Sub: Explanation of the Company’s performance for 3-month period ended 31st December 2013

To: President
The Stock Exchange of Thailand

Encl: 1 set of report and consolidated financial statements for 3-month period ended 31st December 2013

Thai Rayon Public Company Limited (“the Company”) would like to explain its consolidated financial statements for 3-month period ended 31st December 2013 in comparison with for 3-month period ended 31st December 2012. The details of financial statements are set out in the attached note.

1. **Consolidated income statements for 3-month period ended 31st December 2013 in comparison with 3-month period ended 31st December 2012**

The Company has recorded net loss for 3-month period ended 31st December 2013 of Baht 384 Million compared to net loss of Baht 185 Million of last year, an increase of Baht 199 Million or 107% mainly on account of plant shutdown during strike period from 18th September 2013 to 19th January 2014. The significant changes are as follows:

1) Sales revenues decreased by 35% or Baht 1,031 Million due to the Company’s sales decreased by 85% or Baht 1,942 Million due to decrease in selling price by 14% and sales volume by 89% as a result of plant shutdown during the quarter. The sales of subsidiary increased by 138%

2) Cost of sales decreased by 23% or Baht 608 Million mainly due to the Company’s cost of sales decreased by 74% or Baht 1,546 Million due to decrease in sales as a result of plant shutdown. The subsidiary's cost of sales increased during the period due to increase in sales volume and cost.

3) Selling expenses increased by 17% or Baht 34 Million mainly due to increase in sales of subsidiary during the period. The selling expenses of the Company have reduced due to lower sales.

4) Administrative expenses decreased by 59% or Baht 256 Million mainly due to lower administrative expenses of subsidiary. There were startup/acquisition costs incurred in the last year which are not there in current period.

5) Unallocated production overhead cost incurred during plant shutdown increased by 100% or Baht 188 Million represents the costs incurred during plant shutdown but not allocated to cost of sales in the absence of production activity.
6) The Company recorded gains on exchange of Baht 12 Million compared to gains on exchange of Baht 36 Million in last year, a decrease by 66% or Baht 24 Million mainly due to foreign exchange loss in the Company during the period compared to gain in the previous year. The loss is due to unrealized loss on foreign currency forward contracts due to weakening of Baht against US Dollar at the end of quarter.

7) Share of income (loss) from investments in associated companies under equity method increased by 169% or Baht 112 Million compared to last year due to the improvement in performance of associates.

8) Finance cost increased by 97% or Baht 9 Million due to interest on loans taken by subsidiary company which is included on consolidation of subsidiary’s financial statements. The finance cost of the Company also increased due to temporary loans taken during the period.

9) Income tax income (expenses) increased by 373% or Baht 99 Million due to loss in the Company compared to profit in the previous year.

10) Gains (losses) on change in value of available-for-sale investments increased by 149% or Baht 108 Million due to change in market value of the investment and weakening of Baht against US dollar.

11) Exchange differences on translation of financial statements in foreign currency increased by 265% or Baht 95 Million due to weakening of Baht against currencies of associated companies.

12) Income tax effect decreased by 149% or Baht 22 Million due to increase in translation gains from associates.

13) Excess of cost of investment in subsidiary over the carrying amount of the interest acquired decreased by 100% or Baht 9 Million due to the reversal of loss from associates accounted for in previous years.

As per reasons mentioned above, the loss per share for the 3-month period ended 31st December 2013 is Baht 1.90 compared to loss per share of Baht 0.92 of last year.

2. Statements of financial position as of 31st December 2013 in comparison with as of 31st March 2013

The major changes are as below:

1) Trade and other receivables decreased by 63% or Baht 1,376 Million due to lower sales and sales realization during the period.

2) Assets from forward exchange contracts decreased by 100% or Baht 58 Million due to unrealized loss on foreign exchange forward contracts during the period which is grouped in current liabilities.

3) Other current assets decreased by 74% or Baht 139 Million due to lower VAT receivable and lower prepaid expenses due to charge off as per elapsed policy period.
4) Long term loans to related parties increased by 339% or Baht 496 Million due to loan given to one of the related parties during the period.

5) Deferred tax assets increased by 312% or Baht 80 Million due to deferred tax on unrealized loss on foreign exchange forward contracts and loss for the current period.

6) Other non-current assets increased by 183% or Baht 131 Million due to increase in other long term receivables of the subsidiary.

7) Short-term loans from related party decreased by 100% or Baht 144 Million due to loan repayment during the period.

8) Trade and other payables decreased by 38% or Baht 421 Million due to lower procurement during the quarter from plant shutdown.

9) Income tax payable decreased by 100% or Baht 26 Million due to no income tax liability as a result of loss during the period compared to tax payable at the end of March 2013.

10) Liabilities from forward exchange contracts increased by 100% or Baht 31 Million due to unrealized loss during the period compared to unrealized gain during the previous period.

11) Long-term loan increased by 111% or Baht 239 Million due to additional loan taken by subsidiary during the period.

12) Other long-term provision increased by 21% or Baht 9 Million due to increase in liability for environmental effects of the subsidiary.

13) Other components of shareholders’ equity increased by 424% or Baht 346 Million due to translation gain on financial statements of associated companies due to weakening of Baht against currencies of associated companies.

Shareholders’ equity as of 31st December 2013 amounted to Baht 19,710 Million, decrease by 3% or Baht 526 Million compared to as of 31st March 2013. This is due to loss for the current quarter.

Due to labor strike, the Company has stopped production activities capacity since 18th September 2013. The strike is cancelled since 20th January 2014 after the settlement of negotiation between the Company and labor union, and the Company has started its operations.

Please be informed accordingly.

Yours faithfully,
For THAI RAYON PUBLIC COMPANY LIMITED

Mr. Pramod K Khandelwal
AVP (Finance & Commercial)

CC: Listed Company Department
The Securities and Exchange Commission