



**AMTEL**VREDESTEIN





Market  
Key Events & Outlook  
Financial Results  
Voronezh Update  
AV Retail



Market

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# Market

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- Demand for performance tyres is growing at about 4 times industry average
- Long winter boosted sales
- Higher petrol prices did not reduce miles driven
- PCT prices higher

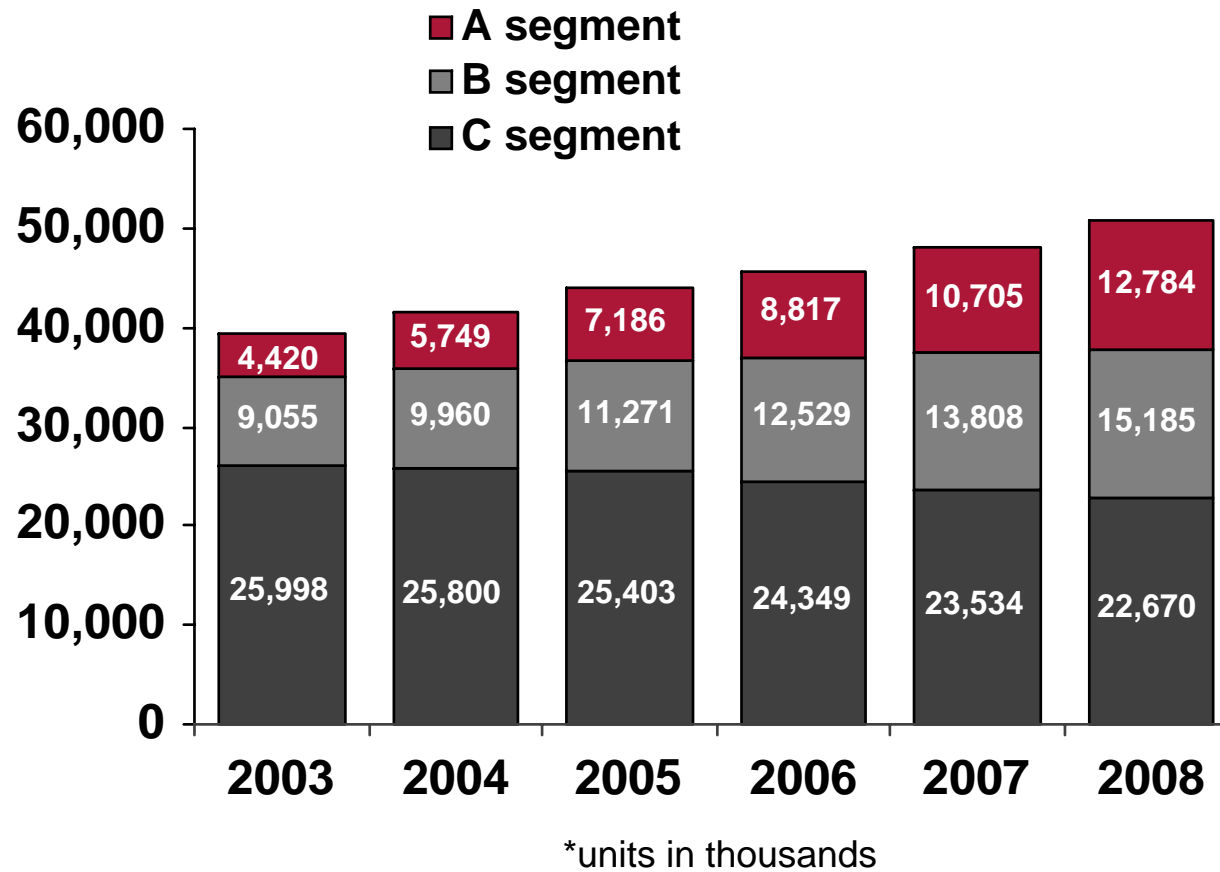
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# Market

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- In Russia new foreign cars sales grew by 35% from 370,000 units in 2004 to 500,000
- Russian PCT market grew by 5% to 43.5 million units

## RUSSIA GROWTH BY TYRE SEGMENT



## INTERNATIONAL SEGMENTATION

A



B



C



## RUSSIAN SEGMENTATION



## **RAW MATERIALS COST INCREASES**

- Raw materials costs higher - driven by oil prices, reduced natural rubber output in SE Asia and demand from China
- Some of cost rise built into pricing for 2005
- Change in product mix insulates us from the full impact of cost rise
- Raw materials now represent lower cost of goods sold
- Price increases throughout the year will further offset these cost increases





# Key Events & Outlook

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# Key Events & Outlook

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## **BUSINESS TRANSFORMATION**

- Sold every tyre we manufactured in 2005
- Successful transition from C segment tyre manufacturer to a market leader of higher margin, A and B segment tyres
- Sales of branded passenger car tyres more than tripled in 2005
- Transformed business into a pan-European enterprise; over 40% of the current revenues outside of Russia
- Now #1 tyre retailer in Russia

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# Key Events & Outlook

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## DISPOSALS

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

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# Key Events & Outlook

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## **COST CUTTING**

- Reduced headcount by over 7,400 to 10,900; further reductions planned
- Plan to reduce administrative costs and streamline business
- Some additional, but minimal restructuring charges expected in 2006

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# Key Events & Outlook

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## OPTIMIZED OUTPUT

- Voronezh I achieved record output in Q1, exceeding 200,000 Amtel branded tyres in one month (up to 7,500 units in a single day) to meet increased demand
- Voronezh I is now approximately 2.5 million capacity, up from its original 2.2 million, without additional investment
- Some delay in Vredestein production at Kirov; but now underway

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# Key Events & Outlook

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## **GROWTH PLAN**

- 2004: investments in Kirov and Voronezh
- 2005: Vredestein acquisition, brand support, capacity optimization, price increases and product mix change
- 2006: retail, continued brand support, further improvement in product mix, increased capacity utilization and price increases
- 2007 and 2008: Voronezh II, retail expansion, new products and enhanced product mix; further acquisitions possible

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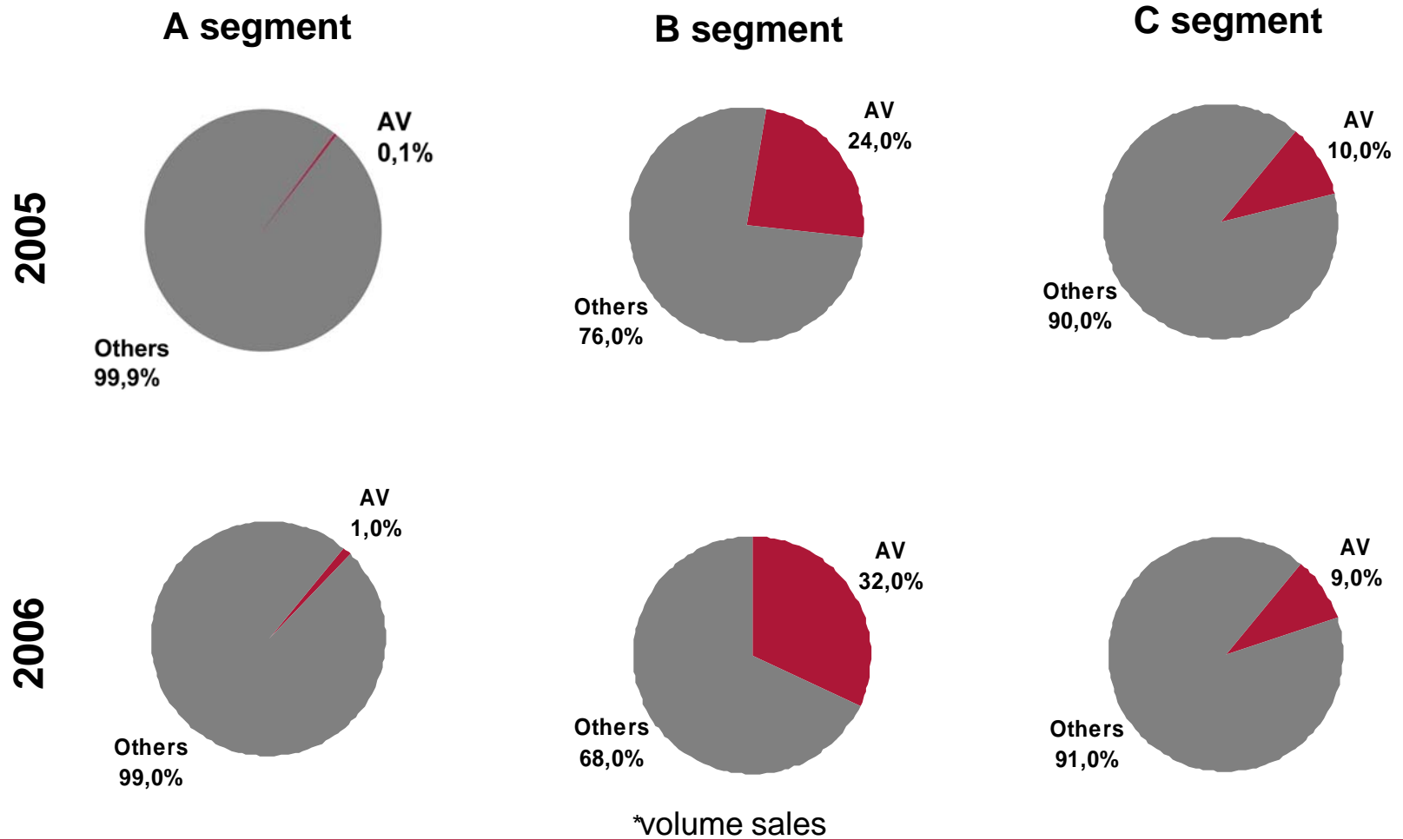
# Key Events & Outlook

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## **OUTLOOK 2006**

- Increase sales and improve margin
- We will move to higher margin production in Enschede
- New high performance PCT – Ultrac Sessanta, Sportrac-3
- Expand retail network

# AMTEL-VREDESTEIN MARKET SHARE





A dramatic, low-key photograph of a car's front quarter. The car is dark, possibly black or dark grey, and is illuminated from the side, creating strong highlights on the fender and the wheel. The wheel is a multi-spoke alloy design. The tire has "PEDESTAL" written on it. The background is dark and out of focus.

# Financial Results

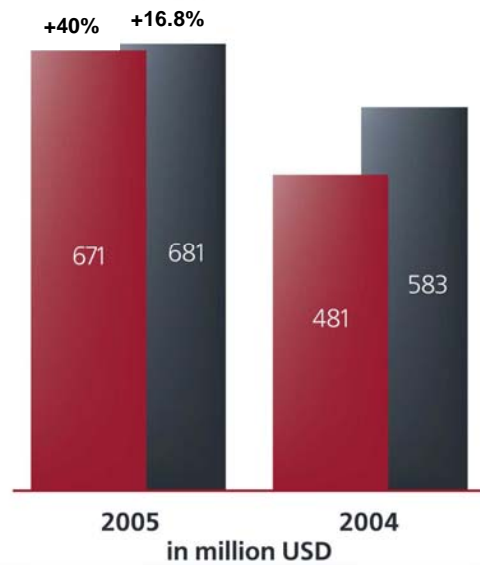
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# Financial Results

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## Net sales

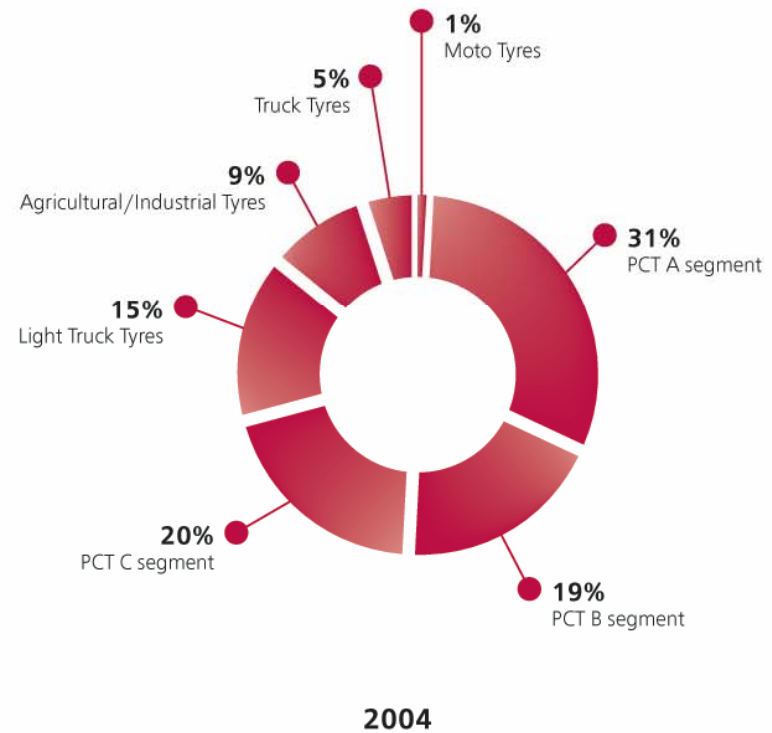
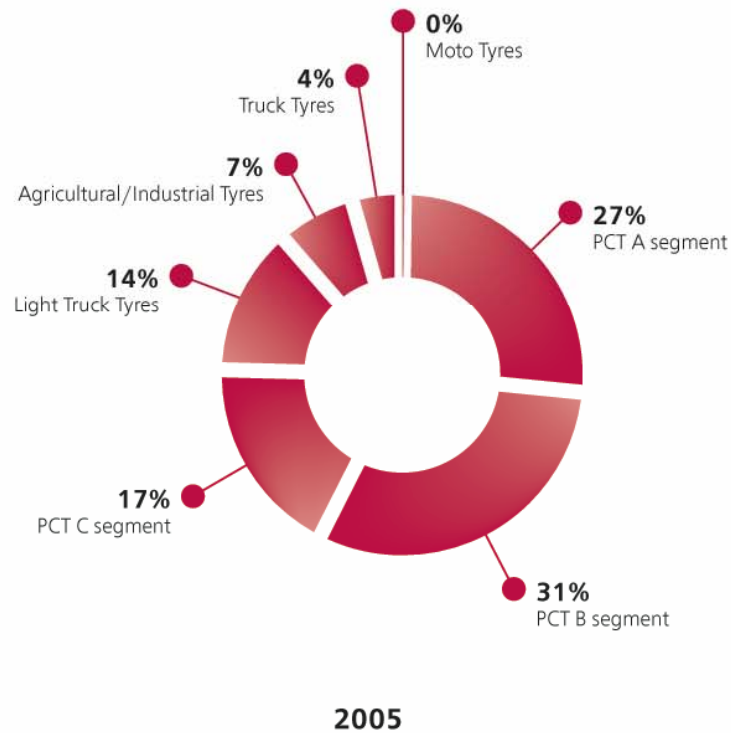
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■ Consolidated ■ Pro forma basis

# Financial Results

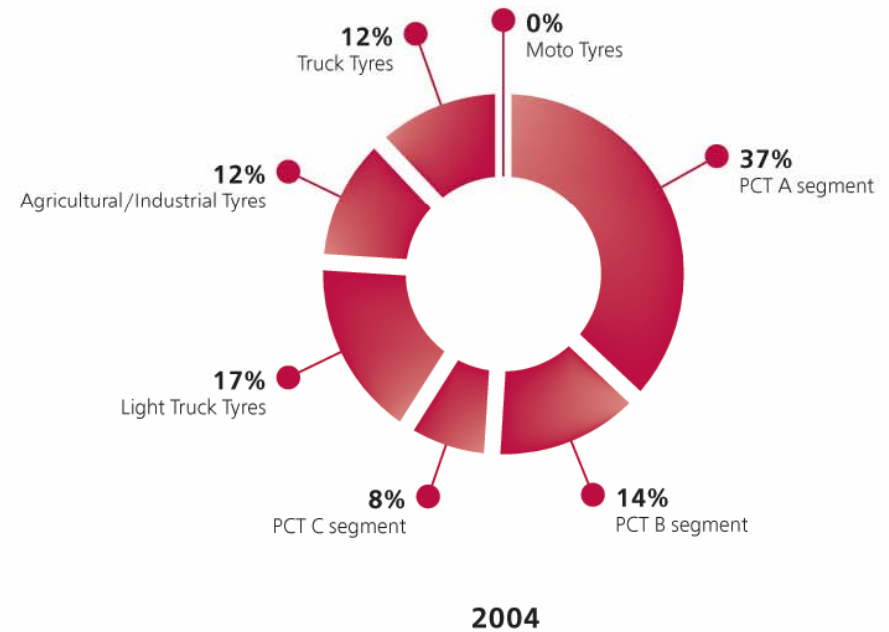
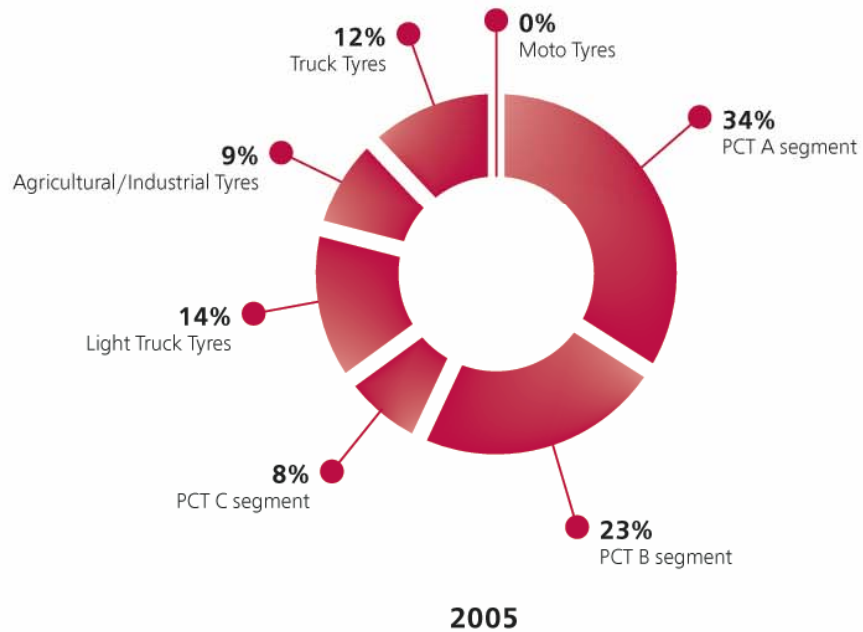
## Tyre sales in units on pro forma basis



Excluding Bicycle Tyres

# Financial Results

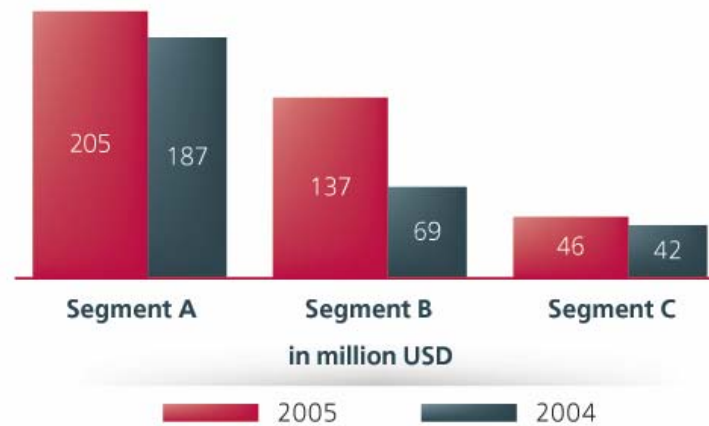
**Tyre sales by segment  
on pro forma basis**



Excluding Bicycle Tyres

# Financial Results

**Tyre sales by segment  
on pro forma basis**



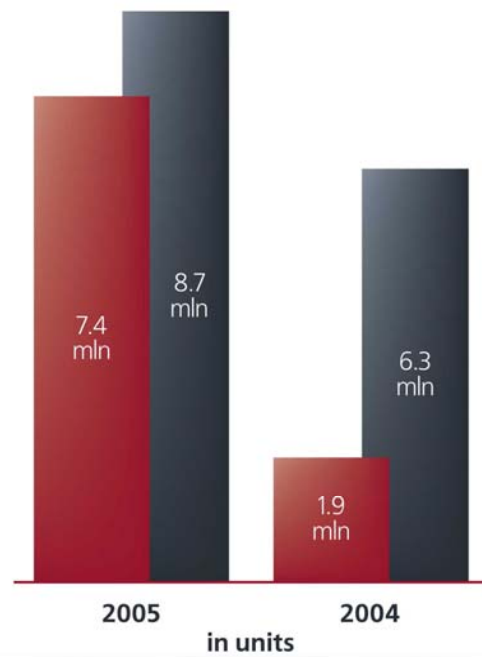
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# Financial Results

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## Sales of branded PCT

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Consolidated Pro forma basis

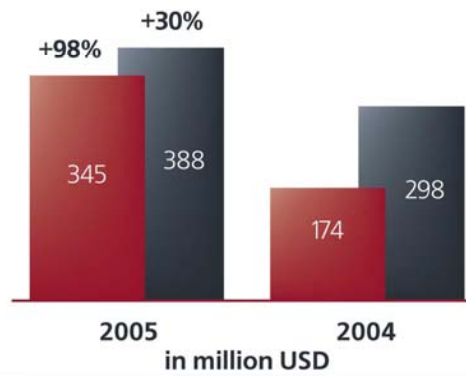
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# Financial Results

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## Net revenue from PCT

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Consolidated Pro forma basis

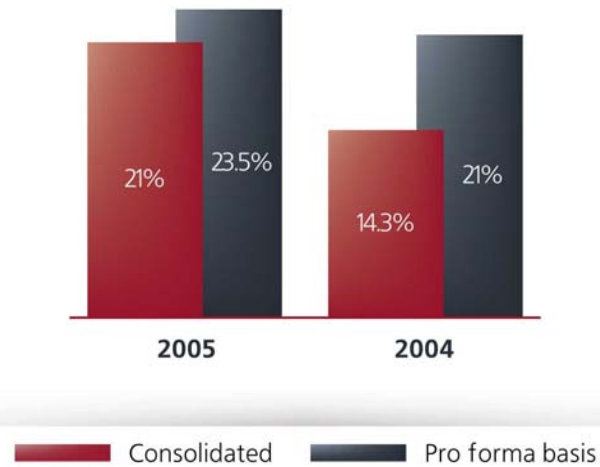
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# Financial Results

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## Gross profit margin

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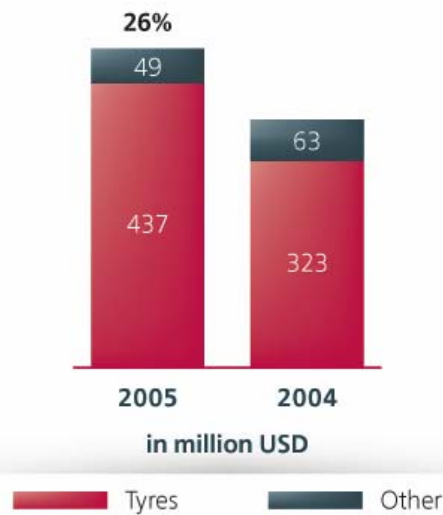
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# Financial Results

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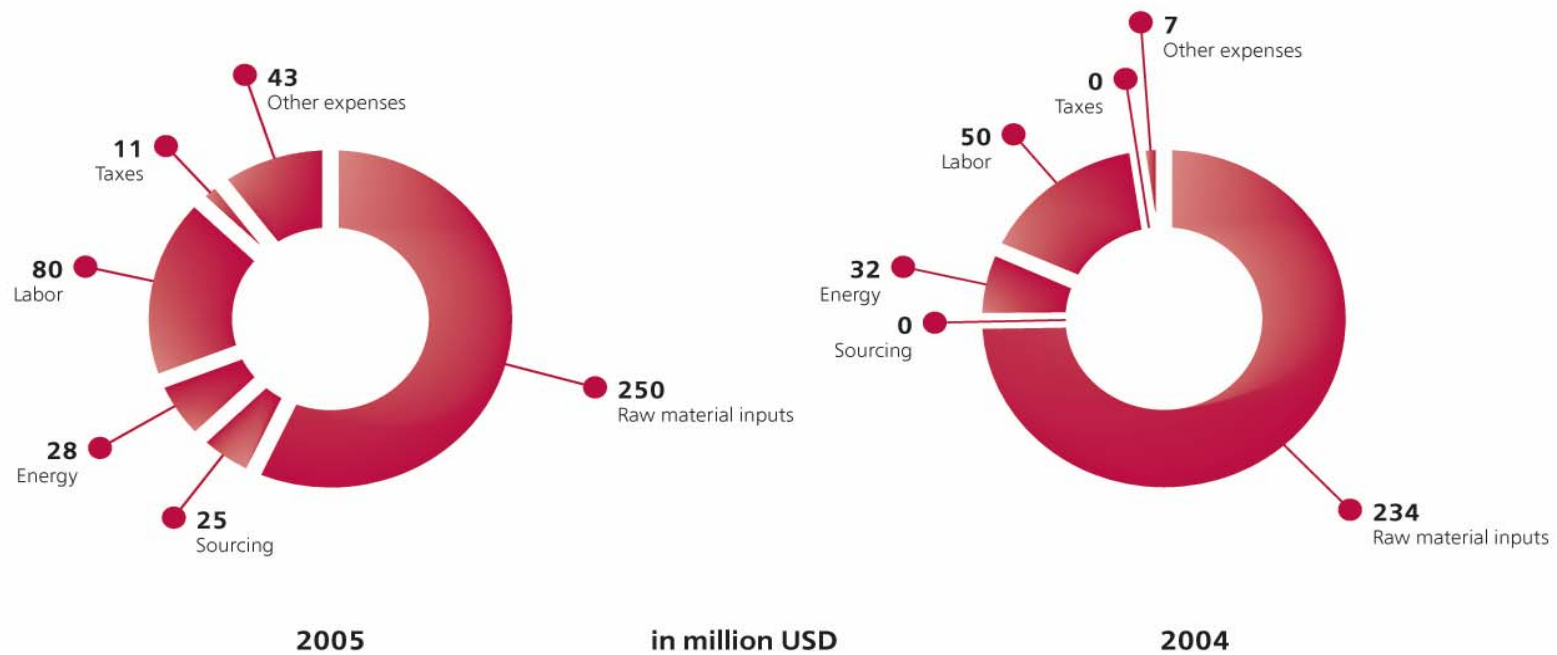
## Cost of Goods Sold

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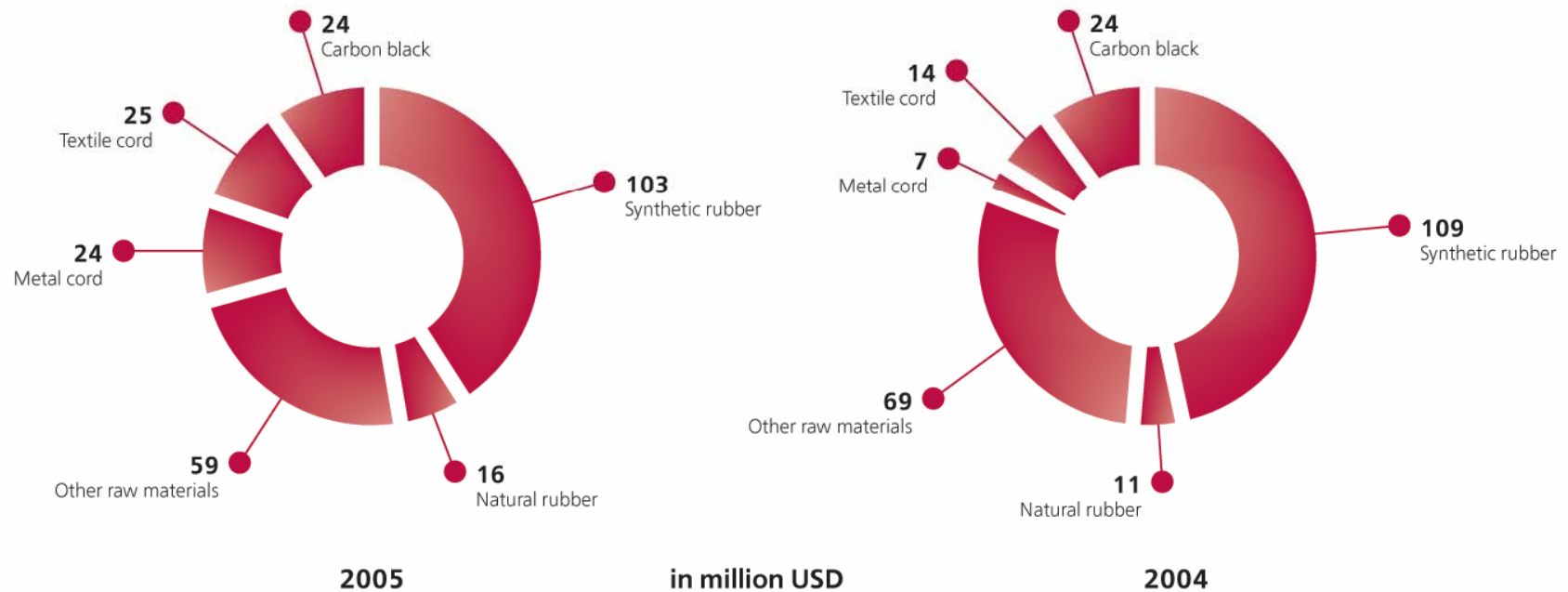
# Financial Results

## Cost of Goods Sold (Tyres)



# Financial Results

## Cost of Goods Sold (Raw Materials Inputs)

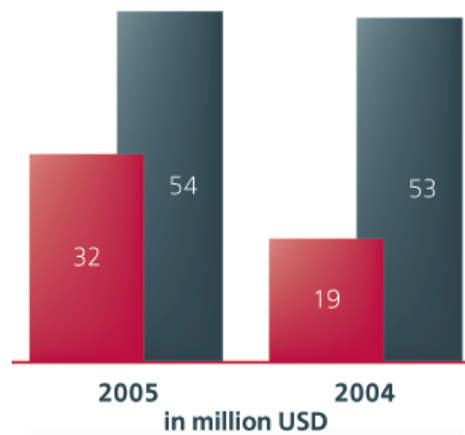


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# Financial Results

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## Profit from Operations without impairment



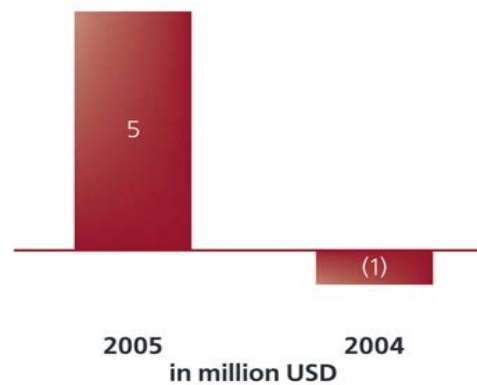
Consolidated Pro forma basis

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# Financial Results

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## Net income before write-offs



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# Financial Results

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## Q1 2006

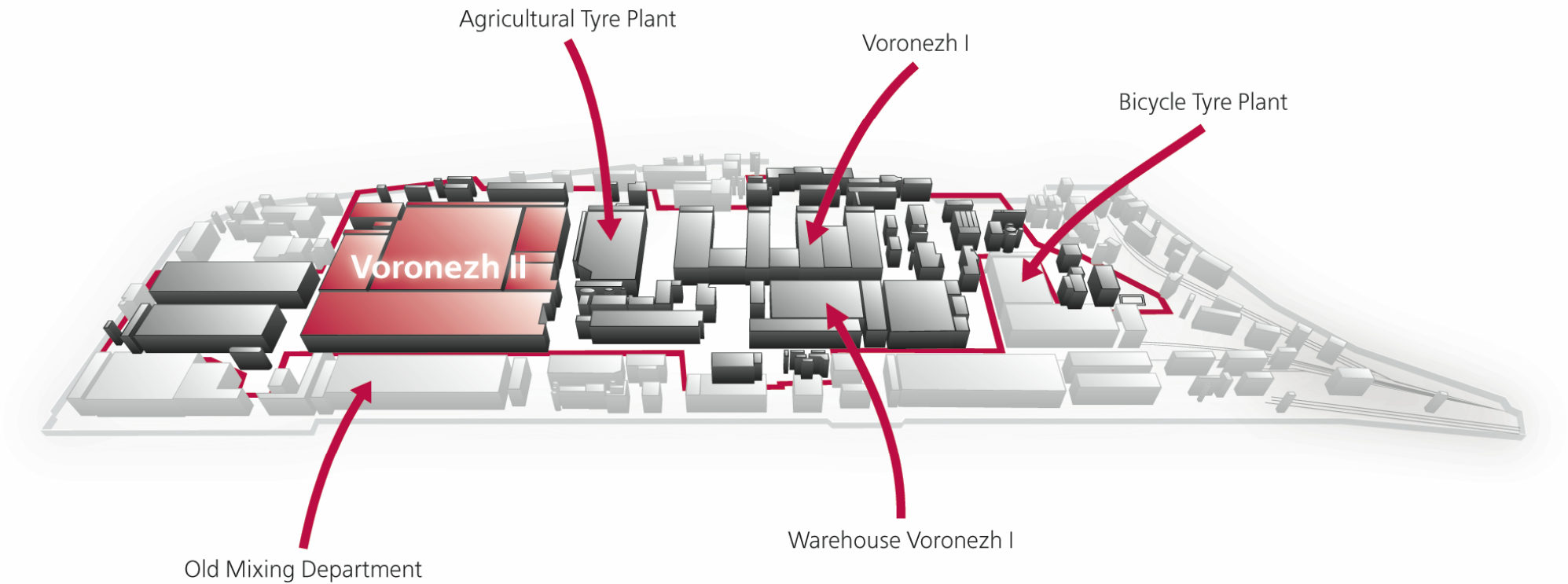
- Net sales up 3.3% to 157.4 million USD vs Q1 2005
- Net revenue from passenger car tyres grew 9% to 95.2 million USD
- Gross profit margin is 22.6%, just above the 2005 level
- Profit from operations grew to 1.3 million USD - a 6.7% increase from 2005
- Company became operating cash flow positive for the first time in the Q1

# Voronezh Update



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# Voronezh Tyre Complex





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# Voronezh Update

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- Great benefit from Vredestein synergies: VB engineers supervise all the production
- Voronezh II: capacity increase of approximately 2.5 million Vredestein and Maloya tyres in 2007/2008
- Expandable to over 4 million additional tyres, with minimal additional investment
- Ultimate capacity up to 7 million tyres annually

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# Voronezh Update

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- Voronezh II products: 13"-16", T-TRAC, HI-TRAC, SPORTRAC, SNOWTRAC, ICE-TRAC, COMTRAC, 136 specs
- Voronezh II completes our plant modernization program; Amtel-Vredestein to become one of most advanced tyre producers in Europe



AV Retail

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# AV Retail

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## GOALS

- 100+ stores (critical mass) – accomplished as promised in Q1
- 200 outlets – by end of 2006/early 2007, primarily through acquisition
- 2007-2008 – growth mainly through construction of new stores and ultimately by franchising once the brands have been established
- 500 stores – by 2008



## INVESTMENT

- 68.7 million USD invested to date, 20 million USD of which is real estate
- 50-60 million USD planned to spend in second half 2006/early 2007 for acquiring an additional 100 outlets and re-branding of outlets
- New CLN 2006 planned for financing this expansion and reducing cost of current debt

## PROJECTIONS

- Sales of 70-100 million USD in 2006 with a gross margin of 25-29%, based on our business model
- Sales of 400 million USD by 2008
- Sales per square meter/per year on average of approximately 80,000 – 120,000 rubles (about 3,000 – 4,500 USD)
- To date approximately 32,000 square meters acquired