

GOODYEAR JAMAICA LIMITED

Managing Director's Report

DEAR STOCKHOLDERS

Our cover page depicts children at play and the beautiful peaceful countryside of St. Thomas, the parish in which our factory is located amidst the traditional cane fields and banana trees and the not so traditional papaw and mango trees seemingly replacing the old.

Perhaps we feature these scenes as a way of reminding us to put behind us those events of 1995 which had such a devastating effect on the operations of the company.

As is typical of the culture of this organisation, we are not daunted by these events, but even now as we start the business planning process for the three years commencing 1997, we are actively preparing strategies to face the challenges of the economy and open markets of the 21st Century.

However, for the benefit of those of you who are not in touch with us, I will give an overview of the almost overwhelming events of 1995.

In August of 1994 we received the wage and benefits claim from the union representing the hourly associates.

Negotiations commenced for the two year contract. After several meetings and a wage offer by the company of 50% increase in year one and a further 35% in

year two, the hourly associates took strike action on two separate occasions in January 1995.

On January 18th 1995, the day of the first strike action, a letter was sent to the Ministry of Labour which initiated the process of third party conciliation.

Reduced production during the period July 1994 - March 1995 resulted in increased cost and an inability to respond to the needs of both our local and export customers.

To continue at that rate meant dissatisfied customers and increased competitor activity.

In April 1995 the decision was, therefore, taken to close the automobile car tyre line, the line most seriously affected, and to import tyres to fill the local need. Forty-five employees associated with that line were laid off and subsequently made redundant in July.

In February 1996 the Industrial Disputes Tribunal finally handed down its award which included a 60% wage increase in year one and a further 40% in year two.

The effects of the reduced production was less visible in the local market as imported tyres were used to replace locally made tyres. This was not so in the export market, where automobile tyres represented by far, the greater percentage of tyres exported. Export sales, therefore, fell from a prior year figure of JA\$236.7M to JA\$199.5M. The impact of this on turnover was a modest growth of 10%, or JA\$890M in comparison to JA\$807M in 1994.

Cost of goods sold increased in 1995 over 1994 as a result of low production, additional costs associated with product sourcing, increases in raw material cost fuelled by increased prices and a 19% devaluation of the JA\$. The growth in turnover, therefore, did not translate into improved profit.

Despite the fact that we commenced the year with a net cash balance of JA\$111M, the events of the year caused a serious drain on our liquidity. The decision was, therefore, taken not to pay dividends in 1995.

The plant continues to produce medium commercial truck tyres, ultralight truck, light truck bias and radial commercial tyres, farm tyres, tread rubber and repair material.

The number of tyres produced is one of the indicators by which the plant's performance is measured. However, the more meaningful indicators are expressed in weight. The present production schedule in weight is 76% of the average for 1994.

In June 1995 our Production Director was transferred to Luxembourg and in December Enoch Turner, our Managing Director was transferred to our Head Office in Akron, Ohio.

We wish to record Goodyear Jamaica's appreciation of the contributions of each of these gentlemen to the success of this organization.

The vacancy created on the board of directors by Mr. Enoch Turner's resignation was filled by Ms. Marian Cole who was formerly Business Controller and has been employed since 1989 when she joined the Finance Division of Goodyear Jamaica as Chief Accountant.

In all of the challenges we faced in 1995, there were some Goodyear associates who performed exceptionally well, in difficult circumstances, with dedication beyond the call of duty. It is to them, our dealers and our customers who were ever so patient with us that we owe our limited success.

The 4th quarter contributed 57% of the entire year's profit. This is a testimony of what can be accomplished when a team of dedicated individuals come together for the benefit of the whole.

You may ask, so what of the future, perhaps it is reflected in the peaceful refreshing waters of the Rozelle waterfalls, the energy of the children as captured at play on the beach, another contract expiring in July 1996 and associates determined to face and beat the challenges come what may.

Yours sincerely
GOODYEAR JAMAICA LIMITED

Veronica M. Goldson (Mrs.)
Managing Director

Report of the Directors

The Directors take pleasure in submitting their report together with the audited accounts for the year ended 31 December, 1995.

Gross sales for the year ending December 31, 1995 amounted to \$890,072 as compared with \$807,426 for 1994. Net profit for 1995 amounted to J\$48,686 which compares with net profit of J\$112,077 for 1994.

No dividends were paid or proposed for 1995.

DIRECTORS

Pursuant to Article 79, all Directors retire from office, and the following being eligible offer themselves for re-election:

V. M. Goldson	E. C. George, Q.C.	J. C. Polhemus
R. E. K. Philips	G. E. Strickler	M. E. Cole

Further, M. E. Cole, having been elected since the last Annual General Meeting also retires from office and being eligible offers herself for re-election.

AUDITORS

The Auditors, Price Waterhouse, have signified their willingness to continue in office in accordance with Section 153 of the Companies Act 1965.

By Order of the Board

Marian Cole
Secretary

April 12, 1996