

Management Discussion and Analysis

1) Overview

After the outbreak of Coronavirus Disease (“COVID-19 outbreak”) in early 2020, the second quarter results were affected significantly by the sharp drop in demand. Q2 revenue declined 41% versus Q2 2019 impacted by the Covid-19 pandemic with lower domestic and export sales. The Company has temporarily closed the factory and stopped production process in the second quarter. The closure of the plant had a significant negative effect on the Company's performance during that period.

During the second half of the year, the negative impacts of the pandemic on demand in the consumer tires industry, auto production and our tire volumes have moderated and are expected to continue to improve. Consumer production units increased by 38% compared with the second half of 2019.

On the other hand, our aviation business results in the second half of the year 2020 continued to be highly influenced by the economic disruption caused by the ongoing COVID-19 pandemic and government-imposed flight restrictions. Aviation production units reduced by 55% compared with the second half of 2019.

We continue to take action in response to COVID-19 to protect the health and wellbeing of our associates, customers and communities, which remain our top priority, and to mitigate the near and long-term financial impact on our operating results and to ensure adequate liquidity and capital resources are available to maintain our operations until the auto industry and tire demand fully recovers.

Highlight of 2020 Operations

- 1) Revenue from Sales: The Company's Net Sales for the year ended 31 December 2020 was Baht 3,445.4 Million - a decrease when compared to the same period of 2019 of Baht 3,892.2 Million or -11%.
- 2) Cost of Sales: The Company's Cost of Goods Sold for the year ended 31 December 2020 represented 88.8% of net sales which was higher when compared to the same period of 2019, which was 86.6%. This was driven by higher production costs including raw material costs.
- 3) Selling and Administration Expenses: The Company's Selling and Administration Expenses for the year ended 31 December 2020 was Baht 532.4 Million.
- 4) Assets: The Company's Total Assets for the year ended 31 December 2020 was Baht 6,620 Million an increase of Baht 318 Million from the year ended period ended 31 December 2019 or 5%. This was due to new Equipment and Machinery necessary to upgrade the factory capabilities to deliver against the new OE nominations.
- 5) Net Profit: The Company's loss for the year ended 31 December 2020 was Baht 176 Million in comparison to a net loss in the same period of 2019 of Baht 61 Million.

2) Results of Business Operations

- (1) Financial Liquidity
 - a) Liquidity ratio reduced from 1.36 to 0.98.
 - b) The average collection period changed from 66 days in 2019 to 67 days in 2020.
 - c) The average sales days increased from 102 days in 2019 to 105 days in 2020.
 - d) Account Payable payment days changed from 102 days in 2019 to 120 days in 2020.

- (2) Profitability Ratio. The gross margin ratio decreased from 13% in 2019 to 11% in 2020 driven by unabsorbed fixed costs.
- (3) Efficiency in operation. The Return on Asset (ROA) ratio reduced from -1.0 in 2019 to -2.7 in 2020.
- (4) Financial Policy. The Debt to Equity ratio increased from 0.69 in 2019 to 0.87 in 2020.

Investor can find more information of the company from the company's website
http://www.goodyear.co.th/about/investor_relations.asp