

14 February 2008

Sub: Explanation of TR's performance for the three months ended 31/12/2007

To: Listed Company Department
Stock Exchange of Thailand

Encl: (1) Copy of Financial Statement for the three months ended 31/12/2007
(2) Summary Report

Thai Rayon Public Company Limited ("the Company") would like to report on the operational result of the Company for the first quarter as per the details underneath.

A. Income Statement for the quarter ended 31 December 2007

The Company has recorded a net profit of Baht 886 Million for this quarter as against Baht 519 Million in the same quarter of previous year, an increase by 71 % or Baht 367 Million. The significant changes are as follows:

- (1) Sales Revenues increased by 77% or Baht 1,086 Million due to increase in sales volume by 28% & selling price by 39%.
- (2) The share of profit from investments accounted for under equity method recorded a net income of Baht 144 Million as against Baht 295 Million, which is lower by 51%. The decrease in profits of the associate companies in this quarter is due to decline in their operating performance.
- (3) Export incentive increased by 105% or Baht 13 Million due to higher export sales volume and sales price.
- (4) Other income reduced by 96% or Baht 33 Million mainly due to receipt of Baht 32.6 Million as gain on investment from a company under liquidation in the previous year.
- (5) Cost of sales increased by 40% or Baht 430 Million due to increase in sales volume by 28% and increase in raw material prices of pulp & sulphur.
- (6) Selling & Administrative expenses increased by 56% or Baht 42 Million due to increase in sales volume and increase in export freight rates due to increasing oil prices.
- (7) Interest expenses decreased to Baht 1.5 Million as against Baht 2.6 Million in the same quarter of previous year due to decrease in temporary borrowings for working capital.
- (8) Corporate income tax increased by 76 % or Baht 73 Million due to higher profits.

As per reasons mentioned above, the earnings per share has increased to Baht 4.39 as against Baht 2.57 in the same quarter of previous year.

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B. Balance Sheets as at 31 December 2007, compared to as at 30 September 2007

The major changes are as follows.

- (1) Advance against order to related party for purchasing decreased by 100% or Baht 87 Million due to adjustment of the same against receipt of goods.
- (2) Inventories increased by 22% or Baht 175 Million due to higher stores inventory for the expansion project and higher input prices.
- (3) Input tax refundable increased by 187% or Baht 46 Million due to delay in receipt of refund.
- (4) Interest receivables increased by 60% or Baht 7 Million due to deposits of longer maturity periods.
- (5) Other current assets decreased by 44% or Baht 11 Million due to decrease in prepaid insurance premium and advance payments to suppliers adjusted upon receipt of material.
- (6) Property, plant and equipment - net increased by 22% or Baht 425 Million due to on going expansion projects for new lines of production.
- (7) Bank overdrafts & short-term loan increased by 4493% or Baht 167 Million due to temporary borrowing of loan on call for working capital.
- (8) Other current liabilities increased by 28% or Baht 123 Million due to mainly increase in corporate income tax payable.

The changes in assets and liabilities and net profit for this quarter have improved the total shareholders' equity by 7% or by Baht 915 Million as on 31 December 2007. However, the viscose market has slowed down since December 2007 leading to price decline and stock build up.

Please be informed accordingly.

Yours faithfully,
For THAI RAYON PUBLIC COMPANY LIMITED

P.M. Bajaj
President