



**AMTELVREDESTEIN**

**A PERIOD OF TRANSFORMATION**

ING 9<sup>th</sup> ANNUAL EMEA FORUM

PRAGUE, NOVEMBER 2006

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# Forward-Looking Statements

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This presentation may contain forward-looking statements regarding future events or the future financial performance of Amtel-Vredestein N.V. These statements are not guarantees of future performance, which is subject to risks, uncertainties and assumptions that cannot be predicted with certainty. Accordingly, actual outcomes and results may differ materially from those expressed in the forward-looking statements. Amtel-Vredestein does not intend to update these statements to reflect actual results.

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# Company Overview

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- Europe's 4<sup>th</sup> largest tyre producer
- Russia's largest passenger car tyre manufacturer
- Over 15 million tyres sold annually
- Listed on the London Stock Exchange ("AMV")
- Over 10,000 employees
- Tyre factories in Enschede, the Netherlands; Moscow, Kirov and Voronezh, Russia
- Focus on Passenger Car Tyres (also truck, agricultural and bicycle tyres)
- Brands include Vredestein, Amtel, and Maloya
- Sales network throughout Russia, Europe, North America, and Asia
- A leading tyre and autoparts distributor in Russia
- Largest network of tyre retail and service centers in Russia

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# Company Overview

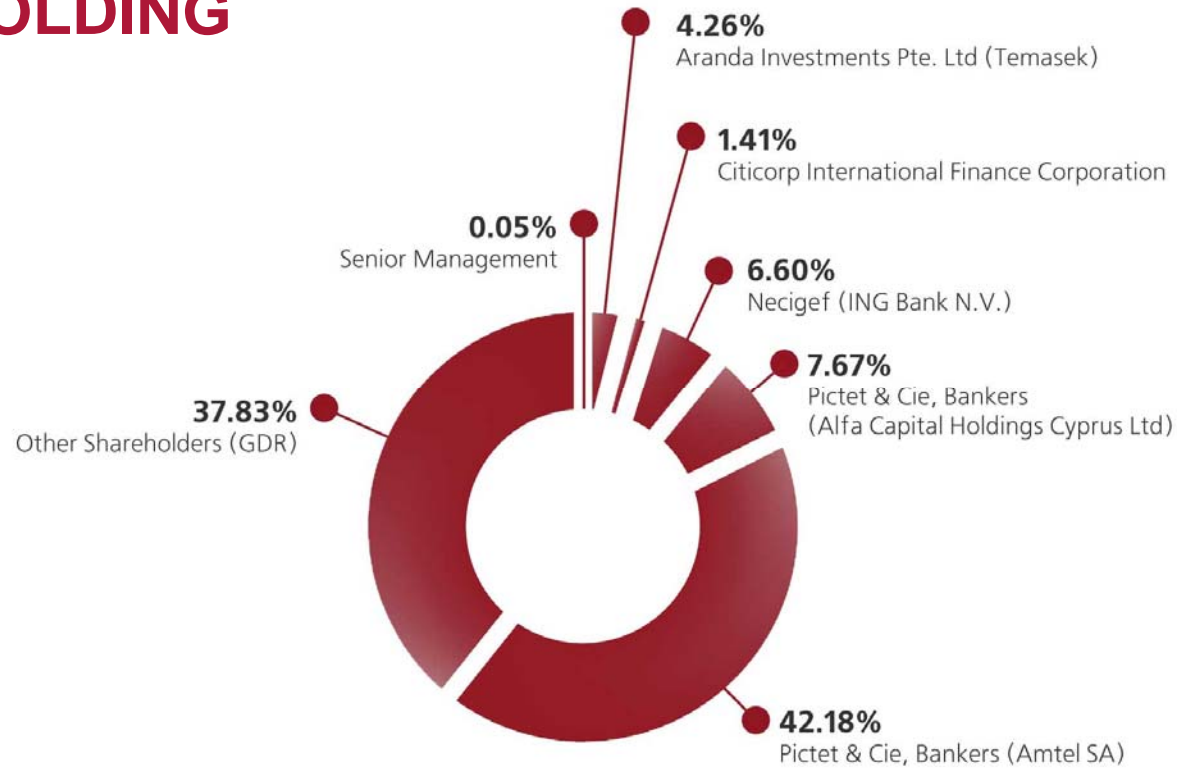
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## STRUCTURE



# Company Overview

## SHAREHOLDING



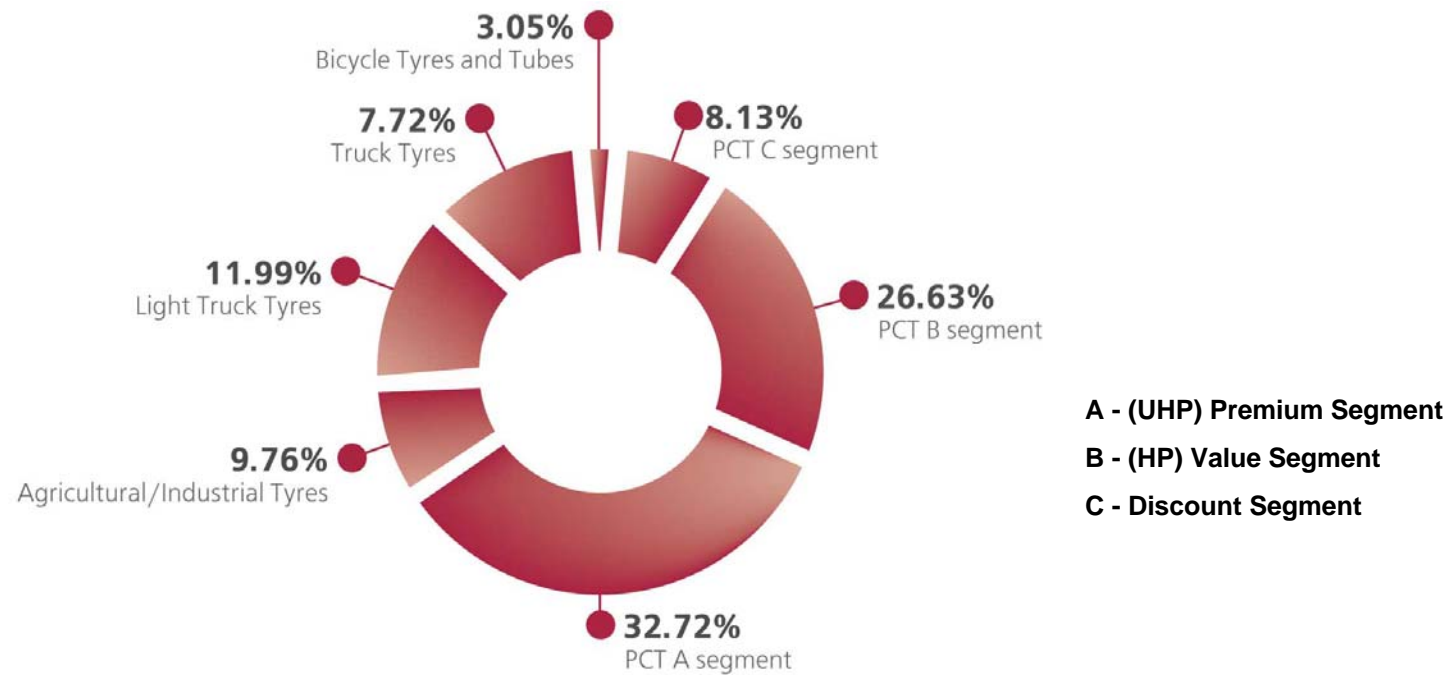
as of 06 September 2006

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# Company Overview

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## TYRE SALES 9M2006



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# Company Overview

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## 5-POINT PLAN

1. Focus production on high-margin, premium and mid-range passenger car tyres.
2. Outsource agricultural, truck and bicycle tyres to Asia and other low cost markets.
3. Continue cost-cutting measures throughout the organization.
4. Strengthen brands proposition in key markets.
5. Expand proprietary retail and distribution systems.

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# Company Overview

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## RUSSIAN STRATEGY

PRODUCTION



RETAIL

DISTRIBUTION

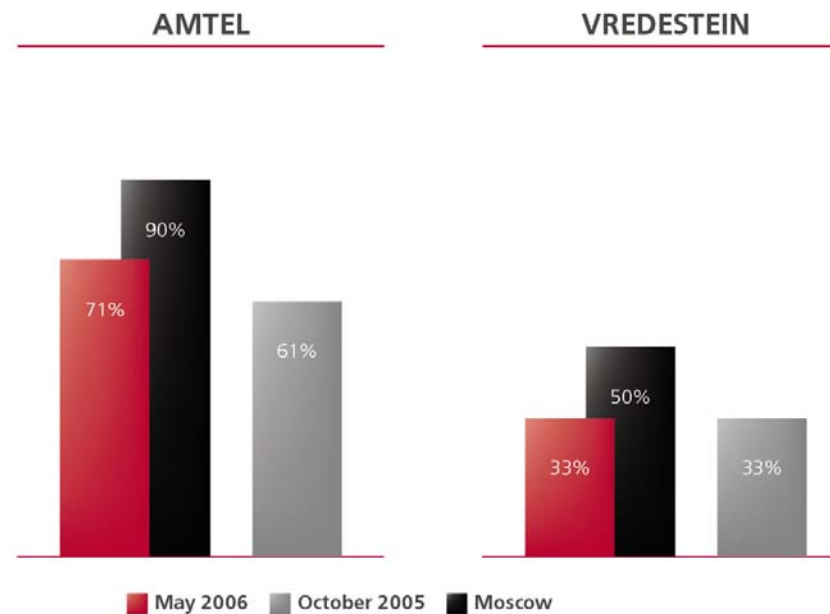


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# Company Overview

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## BRAND AWARENESS IN RUSSIA (AIDED)



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# Company Overview

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- Company has made strategic decision to invest aggressively for long term sustainable growth
- Company is highly leveraged but operates in a fast growing marketplace in which it holds leadership positions in tyre production, distribution and retail
- Company is generating sufficient cash flow to sustain operations and has further available credit facilities
- Company has outpaced Russian competition by modernizing, acquiring world class technology and securing market share in high margin segment
- Company will soon exceed \$1 billion in sales and targets profitability in 2007/2008



Market

## **OVERVIEW: GLOBAL**

- Over 1 billion Passenger Car and Light Truck tyres sold each year – 2/3 of the world's \$92 billion tyre market
- Growth of tyre sector by 7% per year over the next 4-5 years
- Doubling of world automobile fleet to 1.3 billion vehicles by 2030

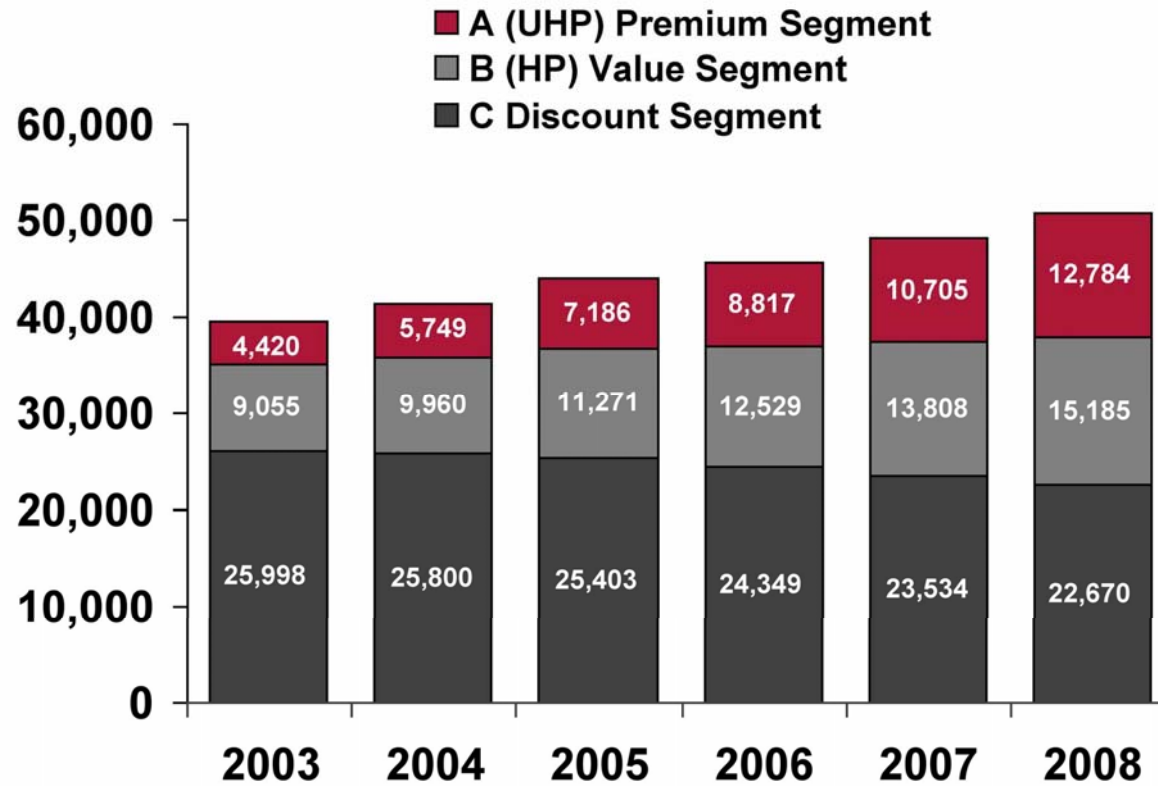
## **OVERVIEW: EUROPE**

- Growth as a result of increases in HP (up 5.4%) and Winter (up 8.7%) segments
- “Mass market” Passenger Car and Light Truck tyres continued to decrease – down 6.5%
- New insurance coverage requirement in Germany pushes winter tyre sales

## OVERVIEW: RUSSIA

- Explosive growth for international passenger car makers in Russia: new car sales grew 13% in 2005, international brand cars sales grew 50%
- Demand for high quality, higher-priced cars resulting in demand for higher quality, higher priced tyres
- New opportunity for Russians to use credit for automobile purchases expected to accelerate demand

## RUSSIA GROWTH BY TYRE SEGMENT



\*units in thousands



# Key Events & Outlook



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# Key Events & Outlook

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## **A PERIOD OF TRANSFORMATION**

- Completely transformed company in 2005/2006 from company producing lower quality, low cost tyres to HP and UHP tyres
- Only Russian-based producer of UHP tyres
- Leading Russian tyre/ autoparts distributor and retailer

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# Key Events & Outlook

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## DISPOSALS

- Disposed of loss-producing Krasnoyarsk tyre plant and Volgograd facility in 2005; plans to sell Kemerovo chemical fiber plant
- Discontinued production of Truck and Bicycle tyres at Voronezh facility in 2005
- Disposals produced write-offs that contributed to a consolidated net loss for 2005; but foundation for future growth

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# Key Events & Outlook

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## ACQUISITIONS

- Acquired Vredestein Banden B.V. – 60 year old Dutch Tyre Manufacturer in April 2005
- Acquired 104 retail stores in 4Q2005-1Q2006; acquired tyre and autoparts distributor Pigma/ Megashina
- Acquired Moscow Tyre Plant

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# Key Events & Outlook

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## **COST CUTTING**

- Reduced headcount by over 7,400 to 10,900 in 2005; further reductions planned
- Optimizing production efficiency
- Continuous program of reducing administrative and distribution costs and streamlining business
- Anticipate savings through AV-TO/Pigma/Megashina merger/consolidation and Russian headquarters relocation to Moscow Tyre Plant



VREDESTEIN BANDEN

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# Key Events & Outlook

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## VREDESTEIN BANDEN

- Highly profitable 60 year old Dutch tyre producer with strong European UHP niche
- World's only producer of designer tyres in cooperation with Giugiaro Design
- Vredestein Banden is Europe's 9<sup>th</sup> largest tyre producer
- Synergy of Dutch and Russian management maximizes efforts and achieves as one company heights that could not be scaled individually

# Voronezh Update



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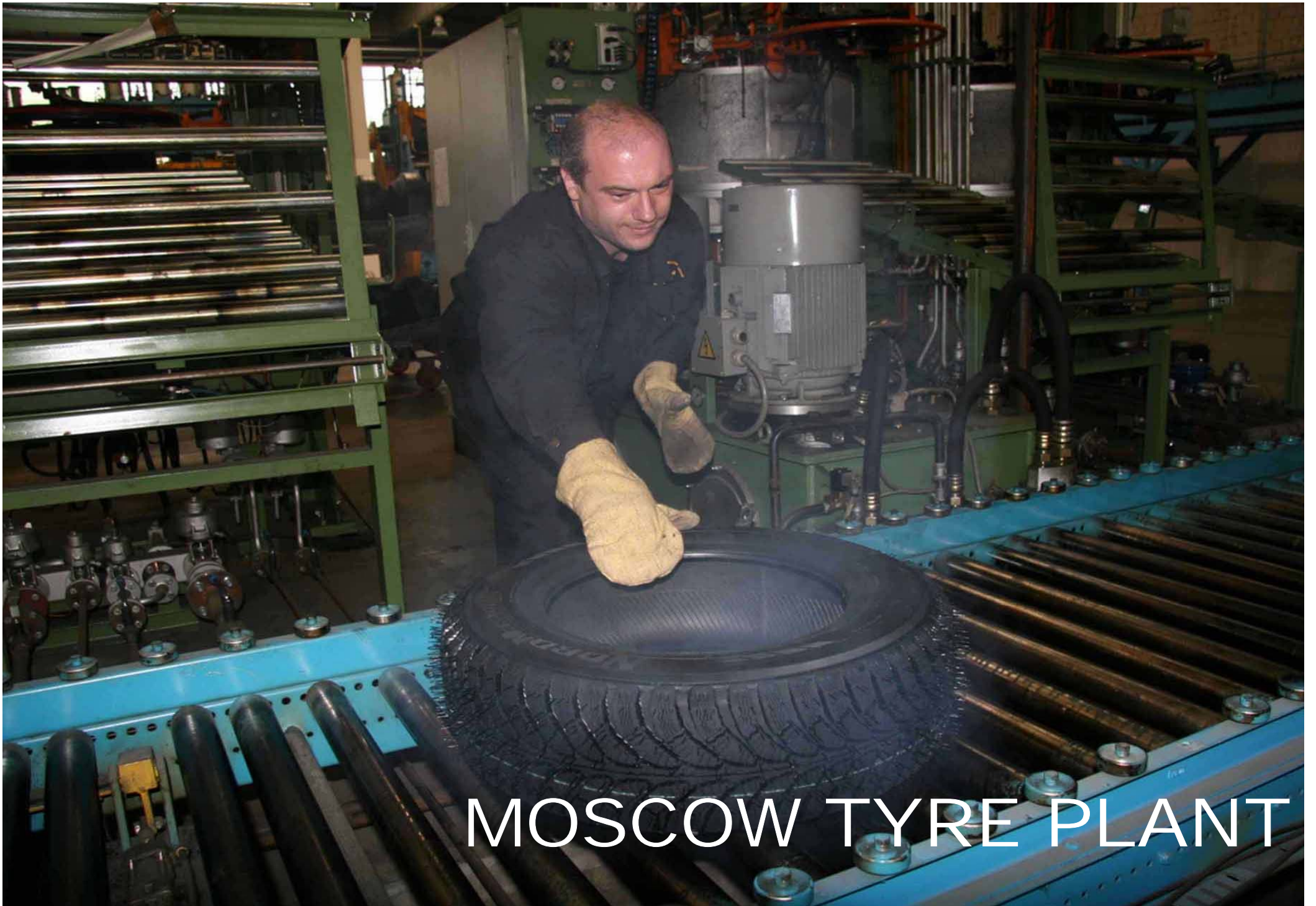
# Key Events & Outlook

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## VORONEZH II

- About \$64.8 million to be invested by completion in equipment and significant additional sums in building new facilities
- Capacity increase of approximately 2.5 million Vredestein and Maloya tyres in 2007/2008 and expandable to over 4 million additional tyres
- Up to 7 million tyres annually ultimate capacity with minimal additional investment
- Voronezh II products: 13"-16", 136 specifications





MOSCOW TYRE PLANT

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# Key Events & Outlook

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## **MOSCOW TYRE PLANT**

- 60+ year-old Russian company best known for its Taganka brand
- Former joint venture with Continental AG
- Modern equipment for tyre production
- Will primarily be utilized to meet high demand for Amtel tyres in Russia
- First Amtel tyre – September 2006



AV-TO

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# Key Events & Outlook

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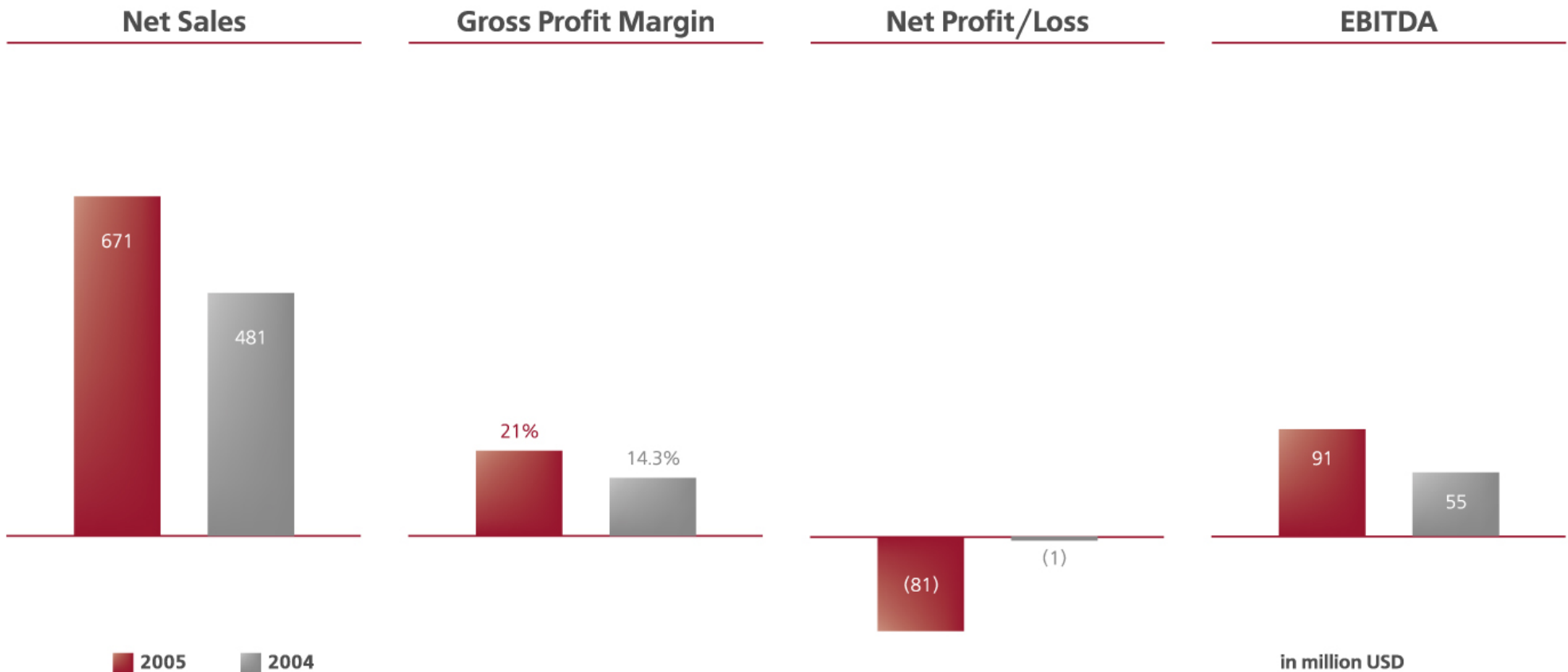
## AV-TO

- 115 multibrand tyre retail stores today
- Over 27,000 auto components from about 40 producers to more than 1500 customers in Russia and CIS
- Leading Russian tyre wholesaler and distributor; serves over 500 customers
- Merger of AV-TO and Pigma/Megashina will produce company with stronger management and sales of approximately \$250 million (2006 pro forma)

A close-up, low-angle shot of a car's front left side, focusing on the fender and wheel. The car is dark, possibly black or dark grey, and is illuminated from the side, creating strong highlights and deep shadows. The wheel is a multi-spoke alloy design. The tire has "PEDESTAL" visible on the sidewall. The background is a dark, gradient grey.

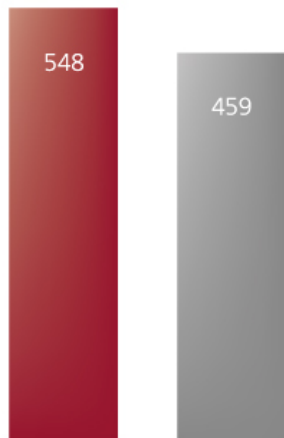
# Financial Results

# Financial Results 2005

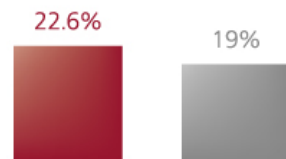


# Financial Results 9M2006

## Net Sales



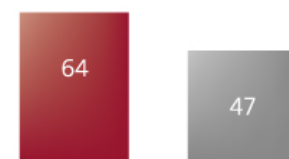
## Gross Profit Margin



## Net Profit/Loss



## EBITDA

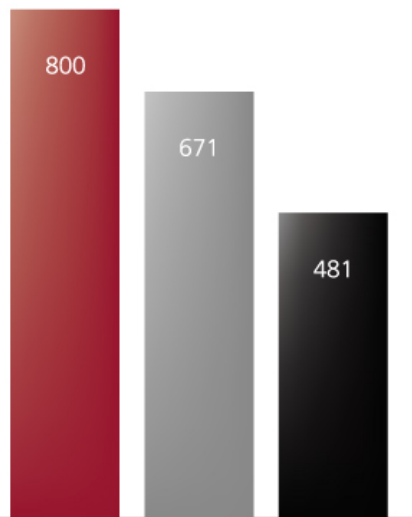


■ 9m2006 ■ 9m2005

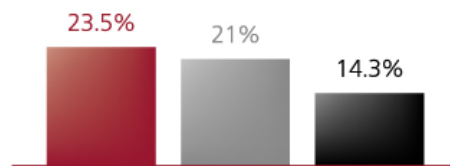
in million USD

# Financial Results 2006F

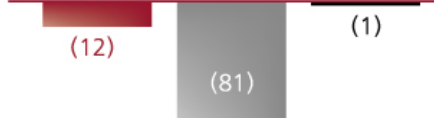
## Net Sales



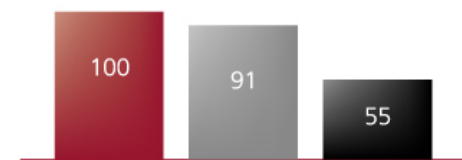
## Gross Profit Margin



## Net Profit/Loss



## EBITDA



■ 2006F   ■ 2005   ■ 2004

in million USD



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# Conclusion

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## COMPLETING OUR TRANSFORMATION

- 2005: Vredestein acquisition, IPO brand support, capacity optimization, price increases and product mix change; disposal of non-core assets
- 2006: retail, continued brand support, further improvement in product mix, increased capacity utilization and price increases; expand capacity with Moscow Tyre Plant; expand AV-TO to tyre and autoparts distribution with Pigma and Megashina acquisition; sell Chemical Fibers Plant
- 2007/2008: Voronezh II launch, further AV-TO expansion, new products and enhanced product mix; profitability



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