Thai Union Frozen Products

Analysts Meeting

Mid year 2011 Review & Outlook

August 9, 2011

Bangkok

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1H-11 Highlights

- **Record sales, record earnings** Q2'11 sales (US dollar term) shot up by 55.3% YoY, setting another new quarterly record (US$ 821 m), breaking the previous one (Q1'11 of US$ 753 m). The existing business (without MWB) grew 14.6% YoY to US$ 606 m while MW Brands business alone also grew 9.6% YoY. For the first 6 months, sales increased by 52.4% YoY to US$ 1,564 m. Without MWB contribution, it should still grow by 14.5% YoY to US$1,176 m, suggesting strong market demand and higher selling prices. Overall Q2 gross margin rose to 17.4% from 14.8% in Q1 as well as 15.6% a year ago. Margin improvement was mainly led by the turnaround performance at Thai shrimp operations and the group's ability to cope with rising raw material prices. In spite of record high interest expenses and higher tax burden, quarterly earnings managed to set a new record of Bt 1,238 m in Q2

- **Improving financial position and record EBITDA** The debt-to-equity ratio declined slightly to 1.58x from 1.65x in Q1.Improved profitability sent EBITDA to a record level (Bt 2,834 m) in Q2, thanks to higher operating margins not seen since 2003. Half year EBITDA reached a new high at Bt 4,656 m, up 45.1% YoY. Continue to look forward to D/E hitting or even dropping below 1.5x by the year end

- **No surprise at MWB** MW Brands continued to deliver its performance as budgeted. MW Brands sales continued to grow in volume and value term. On another front, despite the challenges of high raw material costs and intense competition, the US operations remained profitable

- **Raw material prices hitting peaks** Raw material prices, mainly tuna and shrimp, hit their recent highs during 1H11 due to strong overseas demand upon temporary shortage in form of poor catching or delayed crop harvests. But they are more likely to either stabilize or even weaken in the rest of the year

Growing Thai Seafood Exports in 2011

Seafood export value mainly driven by higher raw material prices

Export Quantity			Kg
Seafood Products	**1H'10**	**1H'11**	**%**
Shrimp & Prawns (Fresh, Chilled & Frozen)	112,044,163	85,509,747	**-23.7%**
Shrimp & Prawns (Prepared / Preserved)	69,340,272	75,384,035	**8.7%**
Canned Tuna	266,673,092	270,102,558	**1.3%**

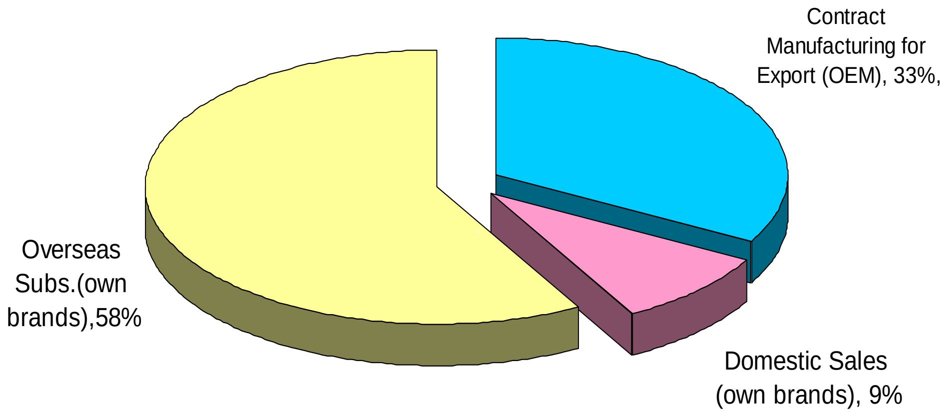
Export Value			US Dollar
Seafood Products	**1H'10**	**1H'11**	**%**
Shrimp & Prawns (Fresh, Chilled & Frozen)	707,458,598	712,639,176	**0.7%**
Shrimp & Prawns (Prepared / Preserved)	548,246,804	733,017,983	**33.7%**
Canned Tuna	804,326,143	973,584,339	**21.0%**

Source: Customs Department of Thailand

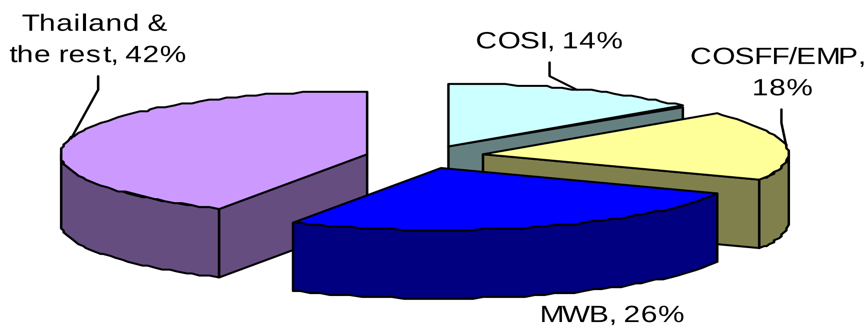
1H-2011 Sales

Own Brands vs. OEM & Sales from Main Subsidiaries

Own Brand vs. Contract Manufacturing



Sales from Main Subsidiaries



Sales: US$ 1,564 m

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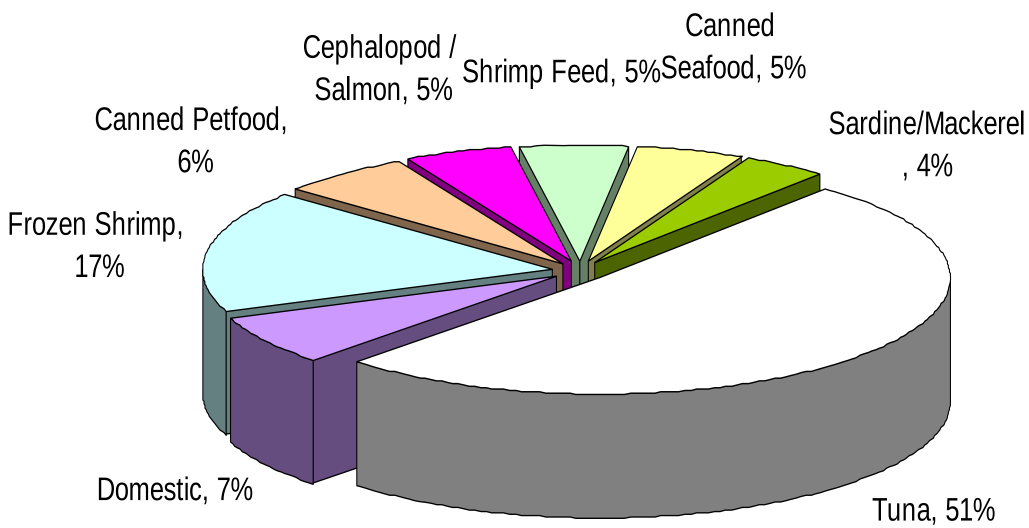
Sales Growth Across All Products (Not Just Tuna)

1H-2011 Consolidated Sales by Product



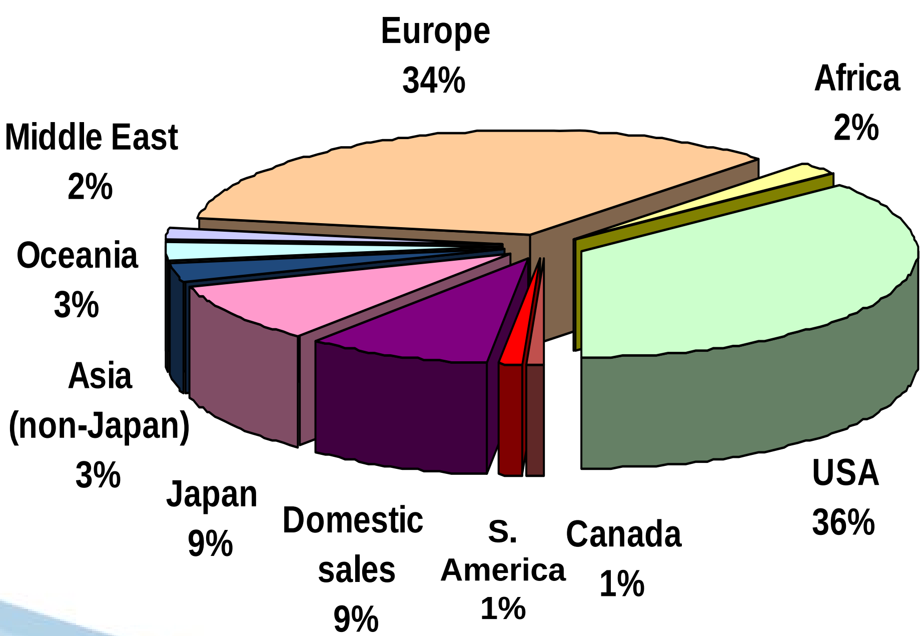
Sales: US$ 1,564 m

- **<u>Group sales +52% YoY</u>**
  (w/o MWB 14.6%)

- Tuna +96%
  (w/o MWB 18.6%)
- Sardine / Mackerel +78%
- Salmon +50%
- Domestic Sales +24.1%
- Cephalopod +24%
- Shrimp +17%
- Other seafood +13%
- Shrimp feed +10%
- Pet food +6%

Europe Becoming TUF's Main Market

1H-2011 Consolidated Sales by Market



Sales: US$ 1,564 m

- Europe +339.2%
- Canada +62.4%
- Oceania +40.3%
- Middle East +29.4%
- Japan +22.3%
- Asia ex-Japan +20.8%
- South America +19.2%
- Domestic +16.3%
- USA +12.3%
- Africa –30.8%

MWB & Organic Growth Driving Record Sales

Bt m	1H-2011	1H-2010	YoY
Sales	47,565	33,421	+42.3%
Sales in US dollar term (US$ 388.5 m from MWB)	1,564	1,026	+52.4%
Gross Profit	7,680	4,908	+56.5%
%sales	16.1%	14.7%	
Operating Profit	3,426	2,063	+66.1%
%sales	7.2%	6.2%	
Add: FX Gain (Loss)	63	306	-79.4%
Add: Other Incomes	309	306	+1.0%
EBIT	3,798	2,675	+42.0%
Less: Financial Expenses	1,134	263	
Net Profit (Bef. Taxes & MI)	2,664	2,413	+10.4%
Less: Tax / (Tax Credit)	326	427	-23.7%
Less: Minority Interests	348	282	+23.4%
Net Profit	1,990	1,704	+16.8%
%sales	4.2%	5.1%	
Avg. Bt / USD	30.41	32.57	App. 6.6 %

Record Earnings Despite Higher Taxes & Int. Exp.

Bt m	Q2'11	Q2'10	YoY	Q1'11	QoQ
Sales	24,859	17,092	+45.4%	22,706	+9.5%
Sales in US dollar term	*821*	*527*	*+55.6%*	*743*	*+10.4%*
Acquisition-related acct. impact (€ m)	-	-	-	120	-
Gross Profit	4,326	2,668	+62.1%	3,355	28.9%
%sales	*17.4%*	*15.6%*		*14.8%*	
Operating Profit	2,157	1,163	+85.5%	1,290	+67.2%
%sales	*8.7%*	*6.8%*		*5.7%*	
Add: FX Gain (Loss)	63	73	-13.7%	(20)	+415%
Add: Other Incomes	172	124	+38.7%	137	+25.5%
EBIT	2,392	1,360	+75.9%	1,407	+70.0%
Less: Financial Expenses	612	129	+374.4%	522	+17.2%
Net Profit (Bef. Taxes & MI)	1,780	1,231	+44.6%	885	+101.1%
Less: Tax / (Tax Credit)	291	203	+43.4%	36	+708.3%
Less: Minority Interests	252	155	+62.6%	96	+162.5%
Net Profit	1,237	873	+41.7%	753	+64.3%
%sales	*4.9%*	*5.1%*		*3.3%*	
Avg. Bt / USD	30.27	32.43	App. 6.7%	30.57	App.1.0%

Record EBITDA in Q2'11 As Margins Improved

	2Q11 Bt m	2Q11 US$ m	1Q11 Bt m	1Q11 US$ m	4Q10 Bt m	4Q10 US$ m	3Q10 Bt m	3Q10 US$ m	2Q10 Bt m	2Q10 US$ m	1Q10 Bt m	1Q10 US$ m
Sales	24,859	821	22,706	743	20,649	687	17,438	554	17,902	529	16,329	498
EBITDA	2,834	93	1,822	60	1,192	40	1,526	48	1,639	51	1,594	49
Depr./ Amort.	443	14	415	14	369	12	282	9	279	9	278	8
Finan. Cost	612	19	522	17	309	10	119	4	118	4	120	4
Corp. Tax	291	9	36	1	69	2	133	4	203	6	224	7
Net Profit	1,238	43	753	25	352	12	817	26	873	27	831	25
EPS (Bt)	1.29		0.79		0.35		0.92		0.99		0.94	
GP (%)	17.4		14.8		11.8		12.5		15.6		13.7	
OP (%)	8.7		5.7		3.1		4.2		6.8		5.5	
NP (%)	4.9		3.3		1.7		4.7		5.1		5.1	
Bt / US$	30.27		30.57		30.05		31.48		32.43		32.82	

Stable Working Cap Turnovers While Lower Gearing Driven By Higher Profitability

	2Q11	1Q11	2010	2009
A/R Turnover (days)	39	39	40	36
Inventory Turnover (days)	97	98	107	108
Gearing Ratio*	2.34x	2.34x	2.22x	0.95x
D/E Ratio**	1.58x	1.65x	1.61x	0.67x
ROAE *(annualized)*	22.9%	14.3%	15.4%	21.8%
ROAA (EBIT/ Avg. Total Assets) *(annualized)*	12.0%	7.4%	8.4%	12.8%

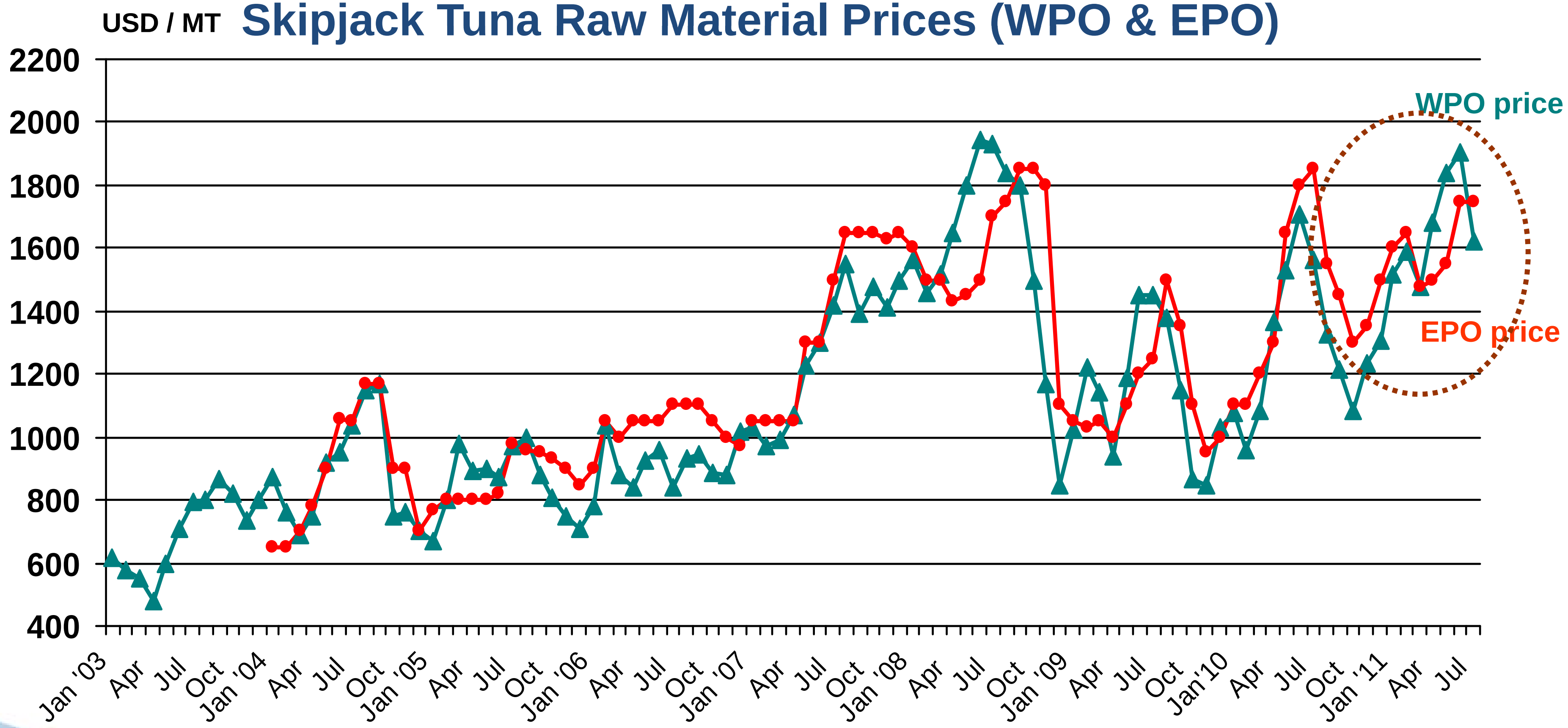
Note: ROA = EBIT / Avg. Total Assets

*Gearing ratio = Total Liab./ Total Equity

**D/E ratio = Interest-bearing debts / Total Equity

Volatile Tuna Prices: A Manageable Challenge

Skipjack Tuna Raw Material Prices (WPO & EPO)

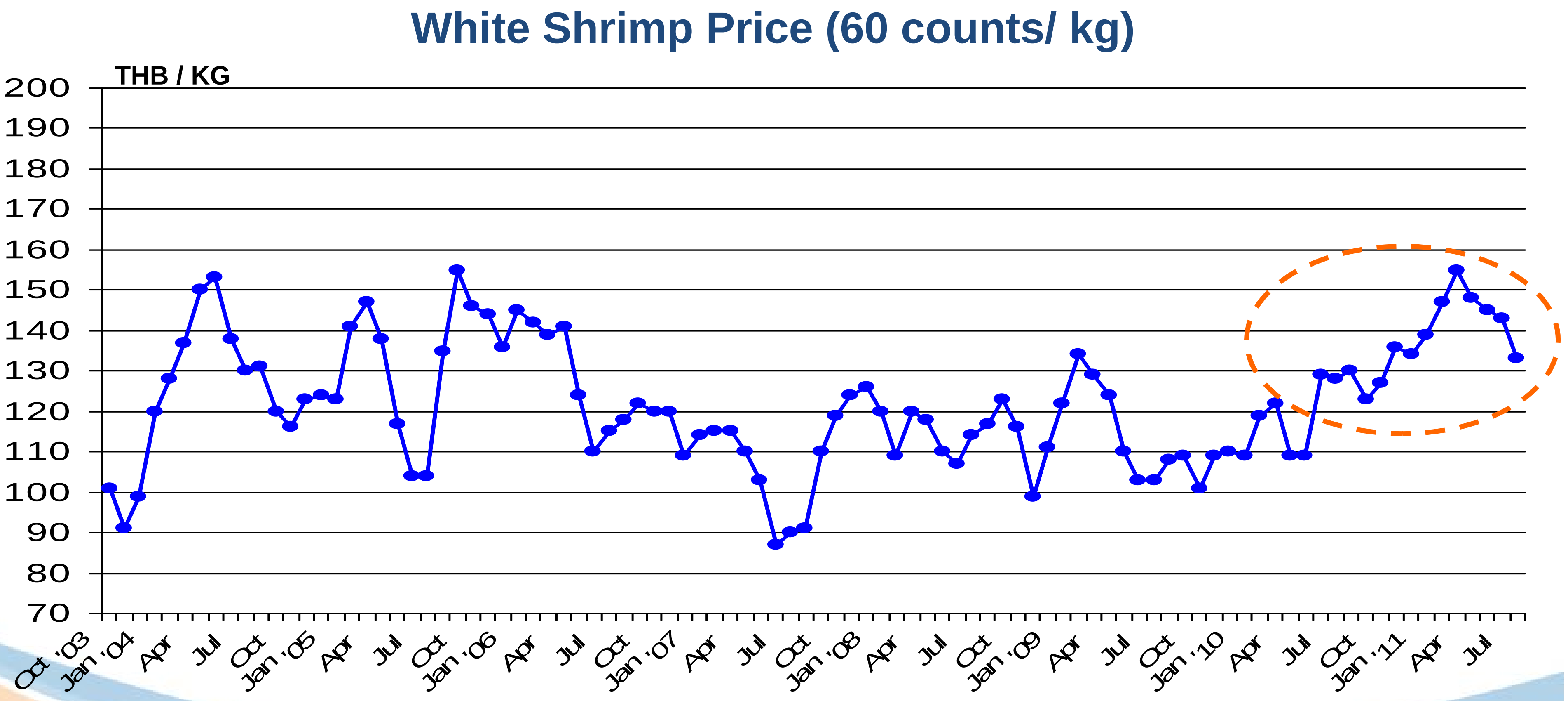


- Current WPO tuna price: US$ 1,680/ metric ton
- Current EPO tuna price: US$ 1,800/ metric ton

2009 WPO Average: US$ 1,141 / metric ton

2010 WPO Average: US$ 1,287 / metric ton

Shorter Orders & Price Adjustments to Cope With High Shrimp Prices

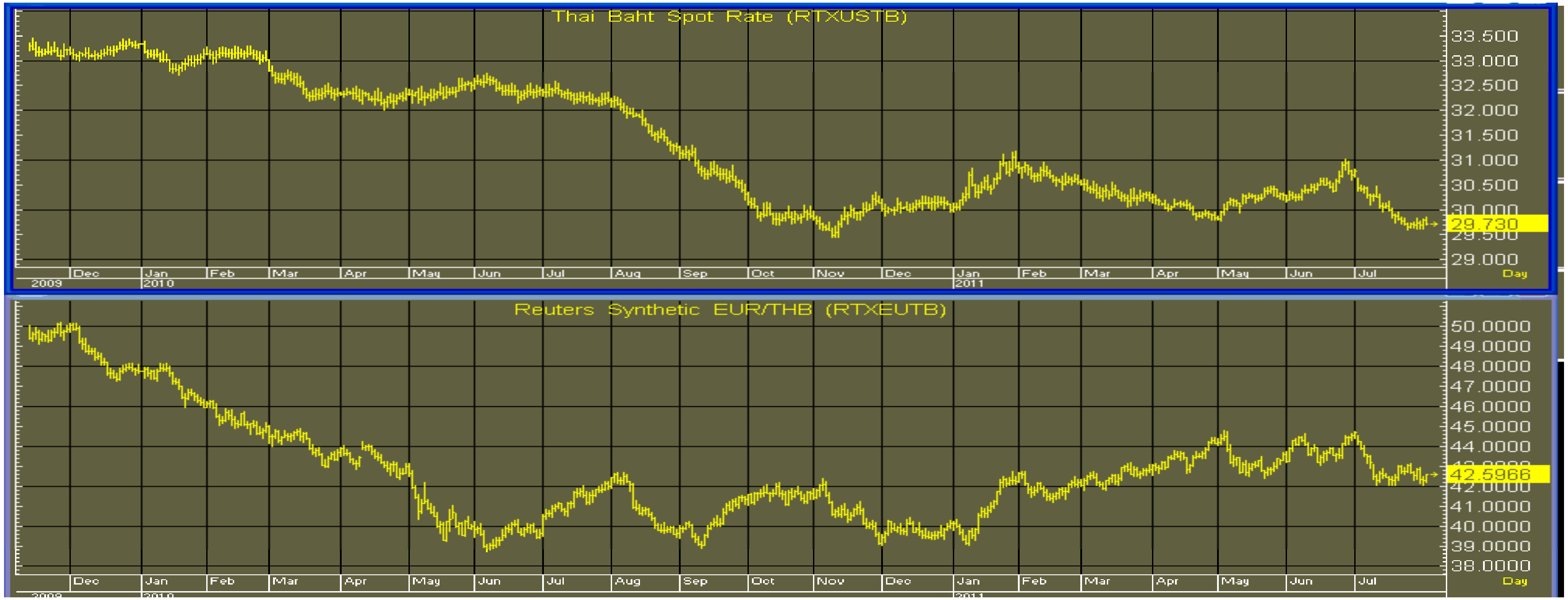


Current shrimp prices: Bt 148 / Kg

2009 Average: Bt 114 / Kg

2010 Average: Bt 123 / Kg

Mixed FX Impact: Baht / USD / Euro



-About **91%** (**65%** US$ and **26%** Euro) of the group's revenues and **67%** of the group's costs are in foreign currencies in 1H-2011. Currency exposure is independently managed by 3 main operating units: Thailand, US and Europe. Currency hedging is used within the Thai and European units while the US unit has a natural hedge given its dollar revenues and cost position

-Given the cost structure of our Thailand operations, weaker Thai baht (vs. USD) would normally benefit us. However, the strengthening of Euro (vs. Thai baht) would also benefit us upon consolidation. Given the current mix where Euro is accounting for as much as 26% of our total revenues, TUF's currency exposure is becoming less straight forward but more balanced after the acquisition.

Update on Overseas Subsidiaries

•**MW Brands** Eight months after the acquisition, the European subsidiary has been operating in line with its budget. Coordination between the firm and Thai operations have been smooth. Sales for the first 6 months have been higher than a year ago thanks to higher volume and prices. Profitability is generally maintained with no major surprises. The business is very stable, though not without pressure from surging tuna raw material prices. It has been able to contain costs and adjust prices in certain segments of the market

•**Chicken of the Sea Frozen Food (COSFF** Domestic US demand has been strong, leading to strong sales of frozen shrimp and pasteurized crab meat products. Sales (in terms of price and volume) during the first half the year were higher than a year ago with better margins.

•**Chicken of the Sea International (COSI)** Sales were higher than the same period last year but margins were under more pressure upon rising tuna raw material prices given the intense competition in the market. The recent selling price adjustment could improve profitability in the rest of the year but cost and competitive pressure will stay high.

Improving Financials Driven By Record Performance

- **Record Quarterly Sales, Earning and EBITDA Leading Improved Cash Flows and Lower Leverage** Sales (US$ 821 m), net profit (Bt 1,238 m) and EBITDA (Bt 2,834 m) reached their respective new highs after a strong, though expected, recovery since Q1. Operating margin was at the highest level since 2003 (it was also a record year then). The EBIT improvement was therefore more than adequate to overcome the burden of higher taxes and interest expenses (related to acquisition debts and rising short term interest rates). For the first 6 months, operating cash flows jumped to Bt 4,402 m, compared with Bt 2,042 m a year ago. D/E ratio fell to 1.58x (from 1.65x in Q1'11) while times interest earned rose to 3.91x and LTM (last 12 months) Debt/EBITDA continued to improve and drop to 5.3x (MWB only consolidated to TUF for 8 months only)

- **Debt Amount Unchanged Short Term Proportion Increased** As of June 30, 2011, interest-bearing debts were worth Bt 38.8 bn, up very slightly from Bt 38.5 bn in Q1'11. As a result, the long term debts have become 69% of our total interest-bearing debts (local and abroad), amounting to Bt 26.6 bn, up from Bt 26.0 bn in Q1'11. By the end of Q2'11, 48% of our total debts were in Thai baht. The average effective interest rate for the group was 6.3% for Q2'11, and 5.9% for the first 6 months.

Successful Refinancing of Bt 9,000 m Worth Acquisition Loans in July

- On July 19, successful refinancing of Bt 9,000 m worth acquisition loans through issuing Thai baht debentures worth Bt 6,750 m and re-negotiation of the terms for the balance

- Upon growing investors' confidence in our acquisition of MW Brands since the deal completion 9 months ago, maturity of majority of our Thai baht debentures (only Bt500 m remaining in June) and a market opportunity to bring our interest burden down, we decided to launch a series of Thai baht debentures worth Bt 6,750 m in July, 2011 to refinance part of our Thai baht loans originally raised for the acquisition last year as well as re-negotiating for improved terms for the balance

- The debentures were of 3-year (Bt 3,300 m@4.51%), 5-year (Bt 1,950 m@4.70%) and 10-year (Bt 1,500 m@5.02%) maturity which were also assigned A+ rating by TRIS Rating. Siam Commercial Bank Public Company Limited, Kasikorn Bank Public Company Limited and Hong Kong and Shanghai Banking Corporation Limited (Bangkok Branch), were appointed as the joint lead underwriters for the debentures

- This was indeed the first time for TUF to issue such a large amount of debentures (last largest outstanding amount was Bt5,200 m) debenture as well as with the longest tenor (10 years). Despite the rising interest rate trend, investors still showed high confidence in our debentures witnessed by a strong response and excessive investor demand on the book-building day when the issues were 1.7 times oversubscribed. We, therefore, decided to increase the issuance size from our initial plan of THB 4,500 million to THB 6,750 million

- Considering all arrangements, we estimated the all-in savings (lower funding cost + gain on interest rate hedging) should be close to 100 basis points on Bt 9,000 m in term of interest cost. No additional debts were issued. The exercise also allowed us to release certain covenants on CAPEX, dividend payment and M&A activities

Latest US Shrimp Anti-Dumping Rate Lowered to 0.73% For Thai Exports

- The US Department of Commerce reduced the anti-dumping rate on Thai shrimp exports to 0.73% upon its 5th period of review (2009 Jan – 2010 Feb)
- In July, 2011, the US Department of Commerce announced the latest final All Others anti-dumping rate for Thai shrimp exports (applicable to TUF) at 0.73% which was even lower than 2.61% in its 4th review. The new rate would be effective until the next round of review. There were 2 Thai firms as mandatory respondents this time with assigned rates of 0.41% and 0.73% respectively
- The rate is very positive given the continual downward trend, allowing Thai shrimp exporters to compete effectively with other major shrimp exporting countries in the US market, though the anti-dumping scheme will continue. Currently, the latest All Others rates for Indian and Vietnamese shrimp exports are 1.69% and 1.52% respectively

Outlook for 2nd Half of 2011

1. Sales should break US$ 3 billion mark by the year end
2. Raw material prices (tuna and shrimp) may have peaked in 1H01 and should be stabilizing in 2H01
3. Financial gearing should drop further as margins improve. Also, cost savings as a result of debt refinancing in July should lower the avg. effective interest rate if short-term interest rates stabilize
4. Expect record annual earnings for 2011 with positive EPS growth in spite of higher taxes and interest expenses. The total annual dividend and CAPEX would be kept at Bt 1.2 billion and Bt 3 billion respectively for the sake of financial discipline that aims for speedy debt repayment
5. US Pet Nutrition would begin test runs in Q3 and commercial run in Q4 but concrete contribution should come only until 2012, boosting pet food sales

Strategy For 2nd Half of 2011

1. Shorten the order term to improve pricing flexibility
2. Maintain margins by timely raw material procurement and selling price adjustments
3. Reap some of expected acquisition synergies at MW Brands as realization projects were launched in the second half of the year
4. Limit dividend and CAPEX to reduce debts and improve financial position
5. Actively manage (hedge against) financial (FX and interest rate) risks and scrutinize cash flows and debt covenants

So, Now Look Forward To…

US$ 4 Billion in 2015

Thank You

www.thaiuniongroup.com