (%)	#4.15	15.84	18.54
Times IR Earned (X)	6.07	4.93	8.20

un-annualized

*Gearing Ratio = Total Liabilities / (Equity + MI)

**Debt-to-Equity Ratio
=Interest-Bearing Debts/ (Equity + MI)

***Net Margin = Net Profit/ Total Revenues

Financial analysis

Consolidated quarterly sales in dollar term rose 3.2% YoY to US\$361.1 m from US\$350.5 m while sales in baht term decreased by 6.7% YoY to B+12,805 m from B+13,721 m. Thai baht appreciated by 9.5% from the same period a year ago when the average exchange rate was B+39.14/US\$. In comparison with Q4'06, quarterly sales dropped by 2.5% in dollar term and dropped by 5.1% in baht term, mainly due to the seasonal factor and continual appreciation of Thai baht vs. US dollar during 1Q07. The average exchange rate in Q4'06 was B+36.36/US\$. The continual sales growth was largely contributed by tuna products and shrimp feed. During the period, the total volume (excluding shrimp feed and domestic products) in terms of tonnage dropped by 3.5% YoY. In other words, prices were generally adjusted upward. Nevertheless, we managed to improve our operating margins, thanks to efficiency improvement, absence of extra expenses and timely adjustments of selling prices.

- Tuna sales (canned and loin) in US dollar term grew 5.4% YoY and 9.4% QoQ during the quarter. Meanwhile, sales volume (ton) was flat YoY, but up 6.0% QoQ. The selling prices have been adjusted upward to compensate for the surging operating expenses as a result of the rising prices of oil and other commodities. Sales in the US, TUF's main market, continued to grow steadily while we managed to gain more sales in the European and Asian markets. These developments collectively helped boost our tuna sales during the quarter.

Canned tuna sales to the US (including contribution from COSI) registered slight growth from a year ago while the EU and Asia ex-Japan markets produced some exciting performances. In other words, our effort to diversify to non-US markets started to bear fruits. On another front, to carry on our efforts of continual innovation, COSI, during the quarter, launched its latest ready-to-eat "Lunch Solution" which consisted of an easy-to-peel plastic cup of tuna or salmon chunks of different tasteful flavors with a pack of 6 biscuits and a small spoon in a clear plastic container. The product is ideal for consumers who stress healthy eating, convenience and good taste.

The average price of frozen skipjack tuna (Bangkok landings/ WPO) in Q1'07 (US\$997/metric ton) was higher than a year ago (US\$900/metric ton). It has been moving in the same direction with that of the Eastern Pacific Ocean (EPO), though the prices in WPO were generally lower than those in EPO. The average EPO price for the period was US\$1,045/ metric ton. During Q1'07, tuna prices were generally higher than the previous quarter. The WPO price was nevertheless higher than that of Q4'06. Although the oil prices have become more stable, less than satisfactory catching, partly a result of unseasonally warm weather, kept the prices at higher levels. Given the current situation, tuna prices are expected to decline significantly soon.

- Shrimp sales in dollar term rose by 6.3% YoY but dropped 20.8% QoQ to US\$64.1 m while volume up by 1.6% YoY (down 18.1% QoQ) to 7,384 tons during the quarter. The increase was partly thanks to new business generated by Chicken of the Sea Frozen Food which was set up a year ago to market frozen seafood, esp. shrimp, under the brand of Chicken of the Sea.

Shrimp sales to the US (including contribution from Empress International and Chicken of the Sea Frozen Food) continued to grow, though at a lower rate than that of last year. Sales to Japanese and other markets, especially Asia ex-Japan and the EU, started to show some promising growth, though from much smaller bases.

With respect to domestic prices, the price of white shrimp (60 counts/kg) was very stable within the range of B+110-120/kg during the quarter. The average for the quarter stayed at B+115/kg, same as the previous period. It dropped slightly to B+110/kg in April. Given the good supply situation in the market, we do not expect prices to move much higher from the current level.

Cost of goods sold in Q1'07 was 85.59% of sales, up from 84.47% in Q1'06 and 85.10% in Q4'05. In other words, gross margin in the quarter was under pressure, dropping to 14.41%. The strong baht continued to pressure the gross margin. Moreover, lower sales of pet food, compared with the same period last year, was another contributing factor.

- SG&A expenses were Bt1,294.0 m or 10.11% of sales in Q1'07, which was lower than Bt1,593.1 m (11.61% of sales) in Q1'06 but higher than Bt1,342.5 m (9.95% of sales) reported in Q4'06. The level was close to the lower end of the normal range. The YoY decline (as % of sales) was a result of more efficient use of advertising budget and tightened internal cost control. Moreover, the absence of M & A related expenses (amounting to Bt 61 m in Q1'06) is another contributing factor. Therefore, the operating margin improved from the same period last year.

- FOREX gain (realized and unrealized) from current dollar-denominated assets and currency forward contracts for the quarter was Bt97.8 m. As the trend of accelerating baht strength became obvious, especially after the imposition of 30% capital inflow cap by the Bank of Thailand (BOT) since late 2006, more currency hedging was done to cover a higher percentage of US dollar-denominated sales. A sizeable exchange gain is booked due to continual baht strength. Thai baht appreciated by 2.9% from Bt36.05/US\$ on Dec 30, 2006 to Bt35.02/US\$ on Mar 30, 2007.

- Equity income from associated companies in Q1'07 was Bt3.4 m, which was lower than a year ago (Bt9.0 m).

- Other incomes in Q1'07 were Bt220.3m (including FX gain of Bt97.8 m) vs. Bt141.2 m in Q1'06.

- Corporate income tax of Q1'07 was Bt67.1 m, representing an effective tax rate of 10.3%, lower than 14.4% for Q1'06. While the majority of our Thai operations enjoy BOI tax holiday, our US subsidiaries are subject to normal US tax rates, which are higher than Thai rates.

- Interest expenses of Q1'07 was Bt127.9 m, lower than Bt169.3 m in Q4'06, thanks to a lower debt level and declining domestic interest costs during the quarter when the Bank of Thailand sharply lowered the benchmark rates.

- Net income for Q1'07 was Bt527.7 m, up 27.1% YoY and 4.0% QoQ. Net margin was 4.12%, higher than 3.03% in Q1'06 and 3.72% in Q4'06. Higher operating profit, a sizeable FOREX gain, lower interest expenses and corporate taxes collectively contribute to a higher net profit and margin. Quarterly EPS was Bt0.60.

- Inventory turnover rate was 99 days in Q1'07, compared with 93 days for the year of 2006. Account receivables turnover rate was 36 days in Q1'07, staying at the same level as a year ago.

- Debt-to-Equity ratio was reduced to 0.61 in Q1'07 from 0.66x in Q4'06, thanks to prudent debt management.

About TUF

Thai Union Frozen Products Public Company Limited was founded in 1988. Currently, it is the largest canned tuna packer in the world in terms of capacity and a leading seafood processor and exporter in Asia with a global workforce of around 26,000.

Major products are canned tuna, frozen tuna loin, frozen shrimp, frozen and canned seafood, frozen cephalopod, pet food, fish snack and shrimp feed.

Milestones:

1990 Started operations as a contract tuna packer.

1994 Listed in the Stock Exchange of Thailand.

1997 Entered a 50% JV with two overseas business partners to buy out the then bankrupt Van Camp Seafood (owner of Chicken of the Sea brand) and its production facility on American Samoa Island.

1999 Took over then listed Songkla Canning, a major Thai canned tuna packer, with a share swap of 1 new TUF share for 1.7 existing Songkla shares.

2001 Bought the remaining 50% of Van Camp Seafood from Tri-Marine and Gann Family.

2002 ECD was fully converted into 110 m new common shares by its holders.

2003 Acquired Empress International, a major US seafood importer and distributor; group sales broke the Bt40 bn mark (US\$975 m); achieved the highest annual net income of Bt2,279 m.

2004 Broke the US\$ 1 bn mark in sales with nearly 60% of this amount contributed by its own brands.

2005 Jointly invested in Century Trading (Shanghai) for the Chinese market

2006 Set up Chicken of the Sea Frozen Food to market branded frozen seafood and achieved group sales of US\$ 1.46 bn

2007 Invested in High Health (Thailand) to develop shrimp brood stock.

ANNUAL INCOME STATEMENT (Bt million)

Consolidated	2006	2005	2004	2003	2002
Sales	55,038.6	53,643.5	46,751.0	40,330.6	34,243.4
Cost of goods sold	46,617.3	45,317.0	39,580.9	33,299.4	28,020.1
Gross Profit	8,421.3	8,326.5	7,170.1	7,031.2	6,223.3
SG & A	5,767.4	5,745.4	5,007.9	4,488.1	3,718.4
Forex loss	-	-	37.1	-	392.5
Operating profit	2,653.9	2,581.1	2,125.2	2,543.1	2112.4
Interest income	6.5	3.5	4.0	1.9	8.5
Equity incomes -associated	18.0	34.6	37.8	45.2	37.4
Other income	381.3	335.4	255.2	454.8	248.9
EBIT	3,059.7	2,954.6	2,422.2	3,045.0	2407.2
Interest expenses	608.2	360.5	219.9	140.1	157.6
Income tax	133.2	282.2	(9.0)	358.5	542.0
Income before minority interests	2,318.3	2,311.9	2,211.3	2,546.4	1707.6
Minority interests	357.6	229.5	278.4	267.1	158.6
Net profit	1,960.6	2,082.4	1,932.9	2,279.3	1,549.0
Earnings per share (Bt)	2.25	2.40	2.24	2.65	1.80

NET CASHFLOW (Bt million)

	Q1'07	2006	2005	2004
Net Profit	527.7	1,960.6	2,082.4	1,932.9
Depreciation & Amortization	223.2	855.1	820.3	710.7
Net Cash from Operating Activities	611.7	1,885.4	1,7732.2	760.3
Net Cash from Investing Activities	(424.2)	(1,496.9)	(1,018.1)	(1,540.1)
Net Cash from Financing Activities	(306.1)	(595.5)	(424.4)	819.5
Effect of FX change on cash and cash equivalents	29.6	101.9	(175.8)	14.8
Net Inc/(Dec) in Cash	(89.0)	(105.1)	113.9	54.6

BALANCE SHEET (Bt million)

	Q1'07	2006	2005	2004
Current Assets	18,206.8	18,454.9	18,803.2	15,943.3
Investment	351.0	314.4	327.2	250.7
Fixed & Other Assets	8,150.2	8,366.3	7,863.4	7,756.2
Total Assets	26,708.0	27,135.6	26,993.8	23,950.2
Current Liabilities	8,259.6	8,946.0	10,119.4	8,451.7
Non-Current Liabilities	4,141.2	4,086.5	4,054.2	3,665.4
Total Liabilities	12,400.8	13,032.5	14,173.6	12,117.1
Minorities' Interests	1,499.3	1,454.9	1,124.9	1,127.4
Shareholders' Equity	12,807.9	12,648.2	11,695.3	10,705.7

CONSOLIDATED ANNUAL RESULTS

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Net Profit (Bt m)	1,960.6	2,082.4	1,932.9	2,279.3	1,549.0	1,505.6	1,524.8	1,762.4	1,207.9	801.1
Earning per share[EPS](Bt)	2.25**	2.40**	2.24**	2.65**	1.80**	2.01**	10.18*	24.56	21.42	16.02
Dividend per share (Bt)	1.13	1.20	1.56	1.85	1.27	1.23	5.10	12.00	10.25	8.25
Dividend payout ratio	50%	50%	70%	70%	71%	61%	50%	49%	48%	51%

** as of par 1 baht * as of par 5 baht

