



# Thai Union Frozen Products

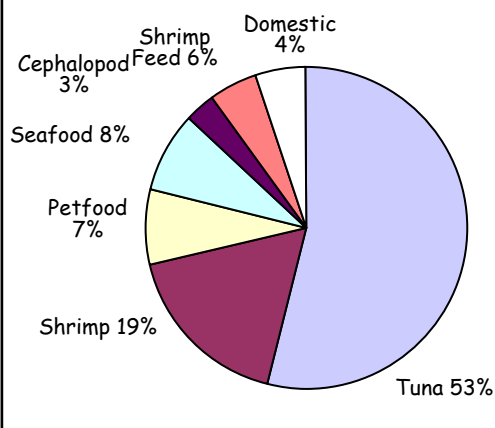


Nov 14, 2005

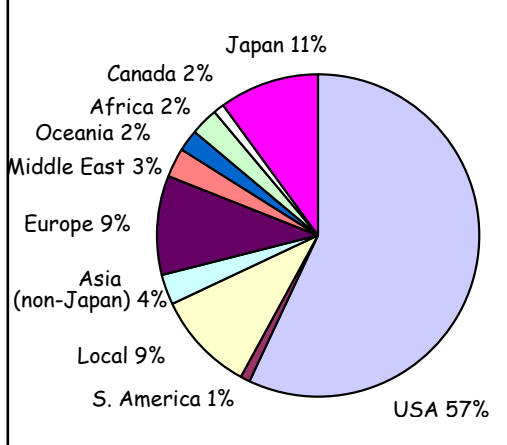
Increase/(decrease)	YOY
	Q3'05
• Net profit	17%
• Baht sales	9%
• Dollar sales	9%
• Volume sales	4%
• Debt-to-Equity ratio:	0.74x
• Q3'2005 EBITDA:	Bt1,115 m

Exch. Rate as of Sep30'05: Bt41.01/USD  
 Avg. Exch. Rate for Q3'05: Bt41.29/USD  
 Avg. Exch. Rate for Q3'04: Bt41.36/USD  
 No. of shares for Q3'05: 869.3 m

**9M'05 Sales Breakdown by Product**



**9M'05 Sales Breakdown by Market**



Operating performance has been on track to meet the year end target, thanks to proactive cost control measures, stabilizing raw material prices and exchange rates, and continual improvement at our US subsidiaries. On the basis of a strong Q3'05 last year, the consolidated YoY sales growth rate slowed slightly, compared with H1'05. During Q3'05, sales value (in dollar term) grew 9.3% while sales volume (ton) were up 3.9%. Nevertheless, operating margins expanded with operating and net profits surging by 15% and 15% YoY respectively. On a QoQ basis, sales and net profit has also improved.

**Improved margins** Across-the-board cost saving measures on production efficiency, yield management and energy conservation continued to bear fruits with operating margin rising to 5.61% on the back of stabilizing raw material prices and a favorable exchange rate.

**Shrimp, tuna, and feed leading the pack again** Sales value of tuna products grew 13.6% YoY while shrimp sales were up 25.2% YoY. As shrimp business improved, feed followed suit with YoY sale growth of 14.1%.

**PERFORMANCE (Bt million)**

Consolidated	Q3'05	%	Q3'04	%
Sales	14,510.9	100.00	13,303.7	100.00
Cost of goods sold	12,104.7	83.42	11,147.6	83.79
<b>Gross profit</b>	<b>2,406.2</b>	<b>16.58</b>	<b>2,156.1</b>	<b>16.21</b>
SG & A	1,588.7	10.95	1,437.6	10.81
Forex loss	3.5	0.02	6.6	0.05
<b>Operating profit</b>	<b>814.0</b>	<b>5.61</b>	<b>711.9</b>	<b>5.35</b>
Interest income	0.5	0.00	1.0	0.01
Equity income from associates	11.9	0.08	11.4	0.09
Other income	76.2	0.53	63.2	0.48
<b>EBIT</b>	<b>902.8</b>	<b>6.22</b>	<b>787.5</b>	<b>5.92</b>
Interest expenses	88.5	0.61	55.3	0.42
Income tax	99.5	0.69	67.0	0.50
<b>Net income before MI</b>	<b>714.8</b>	<b>4.92</b>	<b>665.2</b>	<b>5.00</b>
Minority interests	55.6	0.38	100.8	0.76
<b>Net Profit</b>	<b>659.2</b>	<b>4.54</b>	<b>564.3</b>	<b>4.24</b>
Earnings per share (Bt)	0.76		0.65	

EBITDA			
	Q3'05	2004	2003
EBITDA (Bt m)	1,115	3,133	3,683
EBITDA (US\$ m)	27	78	89
Avg. exch. rate	41.29	40.34	41.46

#### 9-Month Performance (Bt million)

Consolidated	9M'05	9M'04	YoY
Sales	39,599	34,555	15%
Gross Profit	6,340	5,325	19%
Operating Profit	2,104	1,533	37%
Other Incomes	218	235	-7%
EBIT	2,322	1,768	31%
Interest Expenses	(243)	(150)	62%
(Tax) / Tax Credit	(240)	(20)	1,200%
Minority Interests	(210)	(191)	10%
Net Profit	1,629	1,407	16%
FX rate (Bt/USD)	40.11	40.42	

**Shorter cash cycle** Thanks to the group's commitment to streamlining inventories, the inventory turnover continued to improve, hitting 77 days during the quarter, compared with 90 days in 2004. At the same time, the cash cycle has been shortened to 97 days from 99 days last quarter. We are generally satisfied with the current level and the speed of achieving it.

**Continual improvement at COSI** Focused marketing campaigns and proactive cost savings schemes continued to show results at COSI, bringing it with another profitable quarter where sales value surged by 12.0% YoY and volume (ton) up 6.5%. Recent natural disasters in the US and abroad boosted demand for packaged food items, including canned tuna.

**More taxes and interest expenses** Improving profitability at US subs., which are subject to normal tax rates, and the rising interest rate trend (majority of the group's debts are short-term financing for working capital) have both added more taxes and interest expenses than a year ago. Effective tax and interest rates were all higher than a year ago.

#### Recent Developments:

**US anti-dumping for Thai shrimp maintained** The US Department of Commerce decided in early November that it would maintain the anti-dumping duties for shrimp imported from Thailand and India despite shrimp farmers' in these two countries being adversely affected by last year's Tsunami. The decision is apparently driven by political rather than economic reasons.

**Higher duty for Thai canned tuna imports into Australia** Australia is considering restoring the import duty for Thai canned tuna to 5% from existing 2.5%. Under the Thai-Australia FTA, Australia government can restore the duty when imports exceeded 21,000 tons (for 2005).

#### QUARTERLY PERFORMANCE (Bt million)

Consolidated	Q3'05	%	Q2'05	%	Q1'05	%	Q4'04	%	Q3'04	%
Sales	14,510.9	100.00	13,222.3	100.00	11,865.8	100.00	12,195.6	100.00	13,303.7	100.00
Cost of goods sold	12,104.7	83.42	11,216.9	84.83	9,937.2	83.75	10,351.2	84.88	11,147.6	83.79
<b>Gross profit</b>	<b>2,406.2</b>	<b>16.58</b>	<b>2,005.4</b>	<b>15.17</b>	<b>1,928.6</b>	<b>16.25</b>	<b>1,844.4</b>	<b>15.12</b>	<b>2,156.1</b>	<b>16.21</b>
SG & A	1,588.7	10.95	1,263.9	9.56	1,413.4	11.91	1,184.3	9.71	1,437.6	10.81
FOREX loss	3.5	0.02	26.0	-	-	-	39.7	0.33	6.6	0.00
<b>Operating profit</b>	<b>814.0</b>	<b>5.61</b>	<b>715.5</b>	<b>5.41</b>	<b>515.2</b>	<b>4.34</b>	<b>620.4</b>	<b>5.08</b>	<b>711.9</b>	<b>5.35</b>
Interest income	0.5	0.00	0.7	0.01	1.5	0.01	0.9	0.01	1.0	0.01
Equity income from associates	11.9	0.08	11.7	0.09	6.0	0.05	5.2	0.04	11.4	0.09
Other incomes	76.2	0.53	37.4	0.28	131.3	1.11	28.0	0.23	63.2	0.48
<b>EBIT</b>	<b>902.8</b>	<b>6.22</b>	<b>765.3</b>	<b>5.80</b>	<b>654.0</b>	<b>5.51</b>	<b>654.5</b>	<b>5.36</b>	<b>787.5</b>	<b>5.92</b>
Interest expenses	88.5	0.61	82.2	0.62	72.0	0.61	70.4	0.58	55.3	0.42
Income tax/ (Tax Credit)	99.5	0.69	94.9	0.72	45.4	0.38	(29.1)	(0.24)	67.0	0.50
<b>Income before MI</b>	<b>714.8</b>	<b>4.92</b>	<b>588.2</b>	<b>4.44</b>	<b>536.6</b>	<b>4.52</b>	<b>613.2</b>	<b>5.02</b>	<b>665.1</b>	<b>5.00</b>
Minority interests	55.6	0.38	89.8	0.68	64.5	0.54	87.4	0.72	100.8	0.76
<b>Net Profit</b>	<b>659.2</b>	<b>4.54</b>	<b>498.4</b>	<b>3.77</b>	<b>472.1</b>	<b>3.98</b>	<b>525.8</b>	<b>4.30</b>	<b>564.3</b>	<b>4.24</b>
Earnings per share (Bt)	0.76		0.58		0.55		0.61		0.65	
<i>(as of par 1 baht per share)</i>										

## SHARE CAPITAL INFORMATION

PRICE (11/11/2005)	: B+31.00
Historical price	: High 32.25 Low 16.80
No. of Share	: 869.30 m
Market Capitalization	: B+26.9 bn (US\$660 m)
Average Daily Trading Vol.	: 720,000
Major Shareholder	: Chansiri Family 25.40%

Date	Closed Price	P/E ratio
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

#4,977,000 new shares were issued on July 2, 2005 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 15.8 million.

	Q3'05	2004	2003
Current Ratio (X)	1.83	1.90	2.20
Gearing Ratio (X)*	1.08	1.02	0.90
Debt-to-Equity (X)**	0.74	0.73	0.61
Inventory Turnover(days)	77	90	95
Collection Period (days)	35	29	28
Payment Period (days)	15	16	20
GP Margin (%)	16.58	15.34	17.43
NP Margin (%)***	4.52	4.11	5.58
ROAE (%)	#5.90	18.67	23.51
Times IR Earned (X)	10.20	11.02	21.73

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

\*\*Debt-to-Equity Ratio

=Interest-Bearing Debts/ (Equity + MI)

\*\*\*Net Margin = Net Profit/ Total Revenues

#un-annualized

## Financial analysis

Consolidated quarterly sales in dollar term rose 9.3% YoY to US\$351.5 m from US\$321.6 m in Q3'04, while sales in baht term increased by 9.1% YoY to B+14,511 m from B+13,304 m. In comparison with Q2'05, quarterly sales rose by 7.2% in dollar term and 9.7% in baht term. During the period, the US dollar weakened with the exchange rate averaging at B+41.29/US\$ (but at about the same level a year ago). Compared with a strong Q3'04, overall YoY sales growth slowed a bit, but shrimp business experienced a strong recovery while tuna products and shrimp feed continued their impressive run. Sales of other products, though still showing increase, registered single digit growth rates after an impressive H1'05.

- Tuna sales (canned and loin) in US dollar term grew 13.6% YoY but down 1.7% QoQ during the quarter. Meanwhile, sales volume (ton) was up 4.7% YoY, though down 6.1% QoQ. New marketing initiatives within COSI continued to bear fruits while canned tuna exports (value) from Thai operations to OEM customers increased by 22% during the period. In general, the average tuna raw material price in Q3'05 (US\$948/metric ton) was lower than a year ago (US\$1,120/metric ton). Tuna raw material rose dramatically in Q3'04 and almost retouched a historic peak.

Canned tuna sales from COSI were US\$87.7 m during the quarter, up 11.7% YoY and 4.9% QoQ. Canned tuna sales accounted for 83.1% of the firm's total sales. With all the exciting developments so far this year and the new marketing campaign and new products being launched in 2H05, we remain positive about the performance of this US subsidiary.

The price of frozen skipjack tuna (Bangkok landings/ WPO) moved fairly in parallel with that of the Eastern Pacific Ocean (EPO) during the quarter. This was a sharp contrast with Q2'05 where WPO prices in general were significantly higher. Thanks to increased supply from WPO and the beginning of the catching season in the Indian Ocean since October, fish prices have been depressed. The downward trend remains prominent with a possibility of prices hitting below US\$800/ton despite fishermen's higher operating costs in light of higher oil prices. Since September, WPO price dropped below that of EPO and declined further in October, leading to a favorable price gap.

- Shrimp sales in dollar term jumped by 25.2% YoY and 49.5% QoQ to US\$82.1 m while volume surged by 26.9% YoY (up 52.9% QoQ) to 11,268 tons during the quarter. The turnaround performance was primarily led by a recovering US shrimp market and highly competitive domestic shrimp prices since late Q2'05, which coincided with Thailand's first shrimp crop of the year. Thailand's shrimp cultivation period normally runs from March thru November.

Firmer shrimp prices in the US partly due to buyers' requirement for replenishing inventory and reduced supplies from non-tariff countries, such as Indonesia where a few key shrimp exporters have been under US investigation on transshipping high-duty Chinese shrimp into the US. Going forward, shrimp sales to the US should continue to recover. Moreover, with lower import for Thai shrimp into the EU, we foresee a positive outlook in 2006. Also, after more than 10 months of re-investigation, the US Department of Commerce decided to maintain the anti-dumping duties levied on shrimp imports from Thailand at 5.95%, claiming that shrimpers along the Gulf Coast of the US also suffered from severe damage caused by hurricane Katrina in September despite the unfortunate Tsunami disaster in Thailand.

Shrimp sales from Empress International were US\$48.7 m in Q3'05, up 25.2% YoY and 29.3% QoQ. Shrimp sales accounted for 79% of the US firm's total sales during the period. With respect to domestic prices, the price of black tiger shrimp (40 counts/ kg) dropped from B+201/kg in June to B+173/kg in September. In contrast, the price of white shrimp (60 counts/kg) surged from B+105/kg in June to B+155/kg in September upon the GSP reinstatement. Recently, white shrimp becomes the mainstream species for export purposes.

Cost of goods sold in Q3'05 was 83.42% of sales, down from 83.79% in Q3'04 and 84.83% in Q2'05. In other words, gross margin in the quarter was 16.58%, up from 15.17% in the previous quarter thanks to various cost saving measures and relatively stable tuna raw material prices.

- SG&A expenses were Bt1,589 m or 10.95% of sales in Q3'05, which was higher than Bt1,437.6 m (10.81% of sales) in Q3'04 and Bt1,263.9 m (9.56% of sales) reported in Q2'05. The surge (as % of sales) is the result of a combination of higher sales and seasonally higher promotional expenses for COSI during the quarter. Back-to-school months are high season for promotional activities. Typically, more ad spending is made in Q1 and Q3.

- FOREX loss (realized and unrealized) from current dollar-denominated assets and currency forward contracts for the quarter was Bt3.5 m, thanks to our long term hedging policy of minimizing the currency impact on our financial performance. The US dollar appreciated against Thai baht during the quarter. The exchange rate ended at Bt41.01/USD, compared with Bt41.29/US\$ in Q2'05. However, compared with the same period last year, the average exchange rate was at about the same level (Bt41.36/USD). Currently, Thai baht stabilized at around Bt41/USD level.

- Equity income from associated companies in Q3'05 was Bt11.9 m, which was higher than Bt11.4 m in Q3'04, in line with the normal level.

- Other incomes in Q3'05 were 76.2 m, compared with Bt63.2 m in Q3'04. Other incomes included tax coupon received (Bt23.9 m), compensation from suppliers (Bt 0.4 m) and other incomes (Bt52.1 m)

- Corporate income tax of Q3'05 was Bt99.5 m, representing an effective tax rate of 12.2%. While the majority of our Thai operations enjoy BOI tax holiday, our US subsidiaries are subject to normal US taxes. As profitability at our US subsidiaries increased as shown in this quarter, we are subject to a higher effective tax rate than the same period last year.

- Net income for Q3'05 was Bt659.2 m, up 16.8% YoY and 32.2% QoQ. Net margin was 4.52%, higher than 4.24% in Q3'04 and 3.77% in Q2'05. Improved operating margin is culprit for the increase. Quarterly EPS was Bt0.76.

- Inventory turnover was 77 days in Q3'05, an improvement from 80 days a quarter ago. Thanks to the management's commitment to stay lean across the group, the cash cycle has reduced to 97 days from 110 days in Q1'05.

- Account receivables turnover remained stable at 35 days in Q3'05, compared with the 35 days in Q2'05.

- Debt-to-Equity ratio was 0.74x in Q3'05, up from 0.69x in Q2'05, due to higher sales during the quarter despite a shorter cash cycle thanks to improved inventory control.

**About TUF**

Thai Union Frozen Products Public Company Limited was founded in 1988. Currently, it is the second largest canned tuna exporter in the world and the biggest in Asia in terms of volume with employees 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	2004	2003	2002	2001	2000
Sales	46,751.0	40,330.6	34,243.4	35,324.4	19,120.1
Cost of goods sold	39,580.9	33,299.4	28,020.1	29,514.3	16,077.8
Gross Profit	7,170.1	7,031.2	6,223.3	5,810.1	3,042.3
SG & A	5,007.9	4,488.1	3,718.4	3,837.1	1,536.6
Forex loss	37.1	-	392.5	-	-
Operating profit	2,125.2	2,543.1	2,112.4	1,973.0	1,505.7
Interest income	4.0	1.9	8.5	22.4	33.2
Equity incomes -associated	37.8	45.2	37.4	39.1	136.6
Other income	255.2	454.8	248.9	488.6	505.9
<b>EBIT</b>	<b>2,422.2</b>	<b>3,045.0</b>	<b>2,407.2</b>	<b>2,523.1</b>	<b>2,181.4</b>
Interest expenses	219.9	140.1	157.6	380.8	113.3
Income tax	(9.0)	358.5	542.0	454.1	365.9
Income before minority interests	2,211.3	2,546.4	1,707.6	1,688.2	1,702.2
Minority interests	278.4	267.1	158.6	182.6	177.4
<b>Net profit</b>	<b>1,932.9</b>	<b>2,279.3</b>	<b>1,549.0</b>	<b>1,505.6</b>	<b>1,524.8</b>
Earnings per share (Bt)	2.24	2.65	1.80	2.01	2.04

**NET CASHFLOW (Bt million)**

	9M'05	2004	2003	2002
Net Profit	1,629.8	1,932.9	2,279.3	1,549.0
Depreciation & Amortization	608.4	710.7	607.0	521.1
Net Cash from Operating Activities	1,483.9	781.2	2,865.8	2,983.0
Net Cash from Investing Activities	(485.7)	(1,560.9)	(1,710.9)	(706.5)
Net Cash from Financing Activities	(1,017.5)	819.5	(1,161.1)	(2,699.6)
Effect of FX change on cash and cash equivalents	24.5	14.8	62.3	47.5
<b>Net Inc/(Dec) in Cash</b>	<b>5.2</b>	<b>54.6</b>	<b>56.1</b>	<b>(375.5)</b>

**BALANCE SHEET (Bt million)**

	Q3'05	2004	2003	2002
Current Assets	17,655.3	15,966.2	13,792.5	11,999.7
Investment	306.7	250.7	229.0	204.4
Fixed & Other Assets	7,773.0	7,805.2	6,665.1	5,784.0
<b>Total Assets</b>	<b>25,735.0</b>	<b>24,022.1</b>	<b>20,686.6</b>	<b>17,988.1</b>
Current Liabilities	9,648.4	8,417.4	6,259.9	7,524.5
Non-Current Liabilities	3,739.7	3,706.2	3,526.7	164.6
<b>Total Liabilities</b>	<b>13,388.1</b>	<b>12,123.6</b>	<b>9,786.6</b>	<b>7,689.1</b>
Minorities' Interests	1,105.2	1,127.4	963.4	847.9
<b>Total Equity</b>	<b>11,241.7</b>	<b>10,771.1</b>	<b>9,936.6</b>	<b>9,451.1</b>

**CONSOLIDATED ANNUAL RESULTS**

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Net Profit (Bt m)	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	451.5
Earning per share[EPS](Bt)	2.24**	2.65**	1.80**	2.01**	10.18*	24.56	21.42	16.02	5.17	9.03
Dividend per share (Bt)	1.56	1.85	1.27	1.23	5.10	12.00	10.25	8.25	3.00	6.00
<i>Dividend payout ratio</i>	<i>70%</i>	<i>70%</i>	<i>71%</i>	<i>61%</i>	<i>50%</i>	<i>49%</i>	<i>48%</i>	<i>51%</i>	<i>58%</i>	<i>66%</i>

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

