



Thai Union Frozen Products

TUF

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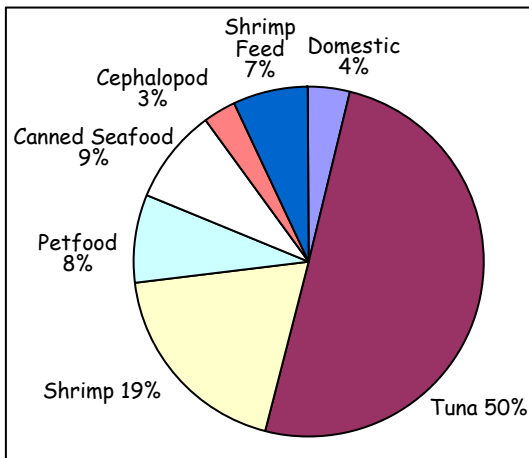
Increase/(decrease)	YOY Grw.	
	Q2'07	6m'07
• Net profit	26%	27%
• Baht sales	4%	(1%)
• Dollar sales	14%	9%
• EBITDA (Btm):	974	1,974
• Debt-to-Equity	0.65x	

Exch. Rate as of Jun 30'07: Bt34.55/USD
Avg. Exch. Rate for Q2'07: Bt34.64/USD
Avg. Exch. Rate for Q2'06: Bt38.04/USD
No. of shares for Q2'07: 874.1 m

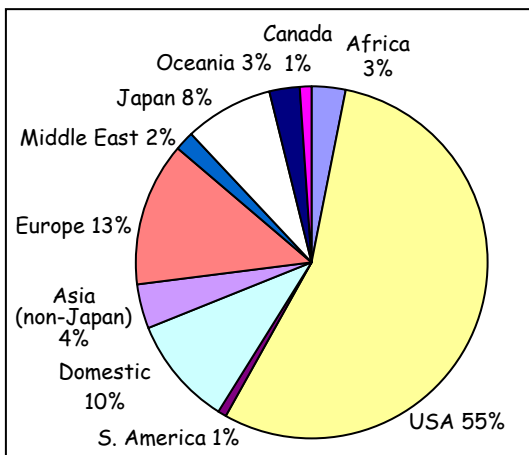
Net income jumped 26.3% YoY. Sales in dollar term grew 14.4% YoY to reach US\$396.4 m. But the appreciation of the Thai baht (8.9% YoY) depressed sales growth in Thai baht term. Sales edged up by only 4.1% to Bt13,728 m from Bt13,186 m a year ago. Thanks to continual productivity improvement and cost control, operating margins were better than a year ago. An FX gain and lower interest expenses also helped lift net earnings to a level higher than that of last year. Because of prudent financial management and active working capital control, the firm's debt level was maintained at a healthy level of 0.65x.

Tuna, canned seafood and shrimp driving sales growth Tuna sales in US dollar term surged 14.5% YoY and 0.7% QoQ while shrimp sales grew 8.8% YoY and 17.9% QoQ respectively. As the EU market drove sales growth of tuna products, the US was the source of growth for shrimp products. Sales of pet food only stayed flat from last year, but we witnessed significant and continual sales growth in other canned seafood products during the quarter, mainly thanks to our US subs' marketing efforts.

Q2'07 Sales Breakdown by Product



Q2'07 Sales Breakdown by Market



PERFORMANCE (Bt million)

Consolidated	Q2'07	%	Q2'06	%
Sales	13,728.4	100.00	13,186.0	100.00
Cost of goods sold	11,897.6	86.66	11,266.4	85.44
Gross profit	1,830.8	13.34	1,919.6	14.56
SG & A	1,286.1	9.37	1,445.2	10.96
Forex loss	-	-	10.1	0.08
Operating profit	544.7	3.97	464.3	3.52
Interest income	7.0	0.05	0.5	0.00
Equity income from associates	0.3	0.00	4.8	0.04
Other income	142.2	1.04	68.5	0.52
EBIT	694.2	5.06	538.1	4.08
Interest expenses	135.3	0.99	148.4	1.13
Income tax / (credit)	80.8	0.59	-25.9	-0.20
Net income before MI	478.1	3.48	415.6	3.15
Minority interests	47.9	0.35	74.9	0.57
Net Profit	430.2	3.13	340.7	2.58
Earnings per share (Bt)	0.49		0.39	

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EBITDA			
	Q2'07	6mth'07	2006
EBITDA (Bt m)	974	1,974	3,928
EBITDA(US\$ m)	28	56	104
Avg. Bt / US\$	34.64	35.04	37.76

	6M'07	6M'06	%Chg
Sales	26,530	26,907	-1.40
Gross Profit	3,675	4,050	-9.26
S,G&A Exp.	2,580	3,038	-15.08
FX Loss	-	6	-100.0
Operating Profit	1,095	1,006	8.85
Other Incomes	376	220	70.91
EBIT	1,471	1,226	19.98
Interest Exp.	263	285	7.72
EBT	1,208	941	28.37
Tax/(Tax credit)	148	56	164.29
Minority Interests	102	129	-
			20.93
Net Profit	958	756	26.72
Avg. Bt/ US\$	35.0	38.6	-9.33

Fast rising tuna prices and strong baht depressed gross margins The Thai baht stayed strong throughout the period. The currency strength became a challenge to most Thai exporters, including TUF. Moreover, tuna raw material prices around the world experienced a dramatic surge since March, breaking the historic high of US\$1,300/metric ton in June. The tuna prices rose more than 30% within 3 months. These factors collectively impacted our profitability, especially gross margins, in the short term. As a result, our gross margin declined to 13.31%.

Cost cutting and efficiency improvement lifting margins Despite the rising cost environment due to the factors mentioned above, we actively worked on cutting costs. Thanks to efforts from our sales and production teams and outside vendors' cooperation, we were successful to keep our costs under control, allowing us to report a higher operating margin from a year ago. Moreover, EBITDA remains strong at Bt974 m, up 29.9% YoY but down 2.8% QoQ. Lower interest expenses (due to less debts and a lower effective interest rate than a year ago) and FX gain (Bt40 m) from hedging also added to the bottom line. Taxes, nevertheless, increased mainly due to improved profitability at our US subs.

Thai Baht bond issue In order to reduce our interest costs (by refinancing out the US dollar syndicated loan launched since a year ago), we issued our first ever Thai baht bond worth Bt 3.2 billion of 4 years maturity to local institutional investors in early June. Thanks to our A+ (local rating) by TRIS and our reputation in the market, the coupon rate was fixed at 3.91% which was considered low from the market's perspective. As no new debts were incurred, our financial position remains strong. To repay the US loan and minimize any uncertainty due to Thai baht, the bond proceeds were simultaneously swapped into US dollar. We estimate that the cost savings from the bond could be as much as 70 basis points.

QUARTERLY PERFORMANCE (Bt million)										
Consolidated	Q2'07	%	Q1'07	%	Q4'06	%	Q3'06	%	Q2'06	%
Sales	13,728.4	100.00	12,801.5	100.00	13,495.6	100.00	14,637.0	100.00	13,186.0	100.00
Cost of goods sold	11,897.6	86.66	10,957.1	85.59	11,484.7	85.10	12,231.6	83.57	11,266.4	85.44
Gross profit	1,830.8	13.34	1,844.4	14.41	2,010.9	14.90	2,405.4	16.43	1,919.6	14.56
SG & A	1,286.1	9.37	1,294.0	10.11	1,342.5	9.95	1,438.7	9.83	1,445.2	10.96
FOREX loss	-	-	-	-	-	-	-	-	10.1	0.08
Operating profit	544.7	3.97	550.4	4.30	668.4	4.95	966.7	6.60	464.3	3.52
Interest income	7.0	0.05	2.4	0.01	4.0	0.03	1.7	0.01	0.5	0.00
Equity income from associates	0.3	0.00	3.4	0.03	0.2	0.00	4.0	0.03	4.8	0.04
Other incomes	142.2	1.04	220.3	1.72	72.9	0.54	108.7	0.74	68.5	0.52
EBIT	694.2	5.06	776.5	6.06	745.5	5.52	1,081.1	7.40	538.1	4.08
Interest expenses	135.3	0.99	127.9	1.00	169.3	1.25	166.9	1.10	148.4	1.13
Income tax/ (Tax Credit)	80.8	0.59	67.1	0.52	(30.0)	(0.22)	107.1	0.73	-25.9	-0.20
Income before MI	478.1	3.48	581.5	4.54	606.2	4.49	807.1	5.57	415.6	3.15
Minority interests	47.9	0.35	53.8	0.42	98.7	0.73	129.6	0.89	74.9	0.57
Net Profit	430.2	3.13	527.7	4.12	507.5	3.76	677.5	4.63	340.7	2.58
Earnings per share (Bt)	0.49		0.60		0.58		0.78		0.39	
<i>(as of par 1 baht per share)</i>										

SHARE CAPITAL INFORMATION

PRICE (11/5/2007)	: B+23.10
Historical price	: High 25.25
(last 6 months)	Low 21.50
No. of Shares	: 878.79 m
Market Capitalization	: B+20.3 bn
	(US\$597 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

4,739,000 new shares were issued on July 2, 2007 upon exercise of share warrants previously issued to the company's employees under the employee share option 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 2008 is 5.2 million.

	Q2'07	2006	2005
Current Ratio (X)	2.05	2.06	1.86
Gearing Ratio (X)*	0.94	0.95	1.11
Debt-to-Equity (X)**	0.65	0.66	0.75
Inventory Turnover(days)	90	93	90
Collection Period (days)	35	36	34
Payment Period (days)	16	17	17
GP Margin (%)	13.34	15.30	15.52
NP Margin (%)***	3.10	3.54	3.86
ROAE (%)	#3.38	15.84	18.54
Times IR Earned (X)	5.53	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 14.4% YoY to US\$396.4 m from US\$346.6 m while sales in baht term edged up by 4.1% YoY to B+13,728 m from B+13,185 m. Thai baht appreciated by 8.9% from the same period a year ago when the average exchange rate for Q2'07 was B+34.64/US\$. Compared with Q1'07, quarterly sales increased by 9.3% in dollar term and 7.2% in baht term, mainly due to the seasonal factor and continual appreciation of Thai baht during Q2'07. The average exchange rate in Q1'07 was B+35.41/US\$. The continual sales growth was largely contributed by tuna, other seafood and shrimp products. During the period, the total volume (excluding shrimp feed and domestic products) in terms of tonnage was up by 8.6% YoY. In other words, prices were also generally adjusted upward to match the rising costs. We managed to improve our operating margins from the same period last year, thanks to efficiency improvement, proactive cost savings measures and timely adjustments of selling prices. However, due to the strong local currency and the steep surge of fish prices during the quarter, operating margins were slightly depressed from that of Q1'07.

- Tuna sales (canned and loin) in US dollar term grew 14.5% YoY and 0.7% QoQ during the quarter. Meanwhile, sales volume (ton) was also up 15.7% YoY and 1.5% QoQ. Higher volume and improved production efficiency helped compensating for the fast rising costs led by the currency strength, hiking oil and tuna prices. Our sales to our main market, the US, continued to grow, especially in contract manufacturing business while we also managed to gain more sales in the European, African and the Middle East markets. These developments collectively helped boost our tuna sales during the quarter.

Canned tuna sales to the US (including contribution from COSI) registered healthy growth from a year ago while the EU, African and the Middle East markets continued to show huge promise. Our effort to diversify to non-US markets shows solid results as the US share now accounts for 55% of our total canned tuna sales, down from 58% a year ago. Despite high import tariffs, the EU becomes a growth market for us as our exports rise strongly.

The average price of frozen skipjack tuna (Bangkok landings/ WPO) in Q2'07 (US\$1,200/metric ton) was higher than a year ago (US\$908/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\$1,233/ metric ton. In Q2'07, tuna prices showed a dramatic rise from the previous quarter. The revival of global oil price hike and poor catching (partly a result of the higher sea surface temperature) are the culprits to blame. Tuna raw material prices are expected to surge further, at least until the catching season in the Indian Ocean starts again in October. The current price has already surpassed the historic high of US\$1,300 in late June and advanced towards US\$1,500 at the moment.

- Shrimp sales in dollar term rose by 8.8% YoY and up 17.9% QoQ to US\$75.6 m while volume up by 4.4% YoY (up 17.0% QoQ) to 8,637 tons during the quarter. The increase was partly thanks to continual sales growth 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) revived thanks to new accounts while sales to Japan, Asia ex-Japan market and even the EU reported growth, though from much smaller bases.

With respect to domestic prices, the price of white shrimp (60 counts/kg) witnessed a steep decline from B+115/kg in March to B+90/kg in July. The average for the quarter dropped to B+100/kg from B+115/kg in Q1'07. Given the excess supply situation, prices are not likely to move much higher from the current level in the short term, except for any government intervention.

Cost of goods sold in Q2'07 was 86.66% of sales, up from 85.44% in Q2'06 and 85.59% in Q1'07. In other words, gross margin for the quarter was depressed to 13.34%. Strong Thai baht and rising tuna raw material prices continued to pressure the gross margin. Moreover, flat sales growth of higher margin pet food products and increased sales of lower margin shrimp products from the same period last year were other contributing factors.

- SG&A expenses were Bt1,286.1 m or 9.37% of sales in Q2'07, which was lower than Bt1,445.2 m (10.96% of sales) in Q2'06 and Bt1,294.0 m (10.11% of sales) reported in Q1'07. The YoY decline (as % of sales) was a result of our efforts to lowering shipping and handling expenses (thanks to more efficient management of inventory) and cutting advertising and promotional expenses. A smaller amount of commissions paid to brokers was another culprit. Operating margins therefore improved from Q2'06.

- FOREX gain (realized and unrealized) from current dollar-denominated assets and currency forward contracts for the quarter was Bt40 m. As Thai baht continued to strengthen, though it slowed a bit during the quarter, more currency hedging was done to cover a higher percentage of US dollar-denominated sales. The exchange gain was a result of a late rally of Thai baht against US dollar in late June. Thai baht appreciated by 1.3% from Bt35.02/US\$ on Mar 31, 2007 to Bt34.55/US\$ on Jun 30, 2007.

- Equity income from associated companies in Q2'07 was Bt0.3 m, which was lower than a year ago (Bt4.8 m).

- Other incomes in Q2'07 were Bt142.2m (including FX gain of Bt40 m) vs. Bt68.5 m in Q2'06.

- Corporate income tax of Q2'07 was Bt80.8 m, representing an effective tax rate of 14.5%, higher than a negative tax rate of 6.6% (due to tax credit) in Q2'06. 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. The effective tax rate for 6 months was 12.3%

- Interest expenses of Q2'07 was Bt135.3 m, lower than Bt148.4 m in Q2'06, thanks to a lower debt level and declining domestic interest costs during the quarter when the Bank of Thailand continued to lower the benchmark rates.

- Net income for Q2'07 was Bt430.2 m, up 26.3% YoY, but down 18.5% QoQ. Net margin was 3.10%, higher than 2.57% in Q2'06 but lower than 4.05% in Q1'07. Higher operating profit, higher other incomes (a result of a FOREX gain) and lower interest expenses collectively contributed to a higher net profit and margin. Quarterly EPS was Bt0.49.

- Inventory turnover rate improved to 90 days in Q2'07, compared with 93 days for the year of 2006, thanks to active inventory management. Account receivables turnover rate was 35 days in Q2'07, compared with 36 days for the year of 2006.

- Debt-to-Equity ratio was reduced to 0.65x in Q2'07 from 0.66x in Q4'06, thanks to prudent debt management and working capital control.

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)

	6m'07	2006	2005	2004
Net Profit	957.9	1,960.6	2,082.4	1,932.9
Depreciation & Amortization	449.3	855.1	820.3	710.7
Net Cash from Operating Activities	1,076.9	1,885.4	1,7732.2	760.3
Net Cash from Investing Activities	(853.2)	(1,496.9)	(1,018.1)	(1,540.1)
Net Cash from Financing Activities	(319.0)	(595.5)	(424.4)	819.5
Effect of FX change on cash and cash equivalents	49.2	101.9	(175.8)	14.8
Net Inc/(Dec) in Cash	(46.1)	(105.1)	113.9	54.6

BALANCE SHEET (Bt million)

	Q2'07	2006	2005	2004
Current Assets	18,661.8	18,454.9	18,803.2	15,943.3
Investment	351.6	314.4	327.2	250.7
Fixed & Other Assets	8,429.6	8,366.3	7,863.4	7,756.2
Total Assets	27,443.0	27,135.6	26,993.8	23,950.2
Current Liabilities	9,102.2	8,946.0	10,119.4	8,451.7
Non-Current Liabilities	4,227.8	4,086.5	4,054.2	3,665.4
Total Liabilities	13,330.0	13,032.5	14,173.6	12,117.1
Minorities' Interests	1,451.8	1,454.9	1,124.9	1,127.4
Shareholders' Equity	12,661.2	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

