

15 May 2008

Sub: Explanation of TR's performance for the six months ended 31/03/2008

To: Listed Company Department
Stock Exchange of Thailand

Encl: (1) Copy of Financial Statement for the six months ended 31/03/2008
(2) Summary Report

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

A. Income Statement for the quarter ended 31 March 2008

The Company has recorded a net profit of Baht 615 Million for this quarter as against Baht 429 Million in the same quarter of previous year, an increase by 43% or Baht 186 Million. The significant changes are as follows:

- (1) Sales Revenues increased by 40% or Baht 631 Million due to increase in sales volume by 7% & selling price by 30%.
- (2) The share of profit from investments accounted for under equity method recorded a net income of Baht 238 Million as against Baht 186 Million, which is higher by 28%. The increase in profits of the associate companies in this quarter is due to improvement in their operating performance.
- (3) Export incentive increased by 58% or Baht 8 Million due to higher export sales volume and sales price.
- (4) Interest income decreased by 29% or Baht 9 Million mainly due to decrease in interest rate and decrease in average deposits due to use of funds in project expansion.
- (5) Others income increased by 137% or Baht 2 Million due to gain on disposal of old machineries.
- (6) The Company incurred foreign exchange loss of Baht 168 Million in this quarter as against Baht 14 million in the same quarter of previous year due to fluctuation of Baht against US\$.
- (7) Cost of sales increased by 23% or Baht 285 Million due to increase in sales volume by 7% and increase in raw material prices of Pulp & Sulphur.
- (8) Selling & Administrative expenses increased by 31% or Baht 25 Million due to increase in sales volume and increase in export freight rates due to increasing oil prices.
- (9) Interest expenses decreased to Baht 0.8 Million as against Baht 1.0 Million in the same quarter of previous year due to decrease in temporary borrowings.
- (10) Corporate income tax increased by 39% or Baht 34 Million due to higher profits.

As per reasons mentioned above, the earnings per share has increased to Baht 3.05 as against Baht 2.13 in the same quarter of previous year.

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B. Balance Sheets as at 31 March 2008, compared to as at 30 September 2007

The major changes are as follows.

- (1) Cash and cash equivalents decreased by 42% or Baht 977 Million due to use of funds for on going expansion projects & investments.
- (2) Short-term investments have increased by 53% or Baht 200 Million due to investment of funds in short term deposits.
- (3) Amounts due from related parties decreased by 50% or Baht 5 Million due to timely receipt of amount due as per due date.
- (4) Advances against order to related party for purchasing decreased by 100% or Baht 87 Million due to adjustment of the same against receipt of goods.
- (5) Inventories increased by 42% or Baht 344 Million due to higher inventory of finished goods and higher input costs.
- (6) Input tax refundable increased by 298% or Baht 73 Million due to increase in input prices, increase in input VAT due to purchases for expansion projects and slight delay in receipt of refund.
- (7) Export incentive receivables increased by 41% or Baht 18 Million due to higher export sales volume and increased price.
- (8) Interest receivables increased by 22% or Baht 3 Million due to deposits of longer maturity periods.
- (9) Other current assets decreased by 41% or Baht 11 Million due to decrease in incentive bonds which has been used against payment of duties for import consignments.
- (10) Property, plant and equipment - net increased by 66% or Baht 1,278 Million due to on going expansion projects for new lines of production.
- (11) Bank overdrafts & short-term loan decreased by 56% or Baht 2 Million due to use of own funds for working capital
- (12) Trade accounts payable – other parties increased by 116% or Baht 160 Million and Trade accounts-payable related parties increased by 75% or Baht 43 Million due to increase in input prices, increase in purchases for expansion projects and purchase of materials towards end of the month, which is outstanding for payment

The changes in assets and liabilities and net profit for this quarter have improved the total shareholders' equity by 6% or by Baht 761 Million as on 31 March 2008.

Please be informed accordingly.

Yours faithfully,
For THAI RAYON PUBLIC COMPANY LIMITED

P.M. Bajaj
President