



Thai Union Frozen Products

TUF

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

November 12, 2007

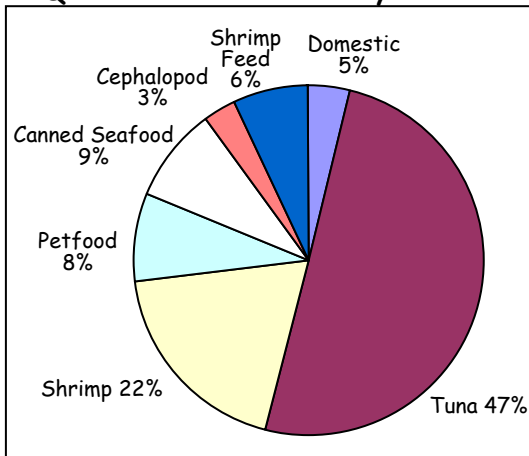
Increase/(decrease)	YOY Grw.	
	Q3'07	9m'07
• Net profit	(34%)	(1%)
• Baht sales	(6%)	(3%)
• Dollar sales	4%	7%
• EBITDA (Btm):	928	2,848
• Debt-to-Equity	0.88x	

Exch. Rate as of Sep
30'07: Bt34.26/USD
Avg. Exch. Rate for Q3'07: Bt34.08/USD
Avg. Exch. Rate for Q3'06: Bt37.61/USD
No. of shares for Q3'07: 878.79 m

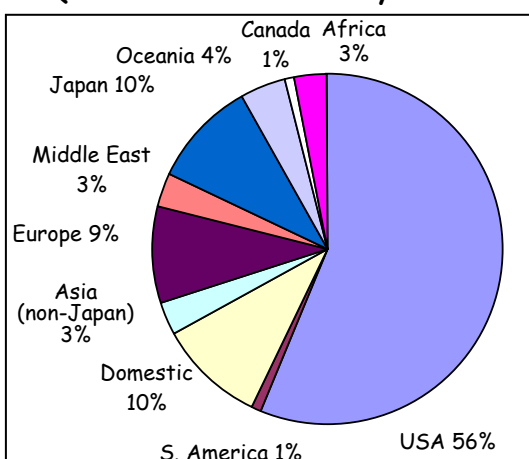
Compared with the exceptionally strong Q3'06, net income in Q3'07 dropped 34% YoY to Bt422 m due to a higher proportion of sales from high margin products a year ago, the stronger Thai baht, historic high oil and raw material prices in the current quarter. The quarterly performance was nevertheless considered resilient especially when gross and operating profits/margins, as well as EBITDA, actually improved from Q2'07. With the new investment in a fishing fleet during the quarter, we can now partially secure our fish supply and take advantage of the lower import duties provided by JTEPA. As the first shipment of catch arrived at Bangkok in early November, we expect more positive contribution from this venture in 4Q07 and onward.

Other seafood and cephalopod driving sales growth Consolidated sales in US\$ term rose 3.6% YoY. Due to temporary raw material shortage, tuna sales in US dollar term only edged up by 2.7% YoY while shrimp sales grew 2.8% YoY. But, sales of both cephalopod and other seafood items continued to expand from last quarter, up 42.4% YoY and 27.6% YoY respectively.

Q3'07 Sales Breakdown by Product



Q3'07 Sales Breakdown by Market



PERFORMANCE (Bt million)

Consolidated	Q3'07	%	Q3'06	%
Sales	13,723.6	100.00	14,635.9	100.00
Cost of goods sold	11,883.7	86.59	12,282.2	83.92
Gross profit	1,839.9	13.41	2,353.7	16.08
SG & A	1,229.6	8.96	1,441.4	9.85
Forex loss	0.0	0.00	0.0	0.00
Operating profit	610.3	4.45	912.3	6.23
Interest income	3.2	0.02	1.7	0.01
Equity income from associates	1.9	0.01	4.0	0.03
Other income	65.2	0.48	108.9	0.74
EBIT	680.6	4.96	1,026.9	7.02
Interest expenses	145.6	1.06	154.8	1.06
Income tax / (credit)	58.7	0.43	107.1	0.73
Net income before MI	476.3	3.47	765.0	5.23
Minority interests	53.9	0.39	129.6	0.89
Net Profit	422.4	3.08	635.4	4.34
Earnings per share (Bt)	0.48		0.73	

EBITDA			
	Q3'07	9mth'07	2006
EBITDA (Bt m)	928	2,848	3,928
EBITDA(US\$ m)	27	82	104
Avg. Bt / US\$	34.08	34.67	37.76

	9M'07	9M'06	%Chg
Sales	40,254	41,543	-3.10
Gross Profit	5,515	6,404	-13.88
S,G&A Exp.	3,797	4,479	-15.23
FX Loss	-	-	-
Operating Profit	1,718	1,925	-10.75
Other Incomes	433	328	+32.01
EBIT	2,151	2,253	-4.53
Interest Exp.	409	440	-7.05
EBT	1,742	1,813	-3.92
Tax / (Tax credit)	207	163	+26.99
Minority Interests	155	259	-40.15
Net Profit	1,380	1,391	-0.79
Avg. Bt / US\$	34.7	38.2	-9.16

Fast rising tuna prices and strong baht keeping pressure on sales and margins Sales in US\$ term edged up 3.6% YoY, but declined by 6.1% YoY in Thai baht. Although the exchange rate stayed stable during the quarter, the Thai baht was 9.4% stronger than a year ago. Moreover, tuna raw material prices made new highs earlier in the quarter and peaked slightly above US\$1600/ metric ton in early August (up 60% from late last year). Thanks to improved catching since late August, prices retreated and stabilized in the range of US\$1,400-1,500. Although cost-plus pricing continued to work for us, dramatic cost increases did put pressure on our margins. Further, tuna shortage (which led to a rapid price hike) temporarily disrupted our production and sales in Q3'07.

Cost cutting and efficiency improvement sustaining margins Despite tremendous cost pressure, we responded with continual cost cutting measures and efficiency improvement schemes like in the past few quarters. As it showed in our result, we managed to sustain our gross profit and margin and even further improve our operating margin from Q2'07. Equally important, we achieved EBITDA (Bt928 m) which was higher than the previous quarter.

Investment in tuna fishing fleet We invested in a tuna fishing fleet (4 purse-seiners + 1 scouting vessel) through our major subsidiary Thai Union Manufacturing during the quarter at a cost of US\$41.5 m with an expected payback period of 8 years. The fleet is currently operating in the Indian Ocean with an estimated catch of 25,000 tons per year. That would account for about 8% of the annual fish requirement of our group. The objective of this investment is two-fold: 1) securing supply of fish; 2) taking advantage of lower import duties by complying with the rule of origin requirements in various trade agreements, namely Japan-Thailand Economic Partnership Agreement (JTEPA) and the EU's Generalized System of Preference (GSP) privilege on Thai canned tuna imports. All existing crew and management would stay on and continue to work for us and our first catch (about 1,800 tons) after change of ownership has just landed Bangkok in early November.

QUARTERLY PERFORMANCE (Bt million)										
Consolidated	Q3'07	%	Q2'07	%	Q1'07	%	Q4'06	%	Q3'06	%
Sales	13,723.6	100.00	13,728.4	100.00	12,801.5	100.00	13,495.6	100.00	14,635.9	100.00
Cost of goods sold	11,883.7	86.59	11,897.6	86.66	10,957.1	85.59	11,484.7	85.10	12,282.2	83.92
Gross profit	1,839.9	13.41	1,830.8	13.34	1,844.4	14.41	2,010.9	14.90	2,353.7	16.08
SG & A	1,229.6	8.96	1,286.1	9.37	1,294.0	10.11	1,342.5	9.95	1,441.4	9.85
FOREX loss	-	-	-	-	-	-	-	-	-	-
Operating profit	610.3	4.45	544.7	3.97	550.4	4.30	668.4	4.95	912.3	6.23
Interest income	3.2	0.02	7.0	0.05	2.4	0.01	4.0	0.03	1.7	0.01
Equity income from associates	1.9	0.01	0.3	0.00	3.4	0.03	0.2	0.00	4.0	0.03
Other incomes	65.2	0.48	142.2	1.04	220.3	1.72	72.9	0.54	108.9	0.74
EBIT	680.6	4.96	694.2	5.06	776.5	6.06	745.5	5.52	1,026.9	7.02
Interest expenses	145.6	1.06	135.3	0.99	127.9	1.00	169.3	1.25	154.8	1.06
Income tax/ (Tax Credit)	58.7	0.43	80.8	0.59	67.1	0.52	(30.0)	(0.22)	107.1	0.73
Income before MI	476.3	3.47	478.1	3.48	581.5	4.54	606.2	4.49	765.0	5.23
Minority interests	53.9	0.39	47.9	0.35	53.8	0.42	98.7	0.73	129.6	0.89
Net Profit	422.4	3.08	430.2	3.13	527.7	4.12	507.5	3.76	635.4	4.34
Earnings per share (Bt) (as of par 1 baht per share)	0.48		0.49		0.60		0.58		0.73	

SHARE CAPITAL INFORMATION

PRICE (9/11/2007)	: B+23.50
Historical price	: High 25.25
(last 6 months)	Low 22.50
No. of Shares	: 878.79 m
Market Capitalization	: B+20.7 bn
	(US\$607 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.

	Q3'07	2006	2005
Current Ratio (X)	1.82	2.06	1.86
Gearing Ratio (X)*	1.20	0.95	1.11
Debt-to-Equity (X)**	0.88	0.66	0.75
Inventory Turnover(days)	99	93	90
Collection Period (days)	37	36	34
Payment Period (days)	18	17	17
GP Margin (%)	13.41	15.30	15.52
NP Margin (%)***	3.06	3.54	3.86
ROAA (%)	#2.33	11.16	11.58
ROAE (%)	#3.34	15.84	18.54
Times IR Earned (X)	4.67	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 3.6% YoY to US\$403.3 m from US\$389.2 m while sales in baht term dropped by 6.1% YoY to B+13,724 m from B+14,636 m. Thai baht appreciated by 9.4% from a year ago when the average exchange rate for Q3'07 was B+34.08/US\$. Compared with Q2'07, quarterly sales increased by 1.8% in dollar term but flat in baht term, mainly due to the seasonal factor and continual, though subdued, appreciation of Thai baht during Q3'07. The average exchange rate in Q2'07 was B+34.64/US\$. The continual sales growth was largely contributed by canned seafood, cephalopod and tuna products. During the period, the total volume (excluding shrimp feed and domestic products) in terms of tonnage was down by 4.1% YoY. Prices were essentially adjusted upward to match the rising costs. Our operating margin was lower than that of the same period last year mainly due to an exceptionally strong 3Q06 which witnessed shipments of a higher proportion of high margin products and less cost pressure from raw material costs, oil prices and Thai baht strength. Despite these, we managed to improve our gross and operating margins from last quarter, thanks to efficiency improvement, proactive cost savings measures and timely adjustments of selling prices.

- Tuna sales (canned and loin) in US dollar term grew 2.7% YoY but declined by 3.8% QoQ during the quarter. Meanwhile, sales volume (ton) was also down 2.6% YoY and 10.8% QoQ. Despite improved production efficiency, an acute shortage of tuna raw materials (mainly caused by poor catching in all fishing grounds) during the quarter temporarily held up our production and shipments. With the tuna shortage situation starting to recede, we nevertheless expect our tuna production and sales to recover in the fourth quarter.

Canned tuna sales to the US (including contribution from COSI) sustained at a stable level while COSI also reported stable sales. Among all other markets, the Middle East and Australia nevertheless showed healthy growth on a relative term. Currently, the US remains our largest market, accounting for as much as 60% of our total canned tuna sales.

The average price of frozen whole round skipjack tuna (Bangkok landings/WPO) in Q3'07 (US\$1,453/metric ton) surpassed the historical high and setting the new record at around US\$1,600 in early August, which was much higher than a year ago (US\$905/metric ton). The WPO price has been moving in parallel with that of the Eastern Pacific Ocean (EPO). Nevertheless, the price was generally lower there. The average EPO price for the period was US\$1,600/ metric ton. In Q3'07, tuna prices continued the uptrend since the previous quarter and accelerated in late July. The fast rising oil price and persistent poor catching (a result of the higher sea surface temperature and erratic weather) are believed to be the causes to blame. Tuna prices however started to weaken going into the fourth quarter thanks to improved catching in all oceans. The price declined and stabilized at the US\$1,400-1,500 range.

- Shrimp sales in dollar term rose by 2.8% YoY and up 14.7% QoQ to US\$86.7 m while volume was flat from last year (but up 13.6% QoQ) to 9,812 tons during the quarter. The increase was partly thanks to increased exports, especially to Japan where typically required higher value-added products, and continual sales growth at Chicken of the Sea Frozen Food.

Shrimp sales to the US (including contribution from Empress and Chicken of the Sea Frozen Food) stayed flat from last year but up from last quarter due to the seasonal factor while sales to Japan showed promising growth. There are also signs that we can now penetrate the EU market better than before.

With respect to domestic prices, the price of white shrimp (60 counts/kg) recovered sharply after reaching a historic low in June. It rose from B+87/kg in April to B+119/kg in October. The average for Q3'07 was B+97/kg. Going into the cooler season in Thailand, local shrimp supply will decrease as a result of less cultivation. Therefore, shrimp price should sustain at the current level for now.

- Cost of goods sold in Q3'07 was 86.59% of sales, up from 83.92% in Q3'06 but down from 86.66% in Q2'07. In other words, gross margin for the quarter was depressed to 13.41%. Strong Thai baht and historic high tuna raw material prices continued to put pressure on gross margin. The higher proportion of cephalopod and canned seafood sales during the quarter could not, however, compensate for lost gross profit contribution as a result of lower pet food and shrimp feed sales from a year ago.

- SG&A expenses were Bt1,229.6 m or 8.96% of sales in Q3'07, which was lower than Bt1,441.4 m (9.85% of sales) in Q3'06 and Bt1,286.1 m (9.37% of sales) reported in Q2'07. The YoY decline (as % of sales) was largely a result of our continual efforts to lower shipping and handling expenses and cut advertising and promotional expenses plus absence of M&A expenses.

- FOREX gain (realized and unrealized) from current dollar-denominated assets and currency forward contracts for the quarter was Bt7 m. This was largely a result of our long term hedging policy of minimizing the currency impact on our financial performance. Thai baht continued to strengthen, though at a slow and steady rate, from last quarter. The average exchange rate for the quarter was Bt34.08/US\$. In other words, Thai baht appreciated by 1.6% QoQ and 9.4% YoY respectively.

- Equity income from associated companies in Q3'07 was Bt1.9 m, which was lower than a year ago (Bt4.0 m).

- Other incomes (incl. interest income) in Q3'07 were Bt68.4 m (including FX gain of Bt7 m) vs. Bt110.6 m in Q3'06. Less other income was mainly due to a smaller FX gain.

- Corporate income tax of Q3'07 was Bt58.7 m, representing an effective tax rate of 11.0%, lower than 12.3% in Q3'06. 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 9 months was 10.2%.

- Interest expenses of Q3'07 was Bt145.6 m, lower than Bt154.8 m in Q3'06, thanks to declining Thai and US interest rates. However, with increased borrowings as a result of higher inventory level and the investment in the tuna fishing fleet, interest expenses were slightly higher than Q2'07.

- Net income for Q3'07 was Bt422.4 m, down 33.5% YoY and 1.8% QoQ. Net margin was 3.06%, lower than 4.31% in Q3'06 and 3.10% in Q2'07. The strong Thai baht, the historic high fish and lower other income collectively contributed to a lower net profit and margin. Quarterly EPS was Bt0.48.

- Inventory turnover rate was 99 days in Q3'07, compared with 93 days for the year of 2006. The temporary increase in inventory, which also led to higher working capital, was primarily a result of pro-active raw material procurement and intentional buildup of finished goods prepared for production and sales in the hectic final quarter.

- Account receivables turnover rate was 37 days in Q3'07, compared with 36 days for the year of 2006.

- Debt-to-Equity ratio rose to 0.88x in Q3'07 from 0.65x in Q2'07 due to the investment in the fishing fleet and a temporary increase in working capital needs as a result of expected high.

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.
1998 Issued 10 m new shares for a private placement
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 US partners
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 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 Invested in Century Trading (Shanghai) - a JV to market branded canned tuna in China
2006 Set up Chicken of the Sea Frozen Food to market branded frozen seafood
2007 Started a venture in developing shrimp brood stock. Acquired an Indian Ocean-based tuna fishing fleet

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)

	9m'07	2006	2005	2004
Net Profit	1,380.3	1,960.6	2,082.4	1,932.9
Depreciation & Amortization	696.7	855.1	820.3	710.7
Net Cash from Operating Activities	(286.5)	1,885.4	1,732.2	760.3
Net Cash from Investing Activities	(2,234.2)	(1,496.9)	(1,018.1)	(1,540.1)
Net Cash from Financing Activities	2,351.9	(595.5)	(424.4)	819.5
Effect of FX change on cash and cash equivalents	68.6	101.9	(175.8)	14.8
Net Inc/(Dec) in Cash	(100.2)	(105.1)	113.9	54.6

BALANCE SHEET (Bt million)

	Q3'07	2006	2005	2004
Current Assets	20,941.3	18,454.9	18,803.2	15,943.3
Investment	352.1	314.4	327.2	250.7
Fixed & Other Assets	9,727.3	8,366.3	7,863.4	7,756.2
Total Assets	31,020.7	27,135.6	26,993.8	23,950.2
Current Liabilities	11,512.4	8,946.0	10,119.4	8,451.7
Non-Current Liabilities	5,411.3	4,086.5	4,054.2	3,665.4
Total Liabilities	16,923.7	13,032.5	14,173.6	12,117.1
Minorities' Interests	1,454.3	1,454.9	1,124.9	1,127.4
Shareholders' Equity	12,642.7	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

