



Thai Union Frozen Products

TUF

SET / Reuters / Bloomberg
TUF / TUF.BK / TUF.TB

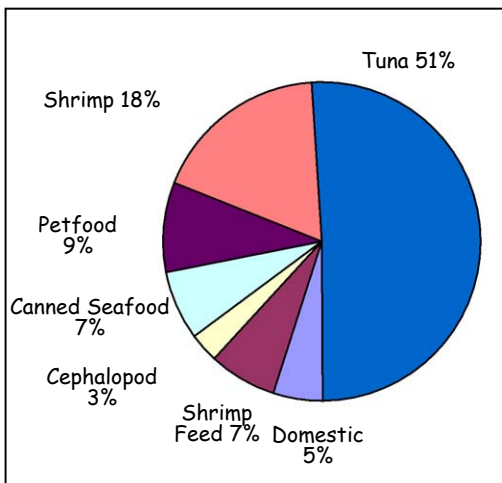
Aug, 15 2006

Increase/(decrease)	YOY	YOY
	Q2'06	6M06
• Net profit	(31%)	(20%)
• Baht sales	(0%)	7%
• Dollar sales	6%	10%
• Volume sales	(4%)	1%
• Debt-to-Equity ratio: 0.74x		
• Q2'06 EBITDA: B+747.8 m		
• 6M06 EBITDA: B+1,652.3 m		

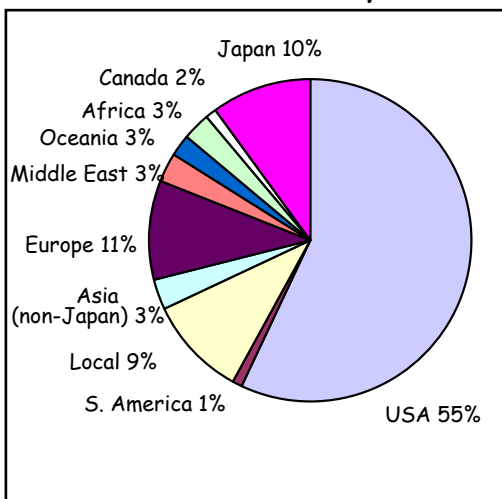
Exch. Rate as of Jun 31'06: B+38.24/USD
Avg. Exch. Rate for Q2'06:
B+38.04/USD
Avg. Exch. Rate for Q2'05: B+40.31/USD
No. of shares for Q2'06: 869.3 m

2Q06 was a challenging quarter. Sales in dollar term grew 5.7% YoY to US\$346.6 m but sales in Thai baht term stalled at B+13,185 m, flat from a year ago. Operating margins were depressed while net profit dropped 31% YoY and 21% QoQ, which was mainly attributable to a few negative factors: 1) 5.6% YoY appreciation of Thai baht against US dollar where a sharp movement was seen in April; 2) the oil price-led inflation on costs of raw materials and packaging; and 3) increasing interest expenses.

Strong (and volatile) Thai Baht Since its resurgence in January, Thai baht appreciated, on average, by 5.6% YoY and 2.8% QoQ within 2Q06. The movement of the exchange rate was particularly sharp in April, with the Thai baht rate moving from B+38.89/US\$ on March 30 to B+37.69/US\$ on April 30. The sensitivity of TUF's profit to exchange rate movements depends on the cost structure, which is ultimately determined by the product mix. For example, the majority of tuna and shrimp products are quoted in US\$, but costs of shrimp for export are 100% Thai baht-based while those of tuna products are not.



6M'06 Sales Breakdown by Market



PERFORMANCE (Bt million)				
Consolidated	Q2'06	%	Q2'05	%
Sales	13,185.3	100.00	13,222.3	100.00
Cost of goods sold	11,277.6	85.53	11,266.6	85.21
Gross profit	1,907.7	14.47	1,955.7	14.79
SG & A	1,435.2	10.88	1,214.2	9.18
Forex loss	10.1	0.08	26.0	0.20
Operating profit	462.4	3.51	715.5	5.41
Interest income	0.5	0.00	0.7	0.01
Equity income from associates	4.8	0.04	11.7	0.09
Other income	68.5	0.52	37.4	0.28
EBIT	536.2	4.07	765.3	5.79
Interest expenses	144.5	1.10	82.2	0.62
Income tax / (credit)	(25.9)	(0.20)	94.9	0.72
Net income before MI	417.6	3.17	588.2	4.44
Minority interests	74.9	0.57	89.8	0.68
Net Profit	342.7	2.60	498.4	3.77
Earnings per share (Bt)	0.39		0.58	

EBITDA			
	Q2'06	2005	2004
EBITDA (Bt m)	748	3,775	3,133
EBITDA (US\$ m)	20	94	78
Avg. exch. rate	38.04	40.32	40.34

Half year Performance (Bt m)

Consolidated	6M'06	6M'05	% Chg
Sales	26,906	25,088	+7.2%
Gross Profit	4,005	3,907	+2.5%
S, G & A Exp.	2,986	2,650	+12.7%
FX Loss	6	-	N/A
Operating Profit	1,013	1,257	-19.4%
Other Incomes	220	162	+35.8%
EBIT	1,233	1,419	-13.1%
Interest Exp.	272	154	+76.6%
EBT	961	1,265	-24.0%
Tax/(Tax Credit)	56	140	-60.0%
Minority Interests	129	154	-16.2%
Net Profit	776	971	-20.1%
Avg. Bt / US\$	38.6	39.5	-2.3%

US operations affected by higher fish cost and industry-wide price adjustments The US tuna industry raised its wholesale prices during the quarter in order to cope with higher raw material costs and transportation expenses. However, the hike led to short term reduction of sales promotion in store, resulting in stagnant sales growth.

Oil price-led cost inflation and higher interest expenses dampening margins. Although our operations do not rely much on energy inputs, we are not unaffected by the continually surging oil price. Many of our packaging suppliers and transporters adjusted their prices which directly increased our costs. We refinanced a significant portion of our debts at fixed rates since March through a syndicated loan, but interest expenses were higher than last year due to the continual interest rate hike and a higher level of debts as a result of increased sales in dollar term and a larger asset base.

Shrimp related products going strong After all, it was not all bad news. During the quarter, sales of shrimp products in dollar term grew 26.6% YoY while shrimp feed business was up 27.6% YoY.

Recent development:

US tuna industry won California trial: The US tuna industry won the lawsuit filed by the California Attorney General Bill Lockeye who attempted to place mercury warnings on canned tuna through California's Proposition 65 regulation. After hearing all scientific and nutritional evidence on the safety and healthiness of canned tuna, San Francisco Superior Court Judge Robert Dondero granted the verdict on May 11 and dismissed all charges vs. the industry by reasoning that: 1) the state law was preempted by a federal FDA advisory; 2) mercury levels were not high enough to warrant health warnings, and 3) tuna was exempt from Proposition 65 because mercury in fish is naturally occurring. Increased warnings against seafood would cause more harm than good by needlessly scaring people away from canned tuna.

QUARTERLY PERFORMANCE (Bt million)

Consolidated	Q2'06	%	Q1'06	%	Q4'05	%	Q3'05	%	Q2'05	%
Sales	13,185.3	100.00	13,720.6	100.00	14,044.5	100.00	14,510.9	100.00	13,222.3	100.00
Cost of goods sold	11,277.6	85.53	11,614.3	84.65	12,058.2	85.86	12,104.7	83.42	11,266.6	85.21
Gross profit	1,907.7	14.47	2,106.3	15.35	1,986.3	14.14	2,406.2	16.58	1,955.7	14.79
SG & A	1,435.2	10.88	1,560.0	11.37	1,479.4	10.53	1,588.7	10.95	1,214.2	9.18
Forex loss	10.1	0.08	-	-	7.3	0.05	3.5	0.02	26.0	0.20
Operating profit	462.4	3.51	546.3	3.98	499.6	3.56	814.0	5.61	715.5	5.41
Interest income	0.5	0.00	0.3	0.00	0.8	0.01	0.5	0.00	0.7	0.01
Equity income from associates	4.8	0.04	9.0	0.07	4.9	0.03	11.9	0.08	11.7	0.09
Other incomes	68.5	0.52	141.2	1.03	127.5	0.91	76.2	0.53	37.4	0.28
EBIT	536.2	4.07	696.8	5.08	632.8	4.51	902.8	6.22	765.3	5.79
Interest expenses	144.5	1.10	127.5	0.93	117.9	0.84	88.5	0.61	82.2	0.62
Income Tax/ (Tax Credit)	(25.9)	(0.20)	82.1	0.60	42.5	0.30	99.5	0.69	94.9	0.72
Income before MI	417.6	3.17	487.2	3.55	472.4	3.36	714.8	4.92	588.2	4.44
Minority interests	74.9	0.57	54.4	0.43	19.7	0.14	55.6	0.38	89.8	0.68
Net Profit	342.7	2.60	432.8	3.12	452.7	3.22	659.2	4.54	498.4	3.77
Earnings per share (Bt)	0.39		0.50		0.52		0.76		0.58	
<i>(as of par 1 baht per share)</i>										

SHARE INFORMATION		
PRICE (11/8/2006)	:	Bt23.2
Historical price (last 6 months)	:	High 31.75 Low 22.70
No. of Share	:	874.06 m
Market Capitalization	:	Bt20.3 bn (US\$542 m)
Average Daily Trading Vol.	:	720,000
Major Shareholder	:	Chansiri Family 25.40%
Date	Closing Price	P/E ratio
Dec 31, 05	30.50**	12.71
Dec 31, 04	24.80**	11.07
Dec 31, 03	31.00 **	11.70
Dec 27, 02	17.00 **	9.44
Dec 28, 01	16.80 **	8.36
Dec 29, 00	50.00*	4.96

** as of par 1 baht

* as of par 5 baht

#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.

	Q2'06	2005	2004
Current Ratio (X)	2.35	1.86	1.90
Gearing Ratio (X)*	1.08	1.11	1.02
Debt-to-Equity (X)**	0.75	0.75	0.73
Inventory Turnover(days)	96	90	90
Collection Period (days)	37	34	29
Payment Period (days)	18	17	16
GP Margin (%)	14.47	15.5 2	15.3 4
NP Margin (%)***	2.59	3.86	4.11
ROAE (%) un-annualized	#2.86	18.5 4	18.6 7
Times IR Earned (X)	3.71	8.20	11.02

*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 5.7% YoY to US\$346.6 m from US\$328.0 m while sales in baht term stayed flat at Bt13,185 m, compared with Bt13,222 m a year ago. Thai baht was much stronger than a year ago when the average exchange rate was Bt38.04/US\$ in Q2'06, having appreciated by 5.6% from the same period last year. In comparison with Q1'06, quarterly sales dropped by 1.1% in dollar term and by 3.9% in baht term. During this quarter, Thai baht continued to gain strength against US dollar despite a strong run since the beginning of the year. As a result, the average exchange rate moved to Bt38.04/US\$ from Bt39.15/US\$ in 1Q06.

The continual sales growth (in US dollar term) was boosted by healthy sales growth in frozen shrimp, shrimp feed and pet food. The selling prices of most products were adjusted upward from a year ago to catch up with the rising input costs. The total sales volume (ton) also rose by 7% YoY.

- Tuna sales (canned and loin) in US dollar term dropped 4.6% YoY and 7.3% QoQ respectively during the quarter. Meanwhile, sales volume (ton) was down 12.4% YoY and 11.4% QoQ respectively. However, the average selling prices have been adjusted upward to compensate for the surging operating expenses caused by the rising prices of oil and fish. The key reason for the decline in this quarter was an already strong first quarter this year where tuna sales were up as much as 12% YoY. Sales for 6M'06 was actually up 3.3% YoY. The EU remains a growth market for us this year. The sharp appreciation of Thai baht during the quarter affected the export business in Thailand.

US canned tuna sales suffered slightly due to price adjustments since early April when all major tuna brands raised their prices to retailers. However, our recent launches of new value-added products, such as tuna/ salmon steak pouches (last December) and tuna/ salmon in plastic cups (June), would continue to enhance the overall profitability and consumer loyalty when we expand the distribution.

The average price of frozen whole round skipjack tuna (Bangkok landings/ WPO) in Q2'06 (US\$908/metric ton) was higher than a year ago (US\$887/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. Nevertheless, this price level also represented a small hike from US\$900/metric ton in Q1'06. The increase was attributable to the catching situation and the higher operating costs borne by fishing fleets due to the rising oil price. Although we witnessed a short term weakness of tuna prices in July, we don't foresee the fish price to drop significantly from the current level irrespective of the catching result.

- Shrimp sales in dollar term rose by 26.6% YoY and 15.1% QoQ to US\$69.5 m while volume up by 12.2% YoY and 13.5% QoQ to 8,474 tons during the quarter. The increase was primarily contributed by the improved performance at Empress and export sales from Thai operations where both of selling prices and volume increased.

With respect to domestic prices, the wholesale price of white shrimp (60 counts / kg) dropped from Bt141 in April to Bt110 in June. The decline started when the new harvest season began. During the quarter, increased supply into the market depressed prices. The average price was Bt125/kg, compared with Bt120 a year ago. The market followed a similar pattern for last few years. If the same pattern holds, the prices would stay or drop further and rebound by the end of third quarter this year.

Cost of goods sold in Q2'06 was 85.53% of sales, up from 85.21% in Q2'05 and 84.65% in Q1'06. In other words, gross margin in the quarter was 14.47%, down from 15.35% in the previous quarter. The margin was depressed mainly due to a sharp appreciation of Thai baht against US dollar, higher fish cost and other operating expenses at our US subsidiaries during the quarter. Certain items included in the SG&A expenses in Q2'05 were re-classified as expenses in Cost of Goods Sold, leading to a lower gross margin than the one originally reported last year.

- SG&A expenses were Bt1,435.2 m or 10.88% of sales in Q2'06, which was higher than Bt1,214.2 m (9.18% of sales) in Q2'05 and Bt1,560.0 m (11.37% of sales) reported in Q1'06. The YoY increase (as % of sales) was caused by baht appreciation and booking of extra administrative expenses and provisions during the quarter. However, the level was still within our normal historical range of 10.5%-11.00% of sales. The QoQ decline was due to the fact that no significant M&A expense was booked in this quarter.

- FOREX loss (realized and unrealized) from current dollar-denominated assets and currency forward contracts for the quarter was Bt10.1 m, which was considered normal given the size of our operations. This was largely a result of our long term hedging policy of minimizing the currency impact on our financial performance. The US dollar depreciated against Thai baht during the quarter. The exchange rate averaged at Bt38.04/USD in Q2'06 vs. Bt39.15/US\$ in Q1'06 and Bt40.31 in Q2'05.

- Equity income from associated companies in Q2'06 was Bt4.8 m, which was lower than a year ago (Bt11.7 m).

- Other incomes in Q2'06 were Bt68.8 m, lower than Bt141.2 m in Q1'06, but higher than Bt37.4m in Q2'05.

- Corporate income tax credit of Q2'06 was Bt25.9 m, representing an effective negative tax rate of 6.6%. The effective tax rate for 6M'06 was therefore estimated at 5.9%.

- Net income for Q2'05 was Bt342.7 m, down 31.2% YoY and 4.4% QoQ. Net margin was 2.60%, lower than 3.77% in Q2'05 and 3.12% in Q1'06. In addition to other negative factors mentioned above, higher interest expenses (due to rising interest rates) also added to the list. Quarterly EPS was Bt0.39.

- Inventory turnover period was 96 days in Q2'06, compared with 90 days for the year of 2005. The period should gradually decrease according to our policy of streamlining inventories.

- Account receivables turnover period was 37 days in Q2'06, slightly higher than 34 days in 2005, a result of continual sales growth at our shrimp feed which were mainly sold to shrimp farmers.

- Debt-to-Equity ratio rose to 0.74x in Q2'06 from 0.64x in Q1'06, caused by a longer cash cycle during the period.

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 24,000.

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 ever 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.

ANNUAL INCOME STATEMENT (Bt million)

Consolidated	2005	2004	2003	2002	2001
Sales	53,643.5	46,751.0	40,330.6	34,243.4	35,324.4
Cost of goods sold	45,317.0	39,580.9	33,299.4	28,020.1	29,514.3
Gross Profit	8,326.5	7,170.1	7,031.2	6,223.3	5,810.1
SG & A	5,745.4	5,007.9	4,488.1	3,718.4	3,837.1
Forex loss	-	37.1	-	392.5	-
Operating profit	2,581.1	2,125.2	2,543.1	2112.4	1,973.0
Interest income	3.5	4.0	1.9	8.5	22.4
Equity incomes -associated	34.6	37.8	45.2	37.4	39.1
Other income	335.4	255.2	454.8	248.9	488.6
EBIT	2,954.6	2,422.2	3,045.0	2407.2	2,523.1
Interest expenses	360.5	219.9	140.1	157.6	380.8
Income tax	282.2	(9.0)	358.5	542.0	454.1
Income before minority interests	2,311.9	2,211.3	2,546.4	1707.6	1,688.2
Minority interests	229.5	278.4	267.1	158.6	182.6
Net profit	2,082.4	1,932.9	2,279.3	1,549.0	1,505.6
Earnings per share (Bt)	2.40	2.24	2.65	1.80	2.01

NET CASHFLOW (Bt million)

	6M'06	2005	2004	2003
Net Profit	775.6	2,082.4	1,932.9	2,279.3
Depreciation & Amortization	419.2	820.3	710.7	607.0
Net Cash from Operating Activities	224.0	1,773.2	760.3	2,865.8
Net Cash from Investing Activities	(500.0)	(1,018.1)	(1,540.1)	(1,710.9)
Net Cash from Financing Activities	38.9	(424.4)	819.5	(1,161.1)
Effect of FX change on cash and cash equivalents	233.9	(175.8)	14.8	62.3
Net Inc/(Dec) in Cash	(3.2)	113.9	54.6	56.1

BALANCE SHEET (Bt million)

	Q2'06	2005	2004	2003
Current Assets	18,959.0	18,803.2	15,943.3	13,792.5
Investment	311.1	327.2	250.7	229.0
Fixed & Other Assets	7,910.1	7,863.4	7,756.2	6,665.1
Total Assets	27,180.2	26,993.8	23,950.2	20,686.6
Current Liabilities	8,053.6	10,119.4	8,451.7	6,259.9
Non-Current Liabilities	6,046.1	4,054.2	3,665.4	3,526.7
Total Liabilities	14,099.7	14,173.6	12,117.1	9,786.6
Minorities' Interests	1,220.2	1,124.9	1,127.4	963.4
Shareholders' Equity	11,860.3	11,695.3	10,705.7	9,936.6

CONSOLIDATED ANNUAL RESULTS

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Net Profit (Bt m)	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	258.5
Earning per share[EPS](Bt)	2.40**	2.24**	2.65**	1.80**	2.01**	10.18*	24.56	21.42	16.02	5.17
Dividend per share (Bt)	1.20	1.56	1.85	1.27	1.23	5.10	12.00	10.25	8.25	3.00
Dividend payout ratio	50%	70%	70%	71%	61%	50%	49%	48%	51%	58%

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

