



Thai Union Frozen Products

TUF

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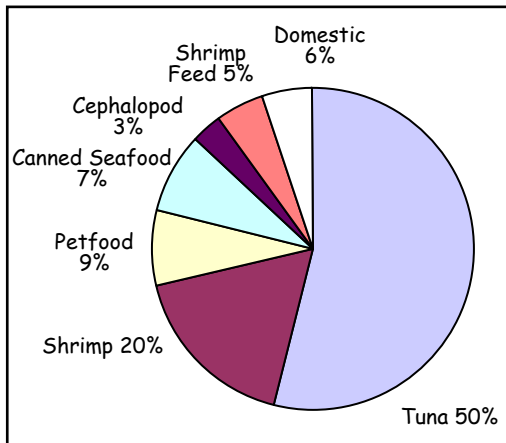
Feb. 27, 2007

Increase/(decrease)	YOY	
	Q4'06	2006
• Net profit	12%	(6%)
• Baht sales	(4%)	3%
• Dollar sales	8%	10%
• Debt-to-Equity ratio: 0.65x		
• Q4'2006 EBITDA: B+964.5 m		
• 2006 EBITDA: B+3,914.8 m		

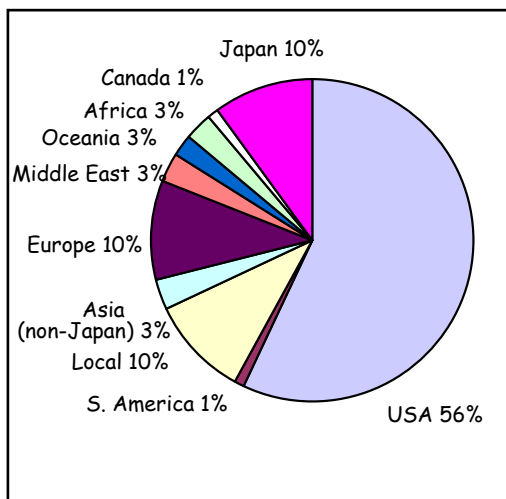
Exch. Rate as of Dec
29'06: B+36.05/USD

Avg. Exch. Rate for Q4'06: B+36.36/USD
Avg. Exch. Rate for Q4'05: B+40.92/USD
Avg. Exch. Rate for 2006: B+37.76/USD
Avg. Exch. Rate for 2005: B+40.32/USD
No. of shares for Q4'06: 874.06 m
W.A. no. of shares 2005: 871.68 m

2006 Sales Breakdown by Product



2006 Sales Breakdown by Market



2006 was another challenging and eventful year. The unfavorable operating environment (the rising interest rates, the strengthening and volatile Thai baht, increased costs as a result of the global oil price hike) put pressure on our margins. The quarterly results fluctuated with the volatile Bt/USD rate. Thanks to persistent drive for cost reduction and market expansion, we managed to survive with minimal damage. Without non-recurring M & A expenses (Bt 108 m), we should have ended the year with net profit (Bt 2,068 m = Bt 1,960 m + Bt 108 m), near that of 2005. Sales in dollar term grew 9.5% YoY to US\$ 1,457 m (up 2.6% YoY in Thai baht term to Bt 55,038 m). EBITDA increased by 3.7% YoY to Bt 3,914 m, which was the highest level ever. Cash flows from operations also improved from last year.

Q4'06 review: Sales in dollar term rose 8.1% YoY to US\$ 371 m (down 3.9% YoY in baht term to Bt 13,495.6 m) but net profit surged by 12.1% YoY to Bt 507.5 m. The result could have been better if Thai baht did not appreciate too quickly. The currency became more stable since Thai government's capital inflow control on Dec. 19, 2006.

PERFORMANCE (Bt million)				
Consolidated	2006	%	2005	%
Sales	55,038.6	100.00	53,643.5	100.00
Cost of goods sold	46,617.3	84.70	45,312.6	84.47
Gross profit	8,421.3	15.30	8,330.9	15.53
SG & A	5,767.4	10.48	5,749.8	10.72
Forex loss	-	-	-	-
Operating profit	2,653.9	4.82	2,581.1	4.81
Interest income	6.5	0.01	3.5	0.01
Equity income from associates	18.0	0.03	34.6	0.06
Other income	381.3	0.69	335.4	0.63
EBIT	3,059.7	5.56	2,954.6	5.51
Interest expenses	608.2	1.11	360.5	0.67
Income tax / (credit)	133.3	0.24	282.2	0.53
Net income before MI	2,318.2	4.21	2,311.9	4.31
Minority interests	357.6	0.65	229.5	0.43
Net Profit	1,960.6	3.56	2,082.4	3.88
Earnings per share (Bt)	2.25		2.40	

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EBITDA			
	2006	2005	2004
EBITDA (Bt m)	3,915	3,775	3,133
EBITDA (US\$ m)	104	94	78
Avg. exch. rate	37.76	40.32	40.34

New Thai accounting standard (TAS):

The Federation of Thai Accounting Profession recently issued **TAS 44** "Consolidation Financial Statements and Accounting for Investments in Subsidiaries" requiring all Thai firms to produce their unconsolidated financial statements under the cost method, instead of the currently used equity method, starting 2007. Essentially, only dividends received from subsidiaries will be recorded as incomes to the parent firm's unconsolidated statements. Firms will have to submit both consolidated and unconsolidated statements. The goal, in line with IFRS objective, is to disclose more information about the parent firm. Should TUF adopt this in 2006, our unconsolidated net profit and net worth would have been adjusted downward by **Bt 722 m** and **Bt 4,450 m** (cumulative profits of subs. not paid as dividends to TUF) respectively. This new reporting requirement will have no impact on our cash flows.

Shrimp related products and pet food driving growth Despite the strengthening Thai baht, sales of shrimp, shrimp feed and pet food in dollar term continued to thrive in 4Q'06, surging 31.7%, 51.2% (33.6% in baht term) and 6% from a year ago respectively. In 2006, overall sales of petfood, shrimp and shrimp feed in dollar term grew 34.4%, 18.0%, 24.1% (15.9% in baht term) from 2005.

Sharp appreciation of Thai baht hurting margins Operating margin dropped from 6.60% in Q3'06 to 4.95%, partly due to the sharp appreciation of Thai baht. During Q4'06, the exchange rate moved from Bt 37.54/US\$ to Bt 36.03/US\$. Thai baht generally appreciated (vs. US\$) by 12.2% in 2006.

Higher interest expenses, non-recurring M&A expenses dragging 2006 performance During 2006, our effective interest rate increased by 250 basis points from the previous year owing to Bank of Thailand and US Fed's aggressive rate hikes earlier in the year. Therefore interest expenses were Bt 248 m higher than last year though the average debt balance was at about the same level. In addition, legal and due diligence fees for the 5-year US\$ 100 m syndicated loan (launched in Mar 2006) and an overseas M&A project amounting to Bt 108 m also hit our bottom line.

Highest ever EBITDA and improved operating cash flows EBITDA in Q4'06 (Bt 964.5 m) rose 13.4% YoY thanks to improved margins. On a yearly basis, we attained the highest ever EBITDA (Bt 3,915 m), up 3.7% YoY. Despite lower net profit, operating cash flows improved from 2005.

Recent Development:

Australian potential ban on Thai shrimp imports Shrimp farmers from Queensland have urged the state government to draw up measures to protect them from imported shrimps, including those from Thailand, by claiming that Thai shrimp carry a virus which could harm consumers. Regardless of the outcome, the impact will be minimal to us as Australia accounted for less than 1% of shrimp sales of our group.

QUARTERLY PERFORMANCE (Bt million)

Consolidated	Q4'06	%	Q3'06	%	Q2'06	%	Q1'06	%	Q4'05	%
Sales	13,495.6	100.00	14,637.0	100.00	13,185.3	100.00	13,720.6	100.00	14,044.5	100.00
Cost of goods sold	11,484.7	85.10	12,231.6	83.57	11,277.6	85.53	11,614.3	84.65	12,058.2	85.86
Gross profit	2,010.9	14.90	2,405.4	16.43	1,907.7	14.47	2,106.3	15.35	1,986.3	14.14
SG & A	1,342.5	9.95	1,438.7	9.83	1,435.2	10.88	1,560.0	11.37	1,479.4	10.53
FOREX loss	-	-	-	-	10.1	0.08	-	-	7.3	0.05
Operating profit	668.4	4.95	966.7	6.60	462.4	3.51	546.3	3.98	499.6	3.56
Interest income	4.0	0.03	1.7	0.01	0.5	0.00	0.3	0.00	0.8	0.01
Equity income from associates	0.2	0.00	4.0	0.03	4.8	0.04	9.0	0.07	4.9	0.03
Other incomes	72.9	0.54	108.7	0.74	68.5	0.52	141.2	1.03	127.5	0.91
EBIT	745.5	5.52	1,081.1	7.40	536.2	4.07	696.8	5.08	632.8	4.51
Interest expenses	169.3	1.25	166.9	1.10	144.5	1.10	127.5	0.93	117.9	0.84
Income tax/ (Tax Credit)	(30.0)	(0.22)	107.1	0.73	(25.9)	(0.20)	82.1	0.60	42.5	0.30
Income before MI	606.2	4.49	807.1	5.57	417.6	3.17	487.2	3.55	472.4	3.36
Minority interests	98.7	0.73	129.6	0.89	74.9	0.57	54.4	0.43	19.7	0.14
Net Profit	507.5	3.76	677.5	4.63	342.7	2.60	432.8	3.12	452.7	3.22
Earnings per share (Bt)	0.58		0.78		0.39		0.50		0.52	
<i>(as of par 1 baht per share)</i>										

SHARE CAPITAL INFORMATION

PRICE (26/2/2007)	: Bt23.60
Historical price	: High 27.00
(last 6 months)	: Low 22.00
No. of Share	: 874.06 m
Market Capitalization	: Bt20.6 bn (US\$ 561 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.

	2006	2005	2004
Current Ratio (X)	2.06	1.86	1.90
Gearing Ratio (X)*	0.92	1.11	1.02
Debt-to-Equity (X)**	0.65	0.75	0.73
Inventory Turnover(days)	93	90	90
Collection Period (days)	36	34	29
Payment Period (days)	17	17	16
GP Margin (%)	15.30	15.5 2	15.34
NP Margin (%)***	3.54	3.86	4.11
ROAE (%)	16.11	18.5 4	18.67
Times IR Earned (X)	5.03	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

#un-annualized

Financial analysis

Consolidated quarterly sales in dollar term rose 8.1% YoY to US\$ 371.0 m from US\$ 343.2 m while sales in baht term dropped by 3.9% YoY to Bt 13,495.6 m from Bt 14,044.5 m. In comparison with Q3'06, quarterly sales dropped by 4.7% in dollar term and 7.8% in baht term. During the quarter, Thai baht strengthened against US dollar significantly only until December 19 when the Thai government imposed the foreign capital control measure capping the inflow of US dollar into the Thai market. Since then, the exchange rate hovered in the 35.5-36.0/US\$ range. The average exchange rate for the quarter was 36.36/US\$, 3.4% appreciation from Bt 37.61/US\$ in Q3'06.

Shrimp and shrimp feed products contributed to a big chunk of the YoY growth in group sales during the quarter while pet food sales continued to thrive. These products were also primary sales growth drivers in the past whole year. Price adjustments and proactive cost reduction are the key measures used to protect margins and ensure profitability.

Tuna sales (canned and loin) in US dollar term stayed flat at US\$ 179.6 m during Q4'06, compared with US\$ 179.1 m (Q4'05) and US\$ 185.4 m (Q3'06). Meanwhile, sales volume (ton) was down by 5.1% YoY, but up 1.5% QoQ. The surging Thai baht and cost inflation (indirectly led by the global oil price hike), required us to adjust prices constantly. In 2006, yearly tuna sales increased by 2.7% YoY to reach US\$ 724.4 m. On the other hand, sales volume decreased by 2.3% YoY. Besides strong Thai baht, the volume decline was partly a consequence of the lackluster US canned tuna market and the higher tuna prices. The lackluster market was caused by US consumers' confusion about the highly publicized (but unfounded) mercury scare and successive price increases. However, our subsidiary COSI remained profitable. Our sales to European and African markets in fact showed promising growth.

The average tuna raw material price (frozen whole round skipjack, Bangkok landings/WPO) in Q4'06 was US\$ 928/metric ton, higher than US\$ 757/metric ton a year ago, which was also slightly higher than US\$ 905/metric ton in 3Q06. We believe that this significant price difference was caused by the currently higher oil price level and good tuna catching a year earlier. In general, prices in EPO moved in the same direction with those in WPO. Tuna prices were relatively stable throughout 2006 with the average price at US\$ 910/ metric ton vs. US\$ 852/ metric ton in 2005. During Q1'07, tuna prices stay near US\$ 1,000/ metric ton.

- Shrimp sales in dollar term surged by 31.7% YoY but down 4.1% QoQ to US\$ 81.0 m while volume up by 18.1% YoY (but down by 8.4% QoQ) to 9,015 tons during the quarter. In the past year, shrimp sales in dollar term rose 18.0% YoY while volume was up 3.5% YoY. Higher selling prices reflected the fact that a higher proportion of value-added products were shipped. The improved performance was partly thanks to our entrenched distribution network in the US and the establishment of Chicken of the Sea Frozen Foods since last April. Moreover, sales and operating performance at Empress and Thai plants continued to improve and were profitable.

According to a FAO report (Dec. 2006), despite the current anti-dumping duty, Thailand remained the main shrimp supplier to the US in 2006 with 32.6% volume share, followed by China (11.3%), Indonesia (10.9%) and Ecuador (10.5%) with headless shell-on frozen shrimp as the largest category.

With respect to domestic prices, the wholesale price of white shrimp (60 counts/kg) stayed stable at Bt 120 during October and November, then declined to Bt 109 in December, probably a result of reduced demand from factories during the holiday season. So far, the prices remained stable going into 2007. The average for Q4'06 stayed at Bt 116/kg, compared with the average of Bt 142/kg in Q4'05 when the market was hyped up by the prospect of increasing shrimp exports to the EU thanks to the renewed GSP privileges.

- Cost of goods sold in 4Q06 was 85.10%, down slightly from 85.86% in Q4'05 but up from 83.57% in Q3'06. The gross margin (14.90%) therefore improved from a year ago, but decreased from last quarter. The quarterly drop was mainly caused by 1) the fast-appreciating and fluctuating Thai baht and 2) lower pet food sales during the period. The overall gross margin in 2006 was 15.30%, down from 15.53% in the previous year. The decline was attributable to the appreciating Thai baht and higher tuna raw material prices throughout the year.

- SG&A expenses were Bt 1,342.5 m or 9.95% of sales in Q4'06, which were less than Bt 1,479.4 m (10.53% of sales) in Q4'05 and Bt 1,438.7 m (9.83% of sales) in Q3'06. Continual internal cost cutting and reduction of advertising expenses helped to achieve this result. Declining oil prices in late 2006 also helped reduce shipping and transportation expenses.

- FOREX gain (realized and unrealized) from current dollar-denominated assets/ liabilities and currency forward contracts for the quarter was Bt 44.7 m. Thai Baht continued to rise against US dollar through the quarter with an average at Bt 36.36/USD, representing 3.3% appreciation from a quarter ago. During the quarter, the local currency experienced sharp appreciation, hitting its peak at Bt 35.23/ USD on December 15, four days before the Thai government imposed the foreign capital control. Since then, Thai baht stabilized at the Bt35.5-36.0/USD range. The currency strengthened by 12.2% in 2006.

- Equity income from associated companies in Q4'06 was Bt 0.1 m, which was lower than a year ago (Bt 4.9 m).

- Other incomes in Q4'06 were Bt 76.9 m, compared with Bt 127.5 m in Q4'04.

- Corporate income tax credit of Q4'06 was Bt 30 m, thanks to reversal of more than US\$ 1 m tax provision made in our US subsidiaries in Q3'06.

- Net income for Q4'06 was Bt 507.5 m, up 12.1% YoY, but down 25.1% QoQ. Net margin was 3.76%, higher than 3.22% in Q4'05, down from 4.63% in Q3'06. Sharp appreciating Thai baht is the main culprit for the lower margin, which made competitive pricing and cost control difficult. Quarterly EPS was Bt 0.58. Without the impact of the strong currency, higher interest expenses and non-recurring M&A expenses, 2006 could have been a better year than 2005.

- Inventory turnover was 97 days in Q4'06, with the average of 93 days for 2006. Stocking up for a New Year campaign led to a higher inventory level.

- Account receivables turnover rate was 36 days in Q4'06, compared with 34 days in Q3'06, with the average for 2006 at 36 days.

- Debt-to-Equity ratio declined from 0.72x in Q3'06 to 0.65x in Q4'06, thanks to proactive debt reduction on the Thai side.

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.

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)

	2006	2005	2004	2003
Net Profit	1,960.6	2,082.4	1,932.9	2,279.3
Depreciation & Amortization	855.1	820.3	710.7	607.0
Net Cash from Operating Activities	1,885.4	1,732.2	760.3	2,865.8
Net Cash from Investing Activities	(1,496.9)	(1,018.1)	(1,540.1)	(1,710.9)
Net Cash from Financing Activities	(595.5)	(424.4)	819.5	(1,161.1)
Effect of FX change on cash and cash equivalents	101.9	(175.8)	14.8	62.3
Net Inc/(Dec) in Cash	(105.1)	113.9	54.6	56.1

BALANCE SHEET (Bt million)

	2006	2005	2004	2003
Current Assets	18,454.9	18,803.2	15,943.3	13,792.5
Investment	314.4	327.2	250.7	229.0
Fixed & Other Assets	8,366.3	7,863.4	7,756.2	6,665.1
Total Assets	27,135.6	26,993.8	23,950.2	20,686.6
Current Liabilities	8,946.0	12,909.4	8,451.7	6,259.9
Non-Current Liabilities	4,086.5	1,264.2	3,665.4	3,526.7
Total Liabilities	13,032.5	14,173.6	12,117.1	9,786.6
Minorities' Interests	1,454.9	1,124.9	1,127.4	963.4
Shareholders' Equity	12,648.2	11,695.3	10,705.7	9,936.6

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
<i>Dividend payout ratio</i>	<i>50%</i>	<i>50%</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>

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

