

27th May 2014

Sub: Explanation of the Company's performance for the year ended 31st March 2014

To: President
The Stock Exchange of Thailand

Encl: 1 set of report and consolidated financial statements for the year ended 31st March 2014

Thai Rayon Public Company Limited ("the Company") would like to explain its consolidated financial statements for the year ended 31st March 2014 in comparison with for the year ended 31st March 2013. The details of financial statements are set out in the attached note.

1. Consolidated income statements for the year ended 31st March 2014 in comparison with for the year ended 31st March 2013

The Company has recorded net loss for the year ended 31st March 2014 of Baht 967 Million compared to net profit of Baht 75 Million of last year, a decrease of Baht 1,042 Million or 1386% mainly on account of plant shutdown at Angthong during labor strike period from 18th September 2013 to 19th January 2014. The significant changes are as follows:

- 1) Sales revenues increased by 0.04% or Baht 5 Million due to decrease in the Company's sales by 47% or Baht 4,573 Million as a result of decrease in selling price by 13% and sales volume by 42% from plant shutdown during labor strike period. The sales of subsidiary increased by 232%
- 2) Cost of sales increased by 2% or Baht 209 Million mainly due to increase in subsidiary's cost of sales during the period as a result of increase in sales volume and cost of sales. The Company's cost of sales decreased by 41% or Baht 3,618 Million due to decrease in sales from plant shutdown.
- 3) Unallocated production overhead cost incurred during plant shutdown increased by 100% or Baht 240 Million represents the costs incurred during plant shutdown but not allocated to cost of sales in the absence of production activity.
- 4) Selling expenses increased by 91% or Baht 590 Million mainly due to increase in sales of subsidiary (AV Terrace Bay) during the period in line with increase in sales compared to last year. During the year subsidiary had full year of operation and sold 307,258 ADMT of Pulp as compared to 106,185 ADMT in previous year. Due to this, the subsidiary's sales increased from Baht 1,975 Million in 2013 to Baht 6,553 Million in 2014, an increase of 232% as compared to previous year. However, the selling expenses of the Company have reduced due to lower sales.
- 5) Administrative expenses increased by 42% or Baht 154 Million mainly due to higher administrative expenses of a subsidiary.

- 6) Loss on diminution in value of other long-term investment increased by 100% or Baht 97 Million due to provision for decrease in net worth of the investment and doubtful of recovery.
- 7) The Company recorded losses on exchange of Baht 24 Million compared to gains on exchange of Baht 208 Million in last year, a decrease by 112% or Baht 233 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 period.
- 8) Share of income (loss) from investments in associated companies under equity method increased by 803% or Baht 191 Million compared to last year due to improvement in performance of associates.
- 9) Finance cost increased by 142% or Baht 44 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.
- 10) Income tax income (expenses) decreased by 175% or Baht 277 Million due to loss in the Company during the current year compared to profit in the previous year.
- 11) Gains (losses) on change in value of available-for-sale investments increased by 1145% or Baht 51 Million due to change in market value of the investment and weakening of Baht against US dollar.
- 12) Actuarial losses increased by 100% or Baht 2 Million due to change in actuarial valuation of benefits on account of change in assumptions.
- 13) Income tax effect decreased by 1104% or Baht 10 Million due to increase in translation gains from associates.
- 14) Exchange differences on translation of financial statements in foreign currency increased by 267% or Baht 526 Million due to weakening of Baht against currencies of associated companies.
- 15) Excess of cost of investment in subsidiary over the carrying amount of the interest acquired increased 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 year ended 31st March 2014 is Baht 4.80 compared to profit per share of Baht 0.37 of last year.

2. Statements of financial position as of 31st March 2014 in comparison with as of 31st March 2013

The major changes are as below:

- 1) Current investment decreased by 52% or Baht 907 Million due to lower cash inflow as a result of lower sales from labor strike and investment in subsidiary and loan given to one of the associates.
- 2) Trade and other receivables decreased by 22% or Baht 481 Million due to lower sales and sales realization during the period from labor strike.
- 3) 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.
- 4) Other current assets decreased by 71% or Baht 132 Million due to lower VAT receivable and lower prepaid expenses from charge off as per elapsed policy period and decrease in current assets of subsidiary from previous year.
- 5) Long term loans to related parties increased by 330% or Baht 483 Million due to loan given to one of the associates during the period.
- 6) Intangible assets increased by 47% or Baht 3 Million due to additional assets acquired during the year by the subsidiary.
- 7) Deferred tax assets increased by 527% or Baht 135 Million due to deferred tax on unrealized loss on foreign exchange forward contracts and loss for the current period.
- 8) Other non-current assets decreased by 97% or Baht 69 Million due to decrease in other long term receivables of a subsidiary.
- 9) Short-term loans from financial institutions increased by 21% or Baht 450 Million due to higher short term loans taken as per requirement for cash management.
- 10) Short-term loans from related party decreased by 100% or Baht 144 Million due to loan repayment during the period.
- 11) 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.
- 12) Liabilities from forward exchange contracts increased by 100% or Baht 8 Million due to unrealized loss during the period compared to unrealized gain during the previous period.

- 13) Other current liabilities increased by 28% or Baht 18 Million due to increase in payroll liabilities of a subsidiary.
- 14) Long-term loan increased by 100% or Baht 217 Million due to additional loan taken by a subsidiary during the period.
- 15) Other components of shareholders' equity increased by 456% or Baht 372 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 March 2014 amounted to Baht 19,239 Million, decrease by 5% or Baht 996 Million compared to as of 31st March 2013. This is due to loss for the current quarter.

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**