

13. FINANCIAL INFORMATION**13.1 Statements of Financial Position**

(Unit: Million Baht)	Consolidated		
	As at 31 December of		
	2014	2013 (Restated)	2012
Assets			
Current assets			
Cash and cash equivalents	2,131.6	1,892.7	1,534.0
Derivative financial instruments	89.8	76.0	100.1
Trade accounts receivable and other receivables, net	4,688.4	7,441.2	6,511.3
Amounts due from futures brokers	392.5	320.8	384.5
Inventories, net	10,029.9	16,581.9	13,151.6
Other current assets	352.2	285.7	289.4
Total current assets	17,684.4	26,598.4	21,970.9
Non-current assets			
Long-term loan to an associate	-	65.4	60.8
Fixed deposits pledged as collateral	34.6	61.2	99.5
Investments in associates	1,157.8	3,541.2	3,456.1
Investment in joint ventures	2,878.2	489.2	489.3
Long-term investments	63.7	52.4	59.1
Property, plant and equipment, net	15,256.3	12,842.5	9,941.6
Intangible assets, net	31.6	27.0	21.4
Investment properties	170.3	176.3	160.4
Withholding tax deducted at source	332.9	240.0	169.7
Deferred income tax assets, net	146.5	121.8	144.7
Other non-current assets	34.3	21.3	29.8
Total non-current assets	20,106.1	17,638.3	14,632.5
Total assets	37,790.5	44,236.7	36,603.4
Liabilities and shareholders' equity			
Current liabilities			
Trade accounts payable and other payables	2,579.5	3,821.5	2,406.3
Short-term loans from financial institutions	9,408.4	14,223.1	12,173.0

13.1 Statements of Financial Position (Cont'd)

(Unit: Million Baht)	Consolidated		
	As at 31 December of		
	2014	2013 (Restated)	2012
Current portion of long-term loans from financial institutions	140.3	113.4	114.0
Current portion of debentures	-	1,600.0	-
Current portion of finance lease liabilities	30.0	17.9	9.8
Derivative financial instruments	212.8	532.9	164.2
Current income tax liabilities	48.6	20.5	8.2
Other current liabilities	44.3	46.5	45.3
Total current liabilities	12,464.0	20,375.7	14,920.9
Non-current liabilities			
Long-term loans from financial institutions	2,913.5	2,113.7	400.9
Debentures	1,450.0	1,450.0	2,150.0
Finance lease liabilities	33.3	28.7	5.6
Deferred income tax liabilities, net	172.5	60.1	156.2
Provision for retirement benefit obligations	115.2	106.9	88.5
Other non-current liabilities	50.2	110.6	22.2
Total non-current liabilities	4,734.7	3,870.0	2,823.3
Total liabilities	17,198.7	24,245.7	17,744.3
Shareholders' equity			
Issued and paid-up share capital	1,280.0	1,280.0	1,280.0
Premium on share capital	8,551.0	8,551.0	8,551.0
Deduction arising from acquisition of additional interest in subsidiaries from non-controlling interests	(173.1)	(173.1)	(173.1)
Asset revaluation surplus, net of accumulated depreciation	1,470.5	1,130.2	1,098.0
Unrealised gains on available-for-sale investments	18.9	8.5	13.5
Cumulative currency differences on translating financial statement	(445.9)	(453.4)	(347.9)
Retained earnings			
Appropriated - legal reserve	128.0	128.0	128.0
Unappropriated	9,662.3	9,431.6	8,224.8
Total parent's shareholders' equity	20,491.7	19,902.8	18,774.3
Non-controlling interests	100.2	88.3	84.9
Total shareholders' equity	20,591.9	19,991.1	18,859.1
Total liabilities and shareholders' equity	37,790.5	44,236.7	36,603.4

13.2 Statements of Comprehensive Income

(Unit: Million Baht)	Consolidated		
	2014	2013 (Restated)	2012
Revenues from sales and services	75,529.9	92,185.2	99,639.1
Cost of sales and services	(72,181.6)	(86,986.7)	(94,864.0)
Gross profit	3,348.3	5,198.5	4,775.1
Other income	121.1	260.0	363.9
Selling expenses	(2,132.7)	(2,358.5)	(2,888.0)
Administrative expenses	(1,687.7)	(1,230.7)	(1,033.4)
Gains on exchange rate, net	371.1	312.5	815.1
Other (losses) gains , net	1,134.8	338.6	(340.7)
Operating profit	1,155.0	2,520.4	1,691.9
Share of profit from investments in associates and joint ventures	535.1	495.6	526.8
Profit before net finance costs and income tax	1,690.1	3,016.0	2,218.7
Finance income	49.7	46.1	15.2
Finance costs	(663.4)	(1,075.3)	(709.7)
Finance costs, net	(613.7)	(1,029.3)	(694.5)
Profit before income tax	1,076.4	1,986.7	1,524.2
Income tax	(40.1)	(149.6)	(145.7)
Profit for the years	1,036.2	1,837.1	1,378.5
Other comprehensive income:			
Asset revaluation surplus, net of tax	361.4	53.3	367.9
Change in fair value of available-for-sale investments, net of tax	10.3	(5.0)	12.9
Actuarial gains (losses) on defined employee benefit plan, net of tax	3.9	5.5	23.1
Currency differences on translating financial statement	7.7	(120.6)	(236.6)
Other comprehensive income (expense) for the years, net of tax	383.2	(66.8)	167.4
Total comprehensive income for the years	1,419.5	1,770.4	1,545.9
Profit for the years attributable to:			
Owners of the parent	1,037.8	1,820.2	1,378.9
Non-controlling interests	(1.5)	16.9	(0.3)
Profit for the years	1,036.2	1,837.1	1,378.5
Total comprehensive income for the years attributable to:			
Owners of the parent	1,420.9	1,768.5	1,555.5
Non-controlling interests	(1.4)	1.9	(9.6)
Total comprehensive income for the years	1,419.5	1,770.4	1,545.9
Earnings per share			
Basic earnings per share (Unit: Baht per share)	0.81	1.42	1.08

13.3 Statements of Cash Flows

(Unit: Million Baht)	Consolidated		
	2014	2013 (Restated)	2012
Cash flows from operating activities			
Profit before income tax	1,076.4	1,986.7	1,524.2
Adjustments for:			
Unrealised (gains) losses on foreign currency translations	259.2	268.3	(57.2)
Unrealised (gains) losses from revaluation of derivative financial instruments	(333.8)	392.8	(718.8)
Allowance for impairment of trade accounts receivable	8.0	14.2	41.2
(Reversal of) allowance for inventory cost in excess of net realisable value	74.5	(40.7)	(753.0)
Provision for retirement benefit obligations	15.7	25.1	14.1
Depreciation charges	867.7	722.5	612.3
Amortisation charges - intangible assets	9.8	8.6	8.8
Loss on asset revaluation	26.5	36.7	15.6
Finance costs	663.4	1,075.3	709.7
Dividend income	(1.6)	(22.9)	(1.3)
Share of profit from investments in associates and joint ventures	(535.1)	(495.6)	(526.8)
(Gains) losses on disposal and write-off of property, plant and equipment and intangible assets	6.2	(4.2)	(11.5)
Gains (losses) from revaluation of investment properties	6.7	(6.3)	(33.5)
Gains on disposal of investment in an associate	-	(0.5)	-
Changes in operating assets and liabilities			
(Increase) decrease in operating assets			
- Trade accounts receivable and other receivables	2,744.8	(944.2)	1,234.9
- Amounts due from futures brokers	(71.6)	63.6	22.0
- Inventories	6,477.5	(3,389.7)	4,938.1
- Other current assets	(49.5)	(33.2)	37.3
- Other non-current assets	(12.9)	8.5	(7.6)
Increase (decrease) in operating liabilities			
- Trade accounts payable and other payables	(1,143.4)	1,206.0	(111.9)
- Other current liabilities	(2.1)	1.2	(19.9)
Cash provided by (used in) operating activities	10,086.1	872.4	6,916.7
Interest paid	(674.0)	(1,047.5)	(714.5)
Income tax paid	(141.4)	(188.3)	(414.8)
Employee benefits paid	(0.9)	(0.1)	(2.2)
Net cash provided by (used in) operating activities	9,269.9	(363.6)	5,785.2

13.3 Statements of Cash Flows (Cont'd)

(Unit: Million Baht)	Consolidated		
	2014	2013 (Restated)	2012
Cash flows from investing activities			
Cash received from long-term borrowings to an associate	65.2	-	-
(Increase) decrease in fixed deposits pledged as collateral	26.6	38.3	44.0
Increase in available-for-sale investments	-	-	(0.2)
Dividends received	526.1	481.3	136.7
Cash paid for investments in associates	-	-	(8.0)
Proceeds from business dissolution of an associate	-	6.8	-
Proceeds from disposal of property, plant and equipment and intangible assets	21.2	49.7	62.0
Cash paid for purchases of property, plant and equipment, rubber and palm plantations and intangible assets	(3,010.8)	(3,664.0)	(2,927.6)
Cash paid for purchases of investment properties	-	-	(27.3)
Net cash used in investing activities	(2,371.7)	(3,087.8)	(2,720.3)
Cash flows from financing activities			
Increase (decrease) in short-term loans from financial institutions	(5,041.7)	1,868.0	(3,235.5)
Proceeds from long-term loans	940.0	1,826.3	200.0
Repayments of long-term loans	(113.4)	(114.0)	(120.0)
Proceeds from issuance of debentures	-	900.0	-
Repayments of debentures	(1,600.0)	-	-
Payments on finance lease liabilities	(25.5)	(31.7)	(8.3)
Dividend payment	(832.0)	(640.0)	(640.0)
Proceeds from capital increase from non-controlling interests	13.3	1.6	-
Net cash provided by (used in) financing activities	(6,659.2)	3,810.1	(3,803.9)
Net increase (decrease) in cash and cash equivalents	238.9	358.7	(739.0)
Cash and cash equivalents at the beginning of the years	1,892.7	1,534.0	2,273.0
Cash and cash equivalents at the end of the years	2,131.6	1,892.7	1,534.0
Supplementary information for cash flows			
Cash paid for purchases of property, plant and equipment, rubber and palm plantations and intangible assets:			
Property, plant and equipment rubber and palm plantations and intangible assets acquired	(2,904.7)	(3,996.6)	(2,929.0)
Increase in liabilities under finance lease liabilities	42.3	62.8	-
Increase (decrease) in payable from purchases of assets	(148.4)	269.7	1.4
Cash paid for purchases of property, plant and equipment, rubber and palm plantations and intangible assets	(3,010.8)	(3,664.0)	(2,927.6)

13.4 Financial Ratios

<u>Financial Ratio</u>		2014	2013	2012
Liquidity Ratios				
Current ratio	Times	1.42	1.31	1.47
Quick ratio	Times	0.55	0.46	0.54
Cash flow liquidity ratio	Times	0.56	(0.02)	0.34
Account receivable turnover ¹	Times	13.05	13.83	14.67
Average collection period	Days	27.59	26.02	24.54
Inventory turnover ²	Times	5.42	5.85	6.22
Inventory period	Days	66.36	61.53	57.85
Account payable turnover ³	Times	34.03	38.82	50.17
Average payment period	Days	10.58	9.27	7.18
Cash Cycle	Days	83.38	78.28	75.21
Profitability Ratios				
Gross profit margin	(%)	4.43	5.64	4.79
Operating profit margin	(%)	1.53	2.73	1.70
Operating cashflow to operating profit ratio	(%)	8.03	(0.14)	3.42
Net profit margin	(%)	1.37	1.97	1.38
Return on equity (ROE) ⁴	(%)	5.11	9.37	7.48
Efficiency Ratios				
Return on assets (ROA) ⁵	(%)	2.53	4.50	3.60
Return on fixed assets ⁶	(%)	13.56	22.32	22.51
Fixed assets turnover ratio ⁷	Times	5.38	8.09	11.26
Total assets turnover ratio ⁸	Times	1.84	2.28	2.60
Financial Leverage Ratios				
Net debt to equity ratio	Times	0.73	1.12	0.86
Debt to equity ratio	Times	0.84	1.21	0.94
Interest bearing debt to equity ratio	Times	0.58	0.88	0.71
Net long-term debt to EBITDA ratio	Times	0.88	0.45	0.36
Interest coverage ratio	Times	15.03	0.80	9.36
Debt service coverage ratio	Times	0.87	(0.08)	0.83
Dividend payout ratio	(%)	49.34	45.71	46.41

Notes:

1. Computed by dividing sales of goods and services by average trade accounts receivable
2. Computed by dividing cost of sales and services by average inventories
3. Computed by dividing cost of sales and services by trade accounts payable
4. Computed by dividing net profit for the year (attributable to owners of the parent) by average shareholders' equity
5. Computed by dividing net profit for the year (attributable to owners of the parent) by average total assets
6. Computed by dividing summation of net profit for the year (attributable to owners of the parent) and depreciation by average fixed assets
7. Computed by dividing sales of goods and services by average fixed assets
8. Computed by dividing total revenues by average total assets

STA has successfully issued 2 debentures on 1 December 2011 and 13 February 2013, respectively. As part of both debentures' covenant, STA is required to maintain Net Debt to Equity Ratio under 3:1 times. During 2012 – 2014, STA has always maintained our capital structure and complied with such covenant requirement.

Covenant Ratio	2014	2013	2012
Net Debt to Equity Ratio (times)	0.58	0.88	0.71

Note

1. **Net Debt** is net financial debts which is derived from total interest bearing debts as reported in STA consolidated financial statements less cash and cash equivalent and short term investments as reported in STA consolidated financial statements.
2. **Equity** is defined as total shareholder equity as reported in STA consolidated financial statements.

14. MANAGEMENT DISCUSSION AND ANALYSIS: MD&A**Financial Result Overview**

2014 was another challenging year for natural rubber (NR) industry given to the extension of global economy slowdown, the slowest growth of Chinese economy in the past 15 years, the oversupply and overstock situation, rubber price intervention and the appreciation of US dollars. With our robust business model, we were able to navigate through the challenges despite the market downturn. We have made another industry record in sales volume with 1.2 million tons sold in 2014, 6.9% increase from 2013. Our strategy in aggressive expansion of customer base for domestic and high growth markets provided us a counterbalance for Chinese economy slowdown and maintained our leading position in NR industry with 10% global market share. Although our sales volume increased, the significant drop in global NR price for 23.9% had brought our revenue down by 18.1% from 2013.

The decrease in net profit margin was driven primarily by narrower gross profit margin resulted from the pressure from falling NR price, lower other income and an increase in administrative expenses despite partially offset by larger gains from rubber futures, higher profit sharing from our joint ventures and lower finance costs.

No significant non-recurring expense in 2014; while there was the receipt of insurance claim for marine shipping accident of Baht 92.9 million in 2013 and was recorded under other income.

Income Statement Overview

Unit: Baht million

	FY 2014	FY 2013	% YoY
Revenue from sale of goods and services	75,529.9	92,185.2	-18.1%
Cost of sales and services (net)	(72,181.6)	(86,986.7)	-17.0%
Gross profit	3,348.3	5,198.5	-35.6%
SG&A	(3,820.4)	(3,589.2)	6.4%
Other income	121.1	260.0	-53.4%
Gains/(Losses) on exchange rate	371.1	312.5	18.8%
Other gains/(losses) (net)	1,134.8	338.6	235.1%
Operating profit	1,155.0	2,520.4	-54.2%
Share of profit from investments in associates and joint ventures	535.1	495.6	8.0%
EBITDA	2,567.5	3,747.0	-31.5%
EBIT	1,690.1	3,016.0	-44.0%
Finance costs (net)	(613.7)	(1,029.3)	-40.4%
Income tax	(40.1)	(149.6)	-73.2%
Net Profit for the period	1,036.2	1,837.1	-43.6%
Attributed to owners of the parent	1,037.8	1,820.2	-43.0%
Attributed to non-controlling interests	(1.5)	16.9	-109.0%

In 2014, our total revenue was Baht 75,529.9 million, decreased by 18.1% YoY despite the 6.9% growth in sales volume. This was due to 23.9% lower average selling price compared to 2013, a direct impact from the falling global NR price factored by Chinese economy slowdown, the continuance of supply surplus, a plunge in crude oil price and an appreciation of US Dollars.

Amidst slower-than-expected recovery of global economy and other unfavourable external factors, our 2014 sales volume broke a new industry record again at 1,204,342 tons. This represented a 6.9% increase YoY which outperformed the global NR consumption growth forecasted by IRSG at 5.3%. Domestic was the key market contributing volume growth by 44,597 tons, 28.1% increase YoY due to our aggressive strategy to further penetrate into domestic market. Korea, China, Malaysia, and Europe also contributed to our 2014 sales volume growth YoY by 49.7%, 2.6%, 205.0% and 4.0%

respectively. The increase was partially offset by the decline in sales volume in USA and Japan by 10.5% and 5.4% respectively.

Gross profit was recorded at Baht 3,348.3 million, down 35.6%. The gross profit margin marginally shrank from 5.6% in 2013 to 4.4% caused primarily by pent-up demand pressure from customers and price intervention due to the downward momentum of NR price. Assuming the inventory allowance of Baht 74.5 million was not made in 2014 but including realised foreign exchange gain of Baht 103.9 million and rubber futures gain of Baht 1,115.2 million from our hedging activities, our adjusted gross profit margin in 2014 would have been 6.1% slightly lower than 2013 of 6.6%. The decline in adjusted gross profit margin was a reflection of industry downturn momentum.

Operating profit in 2014 amounted to Baht 1,155.0 million, down by 54.2% YoY. The operating profit margin correspondingly lowered down to 1.5% from 2.7% in 2013 due principally to lower gross profit margin, higher administrative expenses, higher salary from an increase in operational headcounts, and the absence of insurance claim for marine shipping accident in 2013. These were partially offset by lower selling expenses and gain from hedging activities with financial derivative instruments for rubber and foreign exchanges.

Net profit was Baht 1,037.8 million in 2014 compared to Baht 1,820.2 million last year. Net profit margin was 1.4% declined from 2.0% in 2013. Despite being offset by higher profit sharing from our joint venture in downstream businesses, lower finance costs and lower tax expense, our net profit was outweighed by the unfavorable movement of NR price and demand appetite.

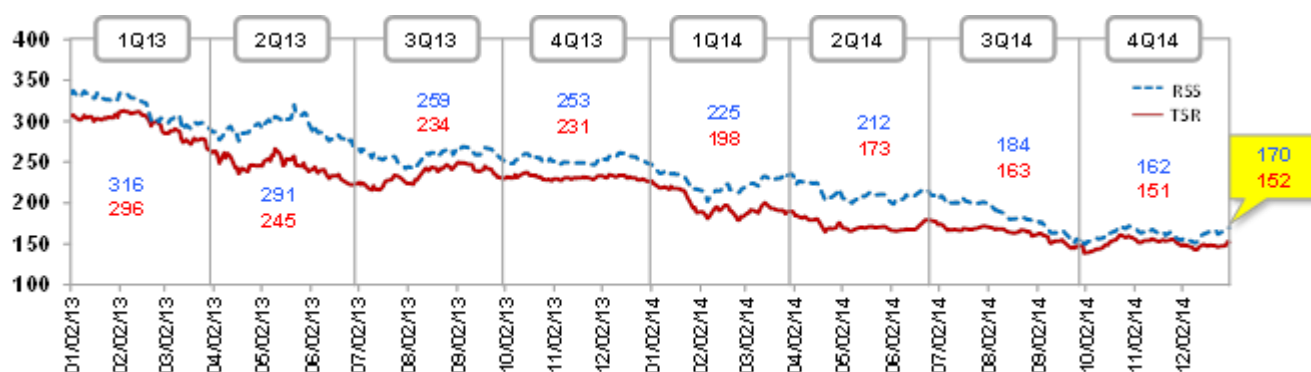
Change in Accounting Policy

During 2014 financial year, there was a change in our accounting policy on rubber and palm plantations. The Group's management has considered that the cost model is more appropriate than the revaluation model for measuring the value of the Group's rubber plantations and palm plantations. Due to the high fluctuation of the major variable factors in the revaluation amount calculation, namely, the market value of rubber and palm. The valuation amount of the rubber plantations and the palm plantations varies significantly at each valuation. Thus the fair value does not accurately reflect the value of the Group's rubber plantations and palm plantations. Therefore, the Group changed the measurement after recognition of the value of the rubber plantations and palm plantations from the revaluation model to the cost model. Full details on the change and the impact to the Group's financial statements are covered in the notes to Financial Statement as of 31 December 2014.

Key Factors Affecting the Company's Operations

1. Volatility of Natural Rubber Price

US Cent : Kilogram



Daily Price Movement of TSR20 and RSS3 at SICOM

Price and volatility of natural rubber directly affect our revenues and profitability. NR price continued to move in downward momentum since 2012, which was mainly due to the slow recovery of world economy, especially the slowdown of Chinese economy, ongoing supply surplus and sharp fall in crude oil price. The impact from Thai government price intervention at the end of the year was still limited to local market prices, while the global market price did not move in tandem with.

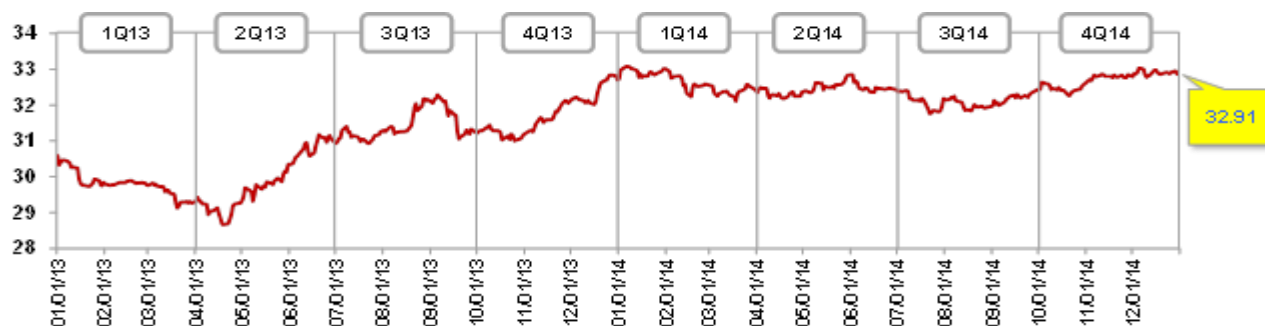
The NR price are affected by a number of factors including 1) world economic conditions which directly affected automobile and tire industry, 2) the magnitude of demand & supply of NR, 3) exchange rate fluctuation especially US dollar, Japanese Yen, and natural rubber exporting currencies such as Thai Baht, Indonesian Rupiah, and Malaysia Ringgit as natural rubber is mainly traded in US Dollars, 4) oil price since natural rubber and synthetic rubber, which is derivatives of crude oil, are substitute products and 5) government policy of major NR exporting countries.

Price Movement of TSR20 and RSS3 at Singapore Commodity Exchange Limited (SICOM) during 2013-2014

(Unit : USD per ton)	RSS3			TSR20		
	2013	2014	%Change	2013	2014	%Change
Q1 Average	3,156	2,253	-28.6%	2,958	1,981	-33.0%
Q2 Average	2,906	2,119	-27.1%	2,449	1,728	-29.4%
Q3 Average	2,590	1,838	-29.1%	2,344	1,629	-30.5%
Q4 Average	2,528	1,619	-36.0%	2,311	1,506	-34.8%
Year Average	2,790	1,954	-30.0%	2,510	1,710	-31.9%
Closing price as at 31 December	2,485	1,700		2,265	1,522	

2. Foreign exchange rate

Thai Baht : USD



Historical Exchange Rate of Thai Baht against US dollar

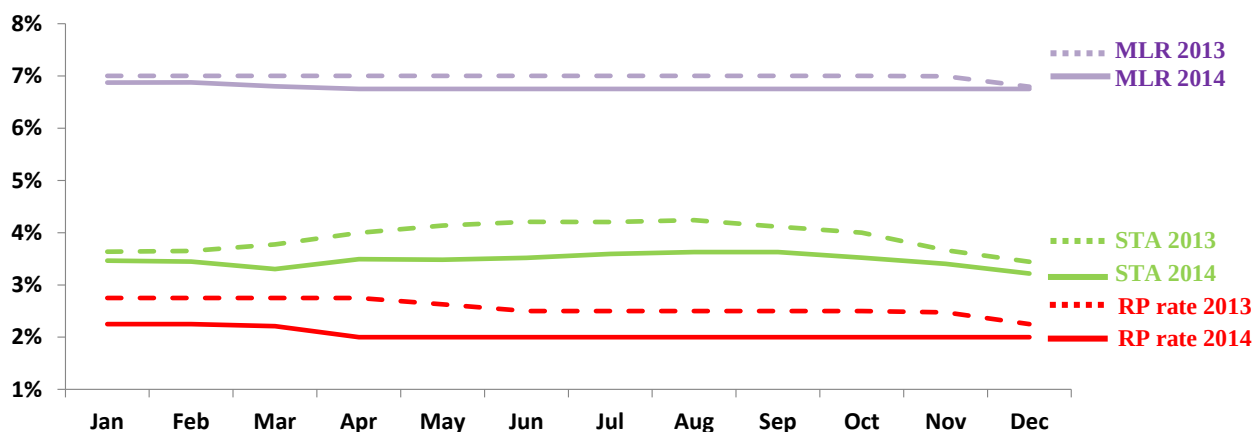
The fluctuations between Thai baht and US Dollars could directly affect our revenues since approximately 82% of our total revenues are denominated in US Dollars while our financial reporting currency is in Thai Baht. In order to mitigate this risk, the Group, therefore, uses forward and options of foreign exchange contracts to hedge our foreign exchange exposures. The mark-to-market of financial derivatives will be recognised as unrealised gain/loss on foreign exchanges.

In 2014, US Dollars continued to appreciate reflecting the improvement of US economy. Such movement unfavourably translated into lower NR prices which are generally denominated in USD. Under this currency trend, we have substantially lowered the use of currency derivative instruments and allowed our currency conversion to benefit from the appreciation of US Dollars. At the end of 2014, when marked-to-market, our gains on foreign exchange slightly increased from Baht 312.5 million in 2013 to Baht 371.1 million in 2014.

3. Finance costs

The key factors that affect our finance costs are interest rate, NR price, sale volume, and the movement of currency exchange. In 2014, finance costs dropped by 38.3% YoY to Baht 663.4 million due mainly to the lower NR price, lower unrealised loss on exchange rate of US Dollars denominated loans and lower effective interest rate from the higher proportion of US Dollar loans in relation to Indonesia Rupiah loans.

Graph below exhibited our average interest rates during 2013-2014, which were lower than the average Minimum Loan Rate (MLR) of three large commercial banks; Bangkok Bank, Kasikorn Bank, and Siam Commercial Bank and closed to Bank of Thailand's policy rate.



STA Effective Interest Rate Vs. Average MLR Rate

4. Share of Profits from Investment in Affiliates

In 2014, the Group received share of profit from investments in affiliates and joint venture companies in total of Baht 535.1 million of which 86.7% contributed by gloves business and 30.8% by high pressure hydraulic hoses business. Share of profit from investment in affiliates and joint ventures increased by 8.0% compared to the previous year due mainly to the increase in net profit of gloves and hydraulic hoses businesses.

5. Government Policy

The policy of the Thai Government may benefit or have an adverse impact to the Group's operation. For example, the cooperative agreement among Thailand, Indonesia, and Malaysia (International Tripartite Rubber Council : ITRC) to withdraw Natural Rubber exports of 300,000 tons during October 2012 to March 2013 has limited our export volume to some certain extent. However, 4-month cess exemption during September to December 2013 of the Office of Rubber Replanting Aid Fund has brought down our selling expenses in late of 2013. Recently in December 2014, Thai government approved THB 20.0 billion price intervention plan through the rubber fund scheme to buying ribbed smoked sheet rubbers (RSS) through auction markets countrywide at higher -than-market price. As a result, the local RSS price increased; whereas the global market price did not move in the same magnitude.

6. Tax Policy of the Countries in our areas of operation

The reinstatement of US tariff for Chinese tires in mid of 2014 had adversely impacted the Chinese tire manufacturers. This, in return, has changed the geographical sales of the NR producers whereas the total global demand would be unaffected. With our strategy to expand customer base in domestic and high growth market, we were able to counterbalance for Chinese demand slowdown and maintain our sales volume and our 10% global market share.

Business Segmentation Analysis

Revenue breakdown by product segment (Baht million)

	FY 2013	FY 2014	% YoY
RSS	12,845.5	9,818.5	-23.6%
%	13.9%	13.0%	
TSR	70,773.7	57,512.4	-18.7%
%	76.8%	76.1%	
LTX	6,047.4	5,631.5	-6.9%
%	6.6%	7.5%	
Other*	2,518.5	2,567.5	3.9%
%	2.7%	3.4%	
Total	92,185.2	75,529.9	-18.1%

Note:

* Comprises revenue from (i) the sale of dried rubber wood and wood packing product and (ii) the provision of certain services (such as logistics, research and development and information technology services) to our associates and a joint venture entity as well as other external third parties

Technically Specified Rubber (TSR)

Revenue from the sale of TSR, our core product, declined by 18.7% YoY due mainly to a decrease in average selling price of 24.6%, despite offset by the increase in sale volume of 7.7% YoY. Thanks to our strong distribution platform and well-diversified customer portfolio, our TSR sale growth beat overall NR demand in 2014. Our gross profit of TSR decreased by 48.8% YoY. Gross profit margin also declined from the previous year due mainly to the downward price movement and pent-up demand situation.

Ribbed Smoked Sheet (RSS)

Revenue from the sale of RSS decreased by 23.6% YoY, driven by a decrease of average selling price by 21.7% and a decrease of sale volume by 2.3%. Our gross profit from the sale of RSS decreased by 33.4% YoY. Gross profit margin slightly declined from 2013 due mainly to the effect of price fluctuation and government intervention.

Concentrated Latex

Revenue from the sale of Concentrated Latex was down 6.9% YoY. The decrease was attributable to a decline in average selling price of 17.3%, despite partially offset by 12.6% increase of sale volume. The increase in sale volume was due mainly to a pick-up in demand from gloves business as the NR price was relatively competitive to its substitute of NBR price. Our gross profit from the sale of Concentrated Latex in 2014 improved by 262.8% YoY and gross profit margin also increased from the earlier year.

Consolidated Balance Sheet*Current assets*

Current assets decreased by Baht 8,914.0 million, or 33.5%, to Baht 17,684.4 million for the year end 2014 which was due primarily to the decrease in inventories of Baht 6,552.0 million in response to the continual drops in NR prices, the reduction in trade accounts receivable and other receivables of Baht 2,752.9 million due to lower NR prices, which were partially offset by Baht 238.9 million increase in cash and cash equivalent and Baht 71.6 million higher amount due from futures brokers.

At the end of 2014, 96.9% of our accounts receivable were not yet due or overdue less than 1 month while 2.7% was overdue by more than 1 year. The allowance for doubtful debts was 2.8% of total accounts receivable.

Non-current assets

Non-current assets increased by Baht 2,467.8 million, or 14.0%, to Baht 20,106.1 million for the year end 2014 which primarily consists of an increase in property, plants and equipment of Baht 2,060.2 million (net of depreciation and write-off) for the construction of our new factories in Thailand and Indonesia, capacity expansion to TSR factories, as well as the investment for rubber plantation.

Net book value of the Group's land and buildings as at 31 December 2014 (THB million):

Freehold land including land improvements	6,381.5
Leasehold land	201.1
Buildings and structures	3,282.1
Total	9,864.7

Current liabilities

Current liabilities decreased by Baht 7,911.8 million, or 38.8%, to Baht 12,464.0 million for the year end 2014 which was mainly from an decrease in short-term loans of Baht 4,814.7 million, a repayment of the debenture of Baht 1,600.0 million, a decrease in trade accounts payable of Baht 1,242.0 million from a decrease in raw material prices and a decrease in derivative financial instruments of Baht 320.0 million.

Non-current liabilities

Non-current liabilities increased by Baht 864.7 million, or 22.3%, to Baht 4,734.7 million for the year ended 2014 which was primarily due to an increase in long-term loans (net of current portion) of Baht 799.7 million to support our rubber plantation, and an increase in deferred income tax liabilities of Baht 112.4 million.

Shareholders' equity

Equity increased by Baht 600.8 million, or 3.0%, to Baht 20,591.9 million for the year end 2014 due mainly to net profit during the year and asset revaluation surplus.

Consolidated Cash Flow

As at 31 December 2014, the Group had cash and cash equivalents of Baht 2,131.6 million, an increase of Baht 238.9 million, or 12.6% from 31 December 2013.

The Group generated cash flows from operations before net change in operating assets and liabilities of Baht 2,143.4 million. The Group had positive cash amounted Baht 7,942.7 million arising from change in our operating assets and liabilities which was due primarily to a decrease in inventories of Baht 6,477.5 million and a decrease in trade accounts receivable and other receivables of 2,744.8 million, which were partially offset by an decrease in trade accounts payable and other payables of 1,143.4 million.

The Group paid employee benefits, interest, and income tax of Baht 862.4 million. Overall, the Group have net cash flows provided by operating activities of Baht 9,269.9 million.

Investing activities utilised net cash flows of Baht 2,371.7 million, principally from investment in property, plants and equipment of Baht 3,010.8 million for the capacity expansion in Phitsanulok, Ubon Ratchathani, Sakaoe, Kalasin in Thailand and Jambi in Indonesia as well as for the investment in rubber plantation. This was partially offset by dividend received of Baht 526.1 million from associate and joint ventures and Baht 65.2 million loan repayment from an associate company.

Net cash flow used in financing activities amounted to Baht 6,659.2 million mainly consisted of a Baht 5,041.7 million repayment of short-term loans to financial institutions, repayment of Baht 1,600.0 million debentures, and Baht 832.0 million dividend payment to shareholders. These were offset by Baht 826.6 million net long-term loan drawdown.

Source of Fund

In 2014, our capital expenditure was Baht 2,890.1 million, principally comprised Baht 1,922.9 million for the capacity expansion and Baht 926.2 for the investment in rubber plantation. Our 4 mains source of fund consisted of cash flows from operations, short-term and long-term facilities from financial institutions, debentures, and proceeds from IPO in Singapore of SGD 336.0 million. As at 31 December 2014, proceeds from IPO has been fully utilized as planned. Our debt to equity ratio has improved from 1.21 times in 2013 to 0.84 times, which was considered conservative when compared with our competitors in the same industry. As at 31 December 2014, the Group were in compliance with all debt covenants.

Financial Ratios*Current ratios*

Current ratio is calculated by dividing total current assets by total current liabilities. Our current ratio as at 31 December 2014 increased to 1.42 times from 1.31 times last year. The improvement came from the higher cash and lower level of outstanding loans.

Fixed asset turnover ratio

Fixed asset turnover ratio is calculated by dividing sales of goods and services by average property, plant and equipment (net). As at 31 December 2014 and 31 December 2013, our fixed asset turnovers were 5.38 and 8.09 times, respectively. A decrease in fixed asset turnover ratio was due mainly to an increase in property, plant and equipment and a decrease in revenues from lower average selling prices.

Return on assets ("ROA")

ROA is calculated by dividing net profit (parent company) for the year by average total assets. As at 31 December 2014 and 31 December 2013, our ROA were 2.53% and 4.50%, respectively. The decrease in ROA was due to lower net profit under the pressure from falling NR price and industry downturn.

Return on equity ("ROE")

ROE is calculated by dividing net profit (parent company) for the year by average total equity. As at 31 December 2014 and 31 December 2013, our ROE were 5.11% and 9.37%, respectively. Similar to ROA, the decrease in ROE was due to lower net profit under the pressure from falling NR price and industry downturn.

Debt to equity ratio ("D/E")

D/E is calculated by dividing total debt by total equity. As at 31 December 2014 and 31 December 2013, our D/E were 0.84 and 1.21 times, respectively. The improvement in D/E was due mainly to lower debt level from the repayment of debentures and lower short-term loan from lower raw material prices.

Business Outlook**Rubber Industry**

	2013	2014	2015F
%Global Growth (GDP)	3.3%	3.3%	3.8%
<i>Advance economies</i>	1.4%	1.8%	2.3%
<i>Emerging market and developing economies</i>	4.7%	4.4%	5.0%
<i>China (world's largest NR consumer)</i>	7.7%	7.4%	7.1%
Vehicle production (mil. Unit)	87	90	95
<i>% change</i>	3.6%	3.5%	5.3%
Tire production (mil. Unit)	1,657	1,748	1,813
<i>% change</i>	3.5%	5.5%	3.7%
NR consumption ('000 tons)	11,347	11,944	12,317
<i>% change</i>	2.7%	5.3%	3.1%

Source : IMF and The World Rubber Industry Outlook forecasted by International Rubber Study Group (IRSG), December 2014

Generally, global economic is a key driver for NR demand. This is evidenced by approximately 70% of NR demand stemming from tire industry of which in turn depends primarily on industrial and automotive sector. Based on International Monetary Fund (IMF) forecast as of January 2015, global economic growth is expected to recover and grow at a slightly higher rate in 2015 in comparison to 2014. This is due to the recovery of advanced economies which would be beneficial to emerging markets and developing economies as well. However, due to the higher-than-expected increase in demand and inventory buildup of NR in 2014, NR consumption in 2015 is expected to grow at a slower pace than 2014, before catching up to a steady rate in 2016 onwards.

The falling NR price was due to a number of factors including looming global economy, China economy slowdown, continual supply surplus, appreciation of UD Dollars and plunge in crude oil price. The price has continued its downturn momentum since 2012 and is viewed to ride on this trend at least in short to medium term. Due to the lacklustre global economy, we do not expect NR price to shoot up to its boom during 2009-2011. On the other hand, we expect that the downside is limited given to the fact that the current price is likely to be on par with cash cost of farmers.

Demand & Supply Balance***World Natural Rubber production and consumption during 2012 - 2014***

Unit : 000'tons	2013	2014	2015F
NR production	12,079	12,020	12,394
% change	4.0%	-0.5%	3.1%
NR consumption	11,347	11,944	12,317
% change	2.7%	5.3%	3.1%
NR Balance	732	76	77

Source: The World Rubber Industry Outlook forecasted by International Rubber Study Group (IRSG), December 2014

According to International Rubber Study Group (IRSG), The World Rubber Industry Outlook, Review and Prospects to 2023 as of December 2014, the world NR demand in 2014 was 11,944,000 tons representing 5.3% increase (vs. 2.7% in 2013). The accelerated growth rate was supported by the increase in the world's tire production, which constituted around 70% of the world's NR demand. The demand growth was contributed mainly by China, EU and the US at the rate of 8.3%, 6.6% and 3.7% respectively. This was offset by the diminishing demand from Japan and other Asia-Pacific countries. The world supply of NR, on the other hand, marginally dropped by 0.5% to 12,020,000 tons in 2014. Key factor for the supply decrease was due to the continuous drop in NR price where farmers reduced their tapping intensity as well as postpone the planting/re-planting schedule. Asia-Pacific was the region resulting in supply drop. Malaysia and India output decreased by 15.2% and 13.8% respectively despite the continuous growth of supply in Vietnam and CAMAL¹ countries.

The rubber supply surplus shall continue for the next couple years as the supply from rubber plantation during the upsurge of NR price in 2005-2008 will start to come out in 2011 after the 6-7 years gestation period. The NR demand growth may not be sufficient to fully absorb such increase in supply. Nevertheless, with an improvement in demand from China and advanced NR consuming countries, IRSG anticipated that the demand and supply gap will be narrower and reduce from its peak at 732,000 tons in 2013. The projection indicates the surplus to hover around 76,000 tons in 2015 and remain at slightly more or less in years to come.

Progress of our expansion plan

Our strategic plan to aggressively expand and penetrate across Natural Rubber supply chain remains on track.

Upstream Business – Land of 8,000 hectares already secured for rubber plantation

Having footprint in rubber plantation is one of our strategies to fulfill our fully integrated NR supply chain. Not only will it increase our opportunity to procure raw materials at more favorable prices in new rubber plantation zone, and increase opportunity for new midstream capacity expansion, it will also provide us with insights on upstream market sentiment, and will ultimately increase our sustainable profitability.

At the end of 2014, the Group had obtained approximately 8,098 hectares² suitable for rubber plantation in 19 provinces of Thailand, of which approximately 6,160 hectares has already been planted for rubber. Most of our lands are in the North and Northeastern regions.

¹ CAMAL countries include Cambodia, Myanmar and Lao PDR

² This includes the land with our own title deeds of 6,407 hectares and the land restricted to transfer in certain period as well as the land that we have rights to use by paying local maintenance tax totaling 1,691 hectares.

Midstream Business – Continuous capacity expansion to reach 1.7 million by the end of 2016

Production capacity expansion and increasing our market share are our key strategies in midstream business to maintain our competitive edge in Natural Rubber market. It will enable us to benefit from economies of scale and put us in a position to better lead the global market.

In 2014, we have added to our strength the first TSR plants in the North of Thailand, Phitsanulok as well as our first Concentrated Latex plant in Northeastern region of Thailand in Ubonratchathani. These brought our optimum annual capacity to the industry record at 1.4 million tons per annum. Our new production plant in Myanmar will also contribute a new source of supply to our Group by mid of 2015. Following our strategy, we will continue to expand our production footprint in many top producing and emerging countries such as Thailand, Indonesia and Myanmar, to maintain our position as the world's largest natural rubber producer with the goal to increase our annual capacity to 1.7 million tons by 2016.

Raw Material Procurement - Enhance the procurement stronghold

A number of campaigns have been launched in 2014 to imprint Sri Trang as a trustworthy long-term business partnership with our suppliers. We are on a quest to continuously develop new and effective communication strategies with the suppliers to ensure the supply of high quality raw materials that meet our factories' requirements, which will be translated into the sustainable cost saving and production efficiency in our midstream operation.

Customer Base – Expand and diversify into high potential markets

In 2014, we have successfully executed our strategies to continuously expand in domestic and high potential markets. Sales volume has increased by 6.9% outperforming the global NR demand which increased at 5.3%. As a result, we were able to maintain our leading position with 10% global market share despite the market downturn and unfavourable external factors. Our newly established sales & distribution platform in Vietnam commenced the operation in second half of 2014 to handle the operations from the 3rd NR supplying country. We will continue to focus on expanding our customer base in every high potential markets to capture growth prospect and ensure the well-balanced customer portfolio.