

GOODYEAR (THAILAND) PUBLIC COMPANY LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2010

AUDITOR'S REPORT

To the Shareholders of Goodyear (Thailand) Public Company Limited

I have audited the accompanying balance sheets as at 31 December 2010 and 2009, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended of Goodyear (Thailand) Public Company Limited. The Company's management is responsible for the correctness and completeness of information in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position as at 31 December 2010 and 2009, the results of operations and cash flows for the years then ended of Goodyear (Thailand) Public Company Limited in accordance with generally accepted accounting principles.

Prasit Yuengsrikul
Certified Public Accountant (Thailand) No. 4174
PricewaterhouseCoopers ABAS Limited

Bangkok
21 February 2011

Goodyear (Thailand) Public Company Limited
Balance Sheets
As at 31 December 2010 and 2009

	<u>Notes</u>	<u>2010 Baht</u>	<u>2009 Baht</u>
Assets			
Current assets			
Cash and cash equivalents	5	758,718,282	536,750,891
Restricted short-term investment	22	65,000,000	65,000,000
Trade accounts receivable - third parties, net	6	217,136,683	193,815,612
Trade accounts receivable - related parties	23	555,535,279	459,785,196
Amounts due from related parties	23	51,182,111	42,638,521
Inventories, net	7	397,052,018	345,643,538
Value added tax for refund		48,585,302	52,632,309
Other current assets		<u>38,278,220</u>	<u>35,805,615</u>
Total current assets		<u>2,131,487,895</u>	<u>1,732,071,682</u>
Non-current assets			
Loan to a related party	23	300,063,000	332,207,000
Spare parts	8	176,995,545	136,285,330
Property, plant and equipment, net	9	1,502,770,011	1,420,170,763
Other non-current assets		<u>4,009,515</u>	<u>6,577,283</u>
Total non-current assets		<u>1,983,838,071</u>	<u>1,895,240,376</u>
Total assets		<u><u>4,115,325,966</u></u>	<u><u>3,627,312,058</u></u>

Director Director

The accompanying notes on page 7 to 29 are an integral part of these financial statements.

Goodyear (Thailand) Public Company Limited
Balance Sheets
As at 31 December 2010 and 2009

	<u>Notes</u>	<u>2010 Baht</u>	<u>2009 Baht</u>
Liabilities and shareholders' equity			
Current liabilities			
Trade accounts payable - third parties		570,725,333	334,607,868
Trade accounts payable - related parties	23	49,881,453	77,295,395
Other payables		65,207,517	31,213,852
Amounts due to related parties	23	122,863,549	55,088,831
Withholding tax payable		14,460,124	23,028,518
Accrued expenses		101,504,520	79,827,373
Income tax payable		-	62,276,240
Other current liabilities		<u>7,183,738</u>	<u>7,030,668</u>
Total current liabilities		<u>931,826,234</u>	<u>670,368,745</u>
Non-current liabilities			
Reserves for provident fund and retirement benefits	10	<u>77,422,489</u>	<u>74,716,957</u>
Total non-current liabilities		<u>77,422,489</u>	<u>74,716,957</u>
Total liabilities		<u>1,009,248,723</u>	<u>745,085,702</u>
Shareholders' equity			
Share capital			
Authorised share capital			
Ordinary shares			
7,400,000 shares of par Baht 10 each		<u>74,000,000</u>	<u>74,000,000</u>
Issued and paid-up share capital			
Ordinary shares			
7,400,000 shares of paid-up Baht 10 each	11	74,000,000	74,000,000
Premium on share capital	11	92,000,000	92,000,000
Retained earnings			
Appropriated - Legal reserve			
Unappropriated	12	7,400,000	7,400,000
		<u>2,932,677,243</u>	<u>2,708,826,356</u>
Total shareholders' equity		<u>3,106,077,243</u>	<u>2,882,226,356</u>
Total liabilities and shareholders' equity		<u>4,115,325,966</u>	<u>3,627,312,058</u>

The accompanying notes on page 7 to 29 are an integral part of these financial statements.

Goodyear (Thailand) Public Company Limited
Statements of Income
For the years ended 31 December 2010 and 2009

	<u>Notes</u>	<u>2010 Baht</u>	<u>2009 Baht</u>
Sales	24	4,182,929,201	3,382,312,497
Cost of sales		<u>(3,815,356,227)</u>	<u>(3,112,936,292)</u>
Gross profit		367,572,974	269,376,205
Selling expenses		(257,873,586)	(247,396,459)
Administrative expenses		(70,734,510)	(59,498,471)
Directors' and management's remuneration	23	<u>(29,205,627)</u>	<u>(34,370,603)</u>
Gain (loss) from operations	13	9,759,251	(71,889,328)
Other income	14	22,700,161	52,779,794
Net gains on disposals of property, plant and equipment		454,076,978	912,709
Net gain from insurance reimbursement	15	-	326,581,734
Net losses on exchange rate		<u>(16,694,438)</u>	<u>(12,404,370)</u>
Profit before income tax		469,841,952	295,980,539
Income tax		<u>(134,991,065)</u>	<u>(62,768,945)</u>
Net profit for the year		<u><u>334,850,887</u></u>	<u><u>233,211,594</u></u>
Basic earnings per share	17		
Net profit for the year		<u><u>45.25</u></u>	<u><u>31.52</u></u>

The accompanying notes on page 7 to 29 are an integral part of these financial statements.

Goodyear (Thailand) Public Company Limited
Statements of Changes in Shareholders' Equity
For the years ended 31 December 2010 and 2009

	Issued and paid-up share capital Baht	Premium on share capital Baht	Legal reserve Baht	Unappropriated retained earnings Baht	Total Baht
	(Note 11)	(Note 11)	(Note 12)		
Beginning balance					
as at 1 January 2010	74,000,000	92,000,000	7,400,000	2,708,826,356	2,882,226,356
Net profit for the year	-	-	-	334,850,887	334,850,887
Dividends paid (Note 18)	-	-	-	(111,000,000)	(111,000,000)
Ending balance					
as at 31 December 2010	<u>74,000,000</u>	<u>92,000,000</u>	<u>7,400,000</u>	<u>2,932,677,243</u>	<u>3,106,077,243</u>
Beginning balance					
as at 1 January 2009	74,000,000	92,000,000	7,400,000	2,660,614,762	2,834,014,762
Net profit for the year	-	-	-	233,211,594	233,211,594
Dividends paid	-	-	-	(185,000,000)	(185,000,000)
Ending balance					
as at 31 December 2009	<u>74,000,000</u>	<u>92,000,000</u>	<u>7,400,000</u>	<u>2,708,826,356</u>	<u>2,882,226,356</u>

The accompanying notes on page 7 to 29 are an integral part of these financial statements.

Goodyear (Thailand) Public Company Limited
Statements of Cash Flows
For the years ended 31 December 2010 and 2009

	<u>Notes</u>	<u>2010 Baht</u>	<u>2009 Baht</u>
Cash flows from operating activities	19	354,425,330	538,208,011
Cash flows from investing activities			
Net changes in restricted short-term investment		-	25,000,000
Purchases of plant and equipment		(447,878,788)	(190,832,758)
Purchases of spare parts	8	(51,677,328)	(40,273,150)
Proceeds from sales of property, plant and equipment		478,422,732	10,027,394
Net cash used in investing activities		(21,133,384)	(196,078,514)
Cash flows from financing activity			
Dividends paid to shareholders	18	(111,000,000)	(185,000,000)
Net cash used in financing activity		(111,000,000)	(185,000,000)
Net increase in cash and cash equivalents		222,291,946	157,129,497
Cash and cash equivalents at the beginning of the year		536,750,891	395,913,446
Exchange rate losses on cash and cash equivalents		(324,555)	(16,292,052)
Cash and cash equivalents at the end of the year	5	<u>758,718,282</u>	<u>536,750,891</u>

Non-cash transactions

Significant non-cash transactions for the years ended 31 December 2010 and 2009 are as follows:

Unpaid liabilities for purchases of plant and equipment	101,162,846	33,306,515
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The accompanying notes on page 7 to 29 are an integral part of these financial statements.

1 General information

Goodyear (Thailand) Public Company Limited (the “Company”) is a public limited company incorporated and resident in Thailand. The address of the Company’s registered office is as follows:

50/9 Moo 3, Phaholyothin Road, K.M. 36, Klongnueng, Klongluang, Pathumthani 12120

The Company is principally engaged in the manufacturing, distribution and sale of motor vehicle and aero tires for domestic and export markets.

These financial statements were approved by the Company’s Directors on 21 February 2011.

2 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

2.1 Basis for preparation

The financial statements have been prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Accounting Standards issued under the Accounting Profession Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates.

An English version of the financial statements has been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

2 Accounting policies (Cont'd)

2.2 New accounting standards, new financial reporting standards, new interpretation, amendments to accounting standards and accounting framework

a) Accounting framework

The amendment of accounting framework is effective on 26 May 2010.

b) New accounting standards, new financial reporting standards, new interpretation and amendments to accounting standards

Effective for the periods beginning on or after 1 January 2011

TAS 1	(Revised 2009)	Presentation of Financial Statements
TAS 2	(Revised 2009)	Inventories
TAS 7	(Revised 2009)	Statement of Cash Flows
TAS 8	(Revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10	(Revised 2009)	Events after the Reporting Period
TAS 11	(Revised 2009)	Construction Contracts
TAS 16	(Revised 2009)	Property, Plant and Equipment
TAS 17	(Revised 2009)	Leases
TAS 18	(Revised 2009)	Revenue
TAS 19		Employee Benefits
TAS 23	(Revised 2009)	Borrowing Costs
TAS 24	(Revised 2009)	Related Party Disclosures
TAS 26		Accounting and Reporting by Retirement Benefit Plans
TAS 27	(Revised 2009)	Consolidated and Separate Financial Statements
TAS 28	(Revised 2009)	Investments in Associates
TAS 29		Financial Reporting in Hyperinflationary Economies
TAS 31	(Revised 2009)	Interests in Joint Ventures
TAS 33	(Revised 2009)	Earnings per Share
TAS 34	(Revised 2009)	Interim Financial Reporting
TAS 36	(Revised 2009)	Impairment of Assets
TAS 37	(Revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38	(Revised 2009)	Intangible Assets
TAS 40	(Revised 2009)	Investment Property
TFRS 2		Share-based Payment
TFRS 3	(Revised 2009)	Business Combinations
TFRS 5	(Revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6		Exploration for and Evaluation of Mineral Resources
TFRIC 15		Agreements for the Construction of Real Estate

2 Accounting policies (Cont'd)

2.2 New accounting standards, new financial reporting standards, new interpretation, amendments to accounting standards and accounting framework (Cont'd)

b) New accounting standards, new financial reporting standards, new interpretation and amendments to accounting standards (Cont'd)

Effective for the periods beginning on or after 1 January 2011 (Cont'd)

The Company will apply these new accounting standards, new financial reporting standards, new interpretation and amendments to accounting standards (collectively “accounting standards”) from 1 January 2011. The Company’s management has determined that these accounting standards will not significantly impact the financial statements being presented excepted as disclosed in the following paragraphs.

TAS 1 (Revised 2009), the revised standard will prohibit the presentation of items of income and expenses in the statement of changes in equity. Entities can choose whether to present one statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated statement of financial position as at the beginning comparative period in addition to the current requirement to present statement of financial position at the end of the current period and comparative period. However, for the financial statements which period beginning on or after 1 January 2011 and are the first period applying this standard, an entity can choose to present statement of financial position only two statements without the statement of financial position as at the beginning comparative period.

TAS 16 (Revised 2009), the revised standard requires that an item of plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The revised standard also requires an entity to review useful life, residual value and depreciation method at least at each financial year.

TAS 19 deals with accounting for employee benefits. The standard requires the entity to use the Projected Unit Credit method. Currently, the Company already uses this calculation method. Therefore, the management believes that applying this standard from 1 January 2011 will have no significant impact except the disclosure of additional information in the notes to financial statements.

2 Accounting policies (Cont'd)

2.2 New accounting standards, new financial reporting standards, new interpretation, amendments to accounting standards and accounting framework (Cont'd)

b) New accounting standards, new financial reporting standards, new interpretation and amendments to accounting standards (Cont'd)

Effective for the periods beginning on or after 1 January 2013

TAS 12 Income taxes

TAS 20 (Revised 2009) Accounting for Government Grants and Disclosure of Government Assistance

TAS 21 (Revised 2009) The Effects of Changes in Foreign Exchange Rates

The Company does not early adopt these accounting standards before effective date. The Company's management is currently assessing the impact of applying these accounting standards.

TAS 12 deals with taxes on income, comprising current tax and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, using tax rates and tax law that have been enacted or substantively enacted by the end of the reporting period. Deferred taxes are measured based on the temporary difference between the tax base of an asset or liability and its carrying amount in the financial statements and using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax law that have been enacted or substantively enacted by the end of the reporting period. The standard requires retrospective adjustment.

TAS 21 (Revised 2009) requires an entity to determine its functional currency which is a currency of the primary economic environment in which the entity operates. Foreign currency transactions are required to be translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at year-end exchange rate of monetary items denominated in foreign currency are recognised in profit or loss of that period. The operating results and financial position of the Company that have a functional currency different from the presentation currency are translated in the presentation currency by a) assets and liabilities are translated at the closing rate of the date of the statements of financial position b) income and expenses are translated at exchange rate at the date of the transactions and c) all resulting exchange rate differences are recognised in the statement of comprehensive income. The standard requires retrospective adjustment.

2 Accounting policies (Cont'd)

2.3 Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currency are translated to Thai Baht at the exchange rate prevailing at the balance sheet date. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of income.

2.4 Financial instruments

Financial assets carried on the balance sheet include cash and cash equivalents, short-term investment, trade accounts receivable, amount due from related parties and other financial assets. Financial liabilities carried on the balance sheet include trade accounts payable, amounts due to related parties and other financial liabilities. The methods adopted are disclosed in the individual policy statement associated with each item.

Forward contracts are recognised at fair values. Fair values are obtained from quoted market prices. Changes in fair values are reflected in the statement of income.

2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less from the date of acquisition.

2.6 Trade accounts receivable

Trade accounts receivable are recognised initially at the original invoice amount and subsequently measured at the remaining amount less allowance for doubtful receivables based on a review of all outstanding amounts at the year end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written off during the year in which they are identified and recognised in the statements of income.

2 Accounting policies (Cont'd)

2.7 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

2.8 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation.

Land is not depreciated as it is deemed to have an indefinite life. Maintenance spare parts are expensed when they are reimbursed for usage. All other fixed assets are depreciated over their estimated useful lives. The straight-line method is used for depreciation of fixed assets with the exception of machinery and equipment, furniture and fixtures and motor vehicles acquired from 1993 onwards which are depreciated by the sum-of-the-year-digits method. The estimated useful life of each category of fixed assets is as follows:

Land improvements	10 - 20 years
Buildings - acquisitions in and after 1993	20 years
Buildings - acquisitions prior to 1993	50 years
Machinery and equipment	3 - 20 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	4 - 5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Repairs and maintenance are charged to the statements of income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the statements of income.

2 Accounting policies (Cont'd)

2.9 Impairment of assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows. Assets that suffered impairment are reversed for possible impairment loss when the estimation of the recoverable amount was changed in subsequent period after the Company's recognition of impairment.

2.10 Accounting for leases - where the Company is the lessee

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.11 Income taxes

The Company does not recognise income taxes payable or receivable in future periods in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation of property, plant and equipment, allowance for doubtful accounts and reserves for provident fund and retirement benefits.

2.12 Employee benefits

The Company provides for a provident fund and retirement benefits, payable to employees under the Company's plan and Thai Labour Law, respectively. The present value of employee benefit liabilities recognised in the balance sheet is determined on the Projected Unit Credit method. The assumptions used in determining the liabilities include discount rate, rates of salary inflation and employee turnover. The discount rate represents the current yields on high quality corporate fixed-income investments in Thailand. The Company records the reserves for provident fund and retirement benefits as a non-current liability and charges expenditure to the statements of income in the year to which it relates.

2 Accounting policies (Cont'd)

2.13 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.14 Revenue recognition

Revenue comprises the invoice value for the sale of goods net of output tax, rebates and discounts. Revenue from sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company.

2.15 Dividends paid

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the interim dividends are approved by the Board of Directors and the annual dividends are approved by the Company's shareholders.

3 Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Goodyear (Thailand) Public Company Limited
Notes to Financial Statements
For the years ended 31 December 2010 and 2009

5 Cash and cash equivalents

	2010	2009
	Baht	Baht
Cash on hand	114,579	180,293
Deposits held at call with banks	758,603,703	536,570,598
	<u>758,718,282</u>	<u>536,750,891</u>

As at 31 December 2010, the weighted average effective interest rate of deposits held at call with banks was 0.59% per annum (2009: 0.05% per annum).

6 Trade accounts receivable - third parties, net

	2010	2009
	Baht	Baht
Trade accounts receivable - third parties	238,496,926	214,503,984
<u>Less</u> Allowance for doubtful accounts	<u>(21,360,243)</u>	<u>(20,688,372)</u>
	<u>217,136,683</u>	<u>193,815,612</u>

Outstanding trade accounts receivable - third parties as at 31 December can be analysed as follows:

	2010	2009
	Baht	Baht
Current	207,181,450	193,631,363
Overdue:		
1 - 3 months	8,088,427	2,588,680
4 - 12 months	2,962,348	17,195
Over 12 months	20,264,701	18,266,746
	<u>238,496,926</u>	<u>214,503,984</u>
<u>Less</u> Allowance for doubtful accounts	<u>(21,360,243)</u>	<u>(20,688,372)</u>
	<u>217,136,683</u>	<u>193,815,612</u>

Goodyear (Thailand) Public Company Limited
Notes to Financial Statements
For the years ended 31 December 2010 and 2009

7 Inventories, net

	2010	2009
	Baht	Baht
Raw materials	143,537,535	113,955,403
Work in progress	36,000,342	31,999,633
Finished goods	199,353,709	161,579,028
Goods in transit	22,244,601	38,706,086
	<u>401,136,187</u>	<u>346,240,150</u>
<u>Less</u> Allowance for inventory obsolescence - finished goods	<u>(4,084,169)</u>	<u>(596,612)</u>
	<u><u>397,052,018</u></u>	<u><u>345,643,538</u></u>

8 Spare parts

	2010	2009
	Baht	Baht
Opening net book amount	136,285,330	128,574,585
Additions	51,677,328	40,273,150
Usages	<u>(10,967,113)</u>	<u>(32,562,405)</u>
Closing net book amount	<u><u>176,995,545</u></u>	<u><u>136,285,330</u></u>

Goodyear (Thailand) Public Company Limited
Notes to Financial Statements
For the years ended 31 December 2010 and 2009

9 Property, plant and equipment, net

	Land and building Baht	Machinery, equipment and tooling Baht	Furniture, fixtures and office equipment Baht	Motor vehicles Baht	Assets under installation Baht	Total Baht
As at 1 January 2009						
Cost	743,459,413	3,820,017,532	290,482,568	7,655,510	109,963,985	4,971,579,008
<u>Less</u> Accumulated depreciation	(316,290,428)	(2,635,837,198)	(270,362,575)	(5,722,778)	-	(3,228,212,979)
Net book amount	<u>427,168,985</u>	<u>1,184,180,334</u>	<u>20,119,993</u>	<u>1,932,732</u>	<u>109,963,985</u>	<u>1,743,366,029</u>
For the year ended 31 December 2009						
Opening net book amount	427,168,985	1,184,180,334	20,119,993	1,932,732	109,963,985	1,743,366,029
Additions	-	-	-	14,510,593	209,628,680	224,139,273
Transfers	20,453,863	124,758,186	1,083,761	-	(146,295,810)	-
Disposals, net	-	(7,778,839)	-	(1,335,846)	-	(9,114,685)
Depreciation charges	(35,284,935)	(490,561,894)	(11,865,362)	(507,663)	-	(538,219,854)
Closing net book amount	<u>412,337,913</u>	<u>810,597,787</u>	<u>9,338,392</u>	<u>14,599,816</u>	<u>173,296,855</u>	<u>1,420,170,763</u>
As at 31 December 2009						
Cost	763,913,276	3,854,577,162	291,566,329	18,680,155	173,296,855	5,102,033,777
<u>Less</u> Accumulated depreciation	(351,575,363)	(3,043,979,375)	(282,227,937)	(4,080,339)	-	(3,681,863,014)
Net book amount	<u>412,337,913</u>	<u>810,597,787</u>	<u>9,338,392</u>	<u>14,599,816</u>	<u>173,296,855</u>	<u>1,420,170,763</u>

Goodyear (Thailand) Public Company Limited
Notes to Financial Statements
For the years ended 31 December 2010 and 2009

9 Property, plant and equipment, net (Cont'd)

	Land and building Baht	Machinery, equipment and tooling Baht	Furniture, fixtures and office equipment Baht	Motor vehicles Baht	Assets under installation Baht	Total Baht
For the year ended 31 December 2010						
Opening net book amount	412,337,913	810,597,787	9,338,392	14,599,816	173,296,855	1,420,170,763
Additions	-	-	-	2,021,550	547,020,084	549,041,634
Transfers	50,671,138	132,469,255	4,171,179	-	(187,311,572)	-
Disposals, net	(11,672,165)	(5,033,600)	(385,853)	(5,903,603)	(1,350,533)	(24,345,754)
Depreciation charges	(34,638,669)	(397,191,551)	(6,179,767)	(4,086,645)	-	(442,096,632)
Closing net book amount	<u>416,698,217</u>	<u>540,841,891</u>	<u>6,943,951</u>	<u>6,631,118</u>	<u>531,654,834</u>	<u>1,502,770,011</u>
As at 31 December 2010						
Cost	796,568,578	3,905,197,561	274,803,381	14,393,325	531,654,834	5,522,617,679
<u>Less</u> Accumulated depreciation	<u>(379,870,361)</u>	<u>(3,364,355,670)</u>	<u>(267,859,430)</u>	<u>(7,762,207)</u>	-	<u>(4,019,847,668)</u>
Net book amount	<u>416,698,217</u>	<u>540,841,891</u>	<u>6,943,951</u>	<u>6,631,118</u>	<u>531,654,834</u>	<u>1,502,770,011</u>

As at 31 December 2010, the gross carrying amount of fully depreciated plant and equipment that still in use amounts to Baht 2,206 million (2009: Baht 2,298 million).

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10 Reserves for provident fund and retirement benefits

	2010	2009
	Baht	Baht
Reserve for provident fund	32,604,582	30,351,295
Reserve for retirement benefits	44,817,907	44,365,662
	<u>77,422,489</u>	<u>74,716,957</u>

11 Share capital and premium on share capital

	Number of	Share	Premium
	ordinary	capital	on share
	shares	Baht	capital
	Baht	Baht	Baht
At 1 January 2009	7,400,000	74,000,000	92,000,000
Issue of shares	-	-	-
At 31 December 2009	7,400,000	74,000,000	92,000,000
Issue of shares	-	-	-
At 31 December 2010	<u>7,400,000</u>	<u>74,000,000</u>	<u>92,000,000</u>

Share capital represents authorised ordinary shares with a par value of Baht 10 per share (2009: Baht 10 per share). All issued shares are fully paid.

12 Legal reserve

Under the Public Companies Act, B.E. 2535, the Company is required to set aside as a legal reserve at least 5% of profit arisen from the business of the Company after accumulated deficit brought forward (if any) at each dividend declaration until the reserve is not less than 10% of the registered share capital. This reserve is non-distributable.

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13 Expense by nature

The following expenditure items, classified by nature, have been charged in arriving at the operating profit (loss):

	2010	2009
	Baht	Baht
Raw materials and supplies used	2,016,988,581	1,453,750,428
Depreciation (Note 9)	442,096,632	538,219,854
Staff costs	427,652,720	373,325,705
Royalty fee (Note 23)	185,349,969	150,238,835
Management fee (Note 23)	137,727,872	126,856,787
Advertising and promotion expenses	67,052,735	70,126,497

14 Other income

	2010	2009
	Baht	Baht
Interest income	13,431,524	16,092,970
Aviation casing sales	-	29,537,288
Others	9,268,637	7,149,536
	<u>22,700,161</u>	<u>52,779,794</u>

15 Net gain from insurance reimbursement

On 2 March 2007, the Company experienced a fire in the mixing area of the production facility, as a result the Company had to temporarily stop its production to repair and replace the machinery and equipment. The Company had incurred additional cost of replacement for certain machinery and equipment damaged by the fire. The Company received final reimbursement from the insurance company during the year 2009.

The reconciliation of net gain from insurance reimbursement for the year ended 31 December 2009 is as follows:

	2009
	Baht
Total fire related expenses incurred	11,109,262
Insurance reimbursement	<u>(337,690,996)</u>
Net gain from insurance reimbursement	<u>(326,581,734)</u>

16 Promotional privileges

The Company has received promotion privileges from the Board of Investment under a promotion certificate issued on 23 January 2008 for manufacturing of rubber compound. The main privileges include exemption of import duty on approved machinery, exemption from certain taxes and duties, including exemption from corporate income tax for a period of 8 years from the date of commencement of the Company's promoted business. As a promoted business, the Company is required to comply with the terms and conditions as specified in the promotion certificate.

For the year ended 31 December 2010 and 2009, there was no revenue derived from BOI-promoted activities.

17 Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	<u>2010</u>	<u>2009</u>
Net profit attributable to shareholders (Baht)	334,850,887	233,211,594
Weighted average of issued ordinary shares during the year (Shares)	7,400,000	7,400,000
Basic earnings per share (Baht)	45.25	31.52

There are no dilutive potential ordinary shares in issue during the years presented.

18 Dividends paid

The Board of Director Meeting held on 8 November 2010 approved to pay the interim dividends in respect of the operating result and retained earnings of 2009 of Baht 5 per share amounting to Baht 37.0 million. These dividends were paid to the shareholders on 3 December 2010.

The Annual General Meeting of the shareholders held on 29 April 2010 approved to pay the dividends in respect of the operating result and retained earnings of 2009 of Baht 30 per share amounting to Baht 222.0 million. The interim dividend of Baht 20 per share amounting to Baht 148.0 million were paid on 4 December 2009. The remaining dividend of Baht 10 per share amounting to Baht 74.0 million were paid on 29 May 2010.

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19 Cash flows from operating activities

Reconciliation of net profit before income tax to cash flows from operating activities:

	Notes	2010 Baht	2009 Baht
Profit before income tax		469,841,952	295,980,539
Adjustments for:			
Depreciation	9, 13	442,096,632	538,219,854
Usages of spare parts	8	10,967,113	32,562,405
Allowance for doubtful accounts (reversal)		671,871	(352,552)
Allowance for inventory obsolescence - finished goods		3,487,557	596,612
Gains on disposals of property, plant and equipment		(454,076,978)	(912,709)
Reserves for provident fund and retirement benefits (reversal)		11,818,441	(15,262,392)
Interest income	14	(13,431,524)	(16,092,970)
Unrealised losses on exchange rate		32,728,192	32,009,366
Changes in operating assets and liabilities:			
- trade accounts receivable - third parties		(24,155,945)	22,895,327
- trade accounts receivable - related parties		(95,750,083)	(71,151,354)
- amounts due from related parties		(8,543,590)	(12,082,916)
- inventories		(54,896,037)	40,477,046
- value added tax for refund		4,047,007	30,460,520
- other current assets		11,260,988	(10,191,849)
- other non-current assets		2,567,768	(1,202,902)
- trade accounts payable - third parties		204,806,980	(43,477,058)
- trade accounts payable - related parties		(27,413,942)	(48,296,901)
- amounts due to related parties		31,819,389	(205,585,493)
- withholding tax payable		(8,568,394)	18,979,168
- accrued expenses		21,677,147	(19,596,800)
- other current liabilities		153,070	(8,431,535)
Cash generated from operations		561,107,614	559,543,406
Interest received		13,359,757	16,352,272
Provident fund and retirement benefits paid		(9,112,909)	(14,843,122)
Income tax paid		(210,929,132)	(22,844,545)
Cash flows from operating activities		<u>354,425,330</u>	<u>538,208,011</u>

20 Financial instruments

The principal financial risks faced by the Company are exchange rate risk, interest rate risk and credit risk. Exchange rate risk results from the Company's export sales and import purchases and long-term loan to a related party. Interest rate risk relates to the deposits of cash and cash equivalents in financial institutions and other investments. Credit risk arises when sales are made on deferred credit terms and in respect of deposits with financial institutions.

i) Exchange rate risk

The Company has a policy to locally manage the risks arising from fluctuations in currency exchange rates. Foreign currency forward contracts protect the Company from fluctuation in exchange rates by establishing the rate at which a foreign currency asset will be realised or a foreign currency liability will be settled.

ii) Interest rate risk

The Company earns interest on cash and cash equivalents, short-term investment and loan to a related party. The Company manages its interest rate risks by placing cash, cash equivalents and investments on various maturities and interest rates.

iii) Credit risk

Concentrations of credit risk with respect to trade accounts receivable are limited since the Company has large number of customers, covering manufacturing, distribution and end customers. Management believes that no additional credit risk apart from the amounts provided for collection losses is in the Company's trade accounts receivable.

The Company is exposed to certain concentration of credit risk relating to its cash and cash equivalents. The Company places its cash with several high quality institutions. The Company's policy is not to invest with any one institution but invest with various institutions. The Company places its excess cash in low risk accounts, high credit quality accounts that matured 90 days. The Company has not experienced any losses on such accounts.

iv) Fair values

The carrying amounts of the following financial assets and financial liabilities approximate to their fair values: cash and cash equivalents, trade accounts receivable and payable, amounts due from and to related parties, other receivables and payables, and long-term loan to a related party.

21 Contingent liabilities

During the fourth quarter of 2008, the Company retrenched 124 employees to address the excess capacity cost as a result of the rapidly deteriorating global and local demand for tires. The Company paid severance pay to those employees in accordance with the Labour Protection Act. During the second quarter of 2009, 62 dismissed employees filed a case against the Company with the Labour Relations Committee for additional benefits and compensation claiming that the dismissal of employment was made in violation of the provisions under the Labour Relation Act B.E. 2518. The total compensation claim approximates Baht 20 million. On 30 June 2009, the Company filed the complaint to appeal the order of the Labour Relations Committee with the Central Labour Court and requested the revocation of such order. The Central Labour Court is in the process of taking evidence.

During the third quarter of 2009, additional 45 dismissed employees filed a case against the Company with the Central Labour Court for additional benefits and compensation claiming that the dismissal of employment was made in violation of the provisions under Labour Relation Act B.E. 2518. The total compensation claim approximates Baht 33 million. The Central Labour Court is in the process of taking evidence.

However, the Company's lawyer is of the opinion that the Company is likely to win both cases. As a result, the Company did not record any provision in the financial statements relating to this compensation.

22 Commitments

Bank guarantees

As at 31 December 2010, the Company had commitments in respect of bank guarantees amounting to Baht 10.3 million (2009: Baht 10.4 million).

Restricted short-term investment

As at 31 December 2010, the Company pledged its short-term investment to a bank in the form of fixed deposits amounting to Baht 65.0 million (2009: Baht 65.0 million), in respect of banking facilities granted to third parties.

Capital commitments

As at 31 December 2010, the Company has outstanding capital commitments in respect of the expansion of plant and production capacity, increased production efficiency and replacement of machinery and equipment totalling Baht 293.5 million (2009: Baht 59.8 million).

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22 Commitments (Cont'd)

Operating lease commitments - where the Company is the lessee

The future minimum lease payments under non-cancellable operating leases in respect of motor vehicles are as follows:

	2010	2009
	Baht	Baht
Not later than 1 year	891,096	1,131,569
Later than 1 year and not later than 5 years	1,262,386	50,777
	<u>2,153,482</u>	<u>1,182,346</u>

23 Related party transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Company is controlled by The Goodyear Tire & Rubber Company (registered and located in the USA), which owns 66.79% of the Company's issued shares. The remaining 33.21% of the shares are widely held.

Pricing policies for related party transactions comprise:

	<u>Pricing policies</u>
Sales and purchases	Costs plus margin
Royalty fee	Percentage of revenues from sales of products manufactured in Thailand
Production service fee	As actual incurred
Management fee	As actual incurred

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23 Related party transactions (Cont'd)

The following transactions were carried out with related parties:

i) Sales of goods

	2010	2009
	Baht	Baht
	<u> </u>	<u> </u>
Sales of goods:		
Parent company	235,215,375	195,937,558
Other related parties	<u>1,911,871,013</u>	<u>1,463,544,276</u>
	<u>2,147,086,388</u>	<u>1,659,481,834</u>

ii) Purchases of goods and services

	2010	2009
	Baht	Baht
	<u> </u>	<u> </u>
Purchases of raw materials and finished goods:		
Parent company	111,695,114	159,364,402
Other related parties	<u>408,274,124</u>	<u>272,519,283</u>
	<u>519,969,238</u>	<u>431,883,685</u>
Purchases of machinery and spare parts:		
Parent company	44,536,650	71,211,250
Other related parties	<u>297,518,602</u>	<u>68,519,422</u>
	<u>342,055,252</u>	<u>139,730,672</u>
Royalty fee:		
Parent company	<u>185,349,969</u>	<u>150,238,835</u>
Production service fee:		
Parent company	<u>7,561,703</u>	<u>9,633,789</u>
Management fee:		
Other related parties	<u>137,727,872</u>	<u>126,856,787</u>

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23 Related party transactions (Cont'd)

The following transactions were carried out with related parties: (Cont'd)

iii) Outstanding balances arising from sales/purchases of goods/services

	2010	2009
	Baht	Baht
Trade accounts receivables - related parties:		
Parent company	90,457,652	46,238,746
Other related parties	465,077,627	413,546,450
	<u>555,535,279</u>	<u>459,785,196</u>
Amounts due from related parties:		
Parent company	2,944,140	1,276,734
Other related parties	48,237,971	41,361,787
	<u>51,182,111</u>	<u>42,638,521</u>
Trade accounts payables - related parties:		
Parent company	5,600,296	21,181,951
Other related parties	44,281,157	56,113,444
	<u>49,881,453</u>	<u>77,295,395</u>
Amounts due to related parties:		
Parent company	41,856,818	34,762,236
Other related parties	81,006,731	20,326,595
	<u>122,863,549</u>	<u>55,088,831</u>

iv) Directors' and management's remuneration

	2010	2009
	Baht	Baht
Directors' and management's remuneration	<u>29,205,627</u>	<u>34,370,603</u>

Directors' and management's remuneration represents salaries, meeting fees and other benefits.

23 Related party transactions (Cont'd)

The following transactions were carried out with related parties: (Cont'd)

v) Loan to a related party

	2010	2009
	Baht	Baht
Loan to a related party	<u>300,063,000</u>	<u>332,207,000</u>

As at 31 December 2010, loan to a related party represents a loan of US Dollar 10 million due at anytime prior to 30 September 2012, bearing interest at the rate of 2.6% per annum or LIBOR plus 1% per annum, whichever is higher, and is guaranteed by the parent company. The Company's management is of the opinion that the Company will not recall the loan within the following year and thus classified it as a long-term loan.

The Company uses forward contract to hedge its exposure to foreign currency risk of the US Dollar loan. The forward exchange rate was Baht 30.72 per 1 US Dollar which the contract will mature on 30 September 2011. As at 31 December 2010, the net fair value of the forward contract is favorable of Baht 4.4 million and is recorded in other current assets. The favorable position of the forward contract compensates the foreign currency loss on the principal of the US Dollar loan, thus protecting the Company from changes in the foreign exchange rate.

The related interest income of the loan was Baht 8.1 million (2009: Baht 15.1 million).

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24 Segment information

The Company operates in the business segments, which are ground tires and aero tires. Aero tires are principally export based products and domestic sales are not significant. Management believes that no material difference exists in making an assessment of the Company's past performance and in making informed judgments about the Company as a whole if either the business segments or the geographical segments is presented. Therefore, the Company is reporting geographical segments information based on location of its market, as a single reporting format.

Year ended 31 December 2010	Domestic sales Baht	Export sales Baht	Total Baht
Sales	2,007,315,804	2,175,613,397	4,182,929,201
Segment results, net	320,731,243	46,841,731	367,572,974
Unallocated costs/other income, net			102,268,978
Profit before income tax			469,841,952
Year ended 31 December 2009	Domestic sales Baht	Export sales Baht	Total Baht
Sales	1,690,530,927	1,691,781,570	3,382,312,497
Segment results, net	185,367,252	84,008,953	269,376,205
Unallocated costs/other income, net			(299,977,400)
Net gain from insurance reimbursement (Note 15)			326,581,734
Profit before income tax			295,980,539

The Company does not allocate assets and liabilities which relate jointly to both segments as there is no reasonable allocation basis that can be adopted.