



**AMTEL**VREDESTEIN





Company Overview

Market

Key Events & Outlook

Financial Results

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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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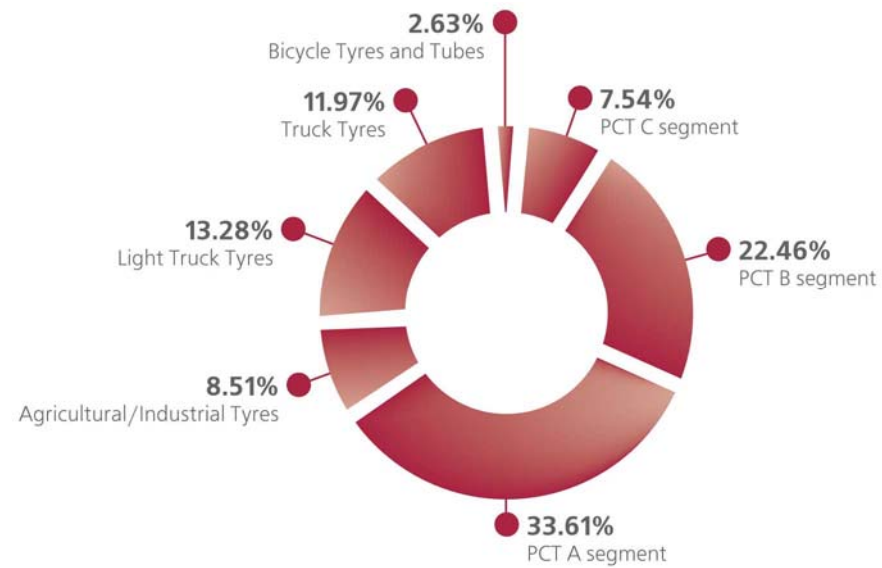
## STRUCTURE



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# Company Overview

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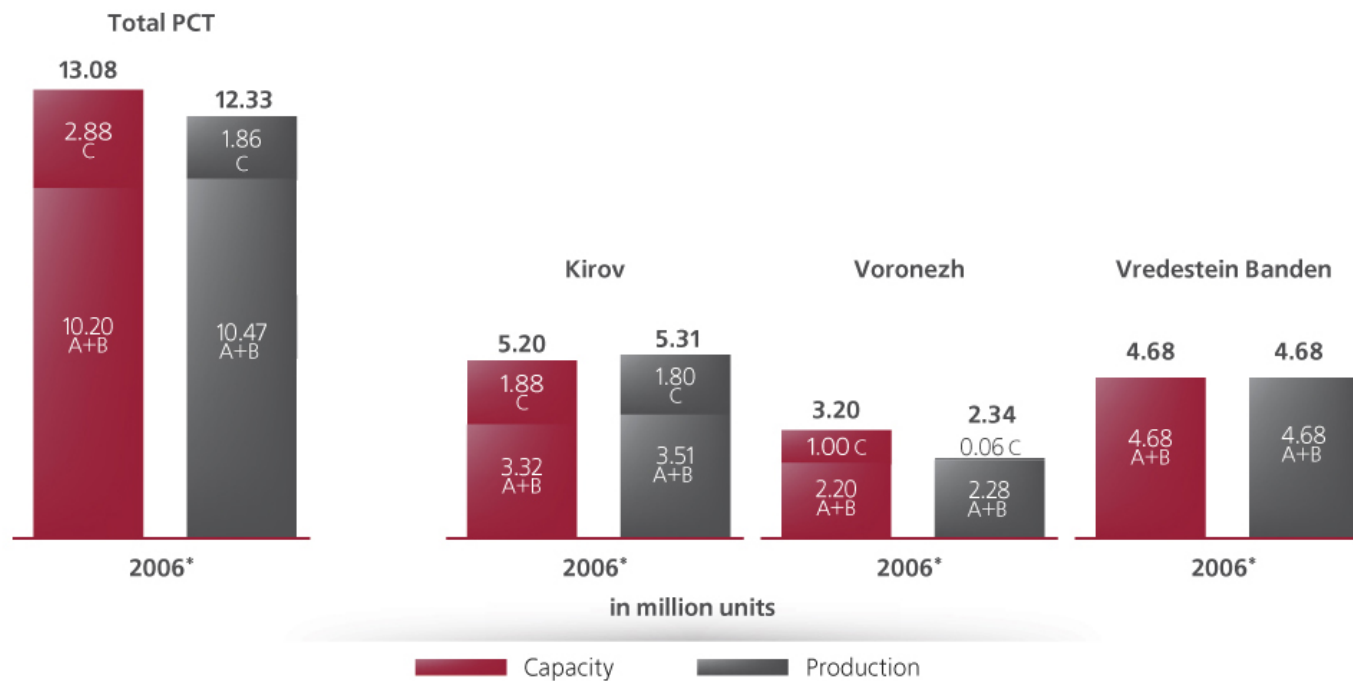
**A - (UHP) Premium Segment**

**B - (HP) Value Segment**

**C - Discount Segment**

# Company Overview

## Passenger Car Tyre Production and Capacity



\* 1H2006 – actual; 2H2006 – projected

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# Company Overview

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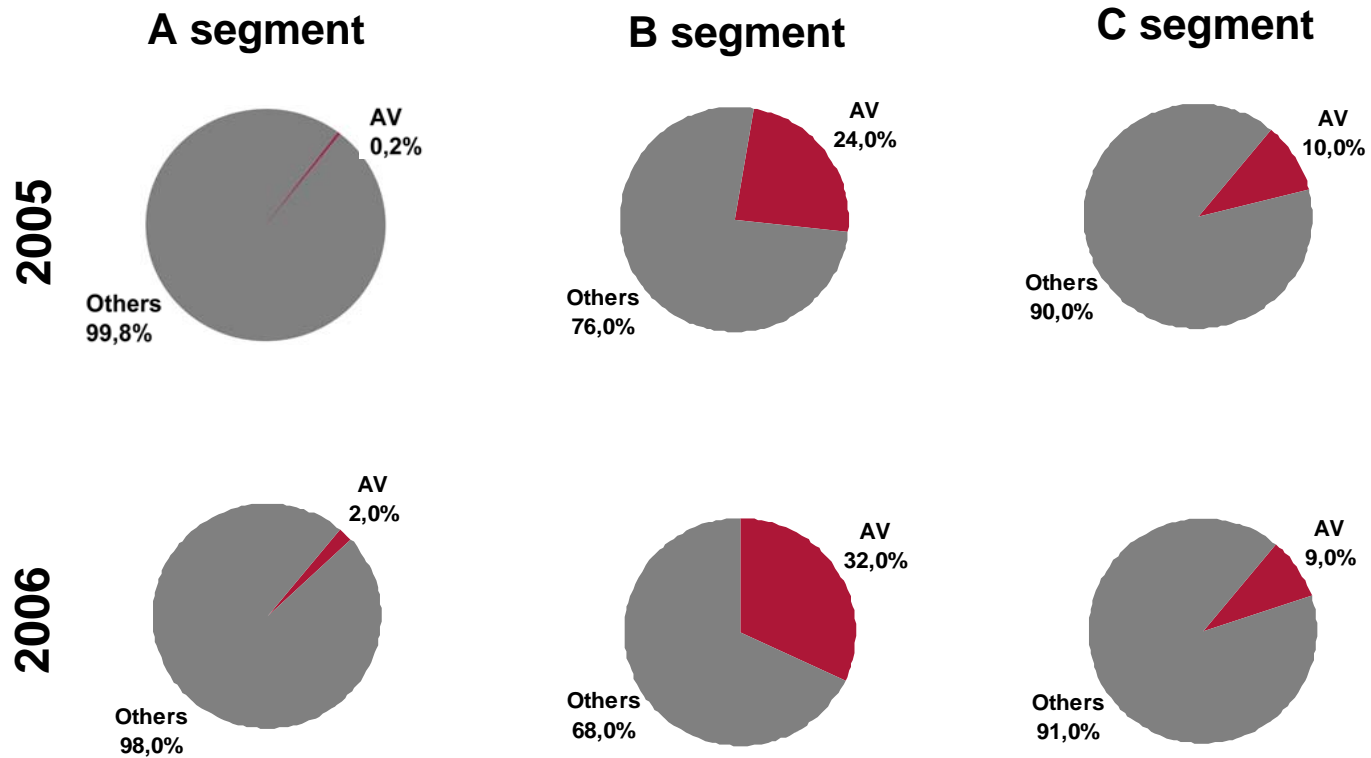
## BRANDS

- Amtel brand awareness in Russia grew from 38% in June 2005 to 61% in October-November 2005; 75% in Moscow (the largest Russian PCT market)
- Amtel brand won EFFIE and SUPERBRAND awards in 2005
- Vredestein brand awareness reached 22% of total consumers in Moscow and 33% of Premium consumers in Moscow in October-November 2005



# Company Overview

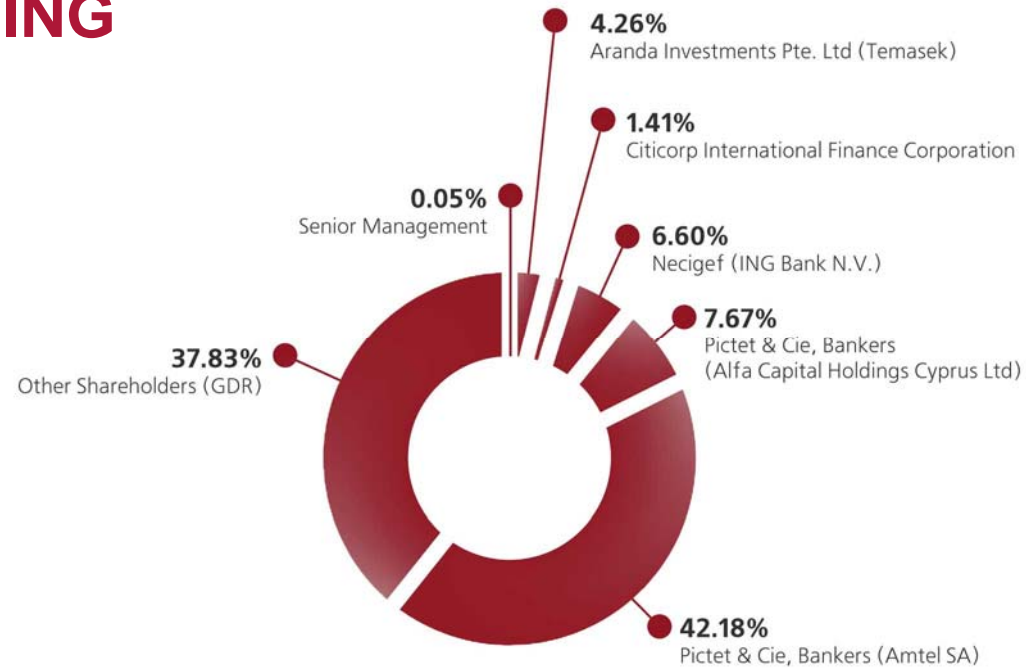
## RUSSIAN MARKET SHARE



*\*volume sales*

# Company Overview

## SHAREHOLDING



as of 06 September 2006

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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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## SHARE PERFORMANCE



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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 is reducing costs and increasing sales
- 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



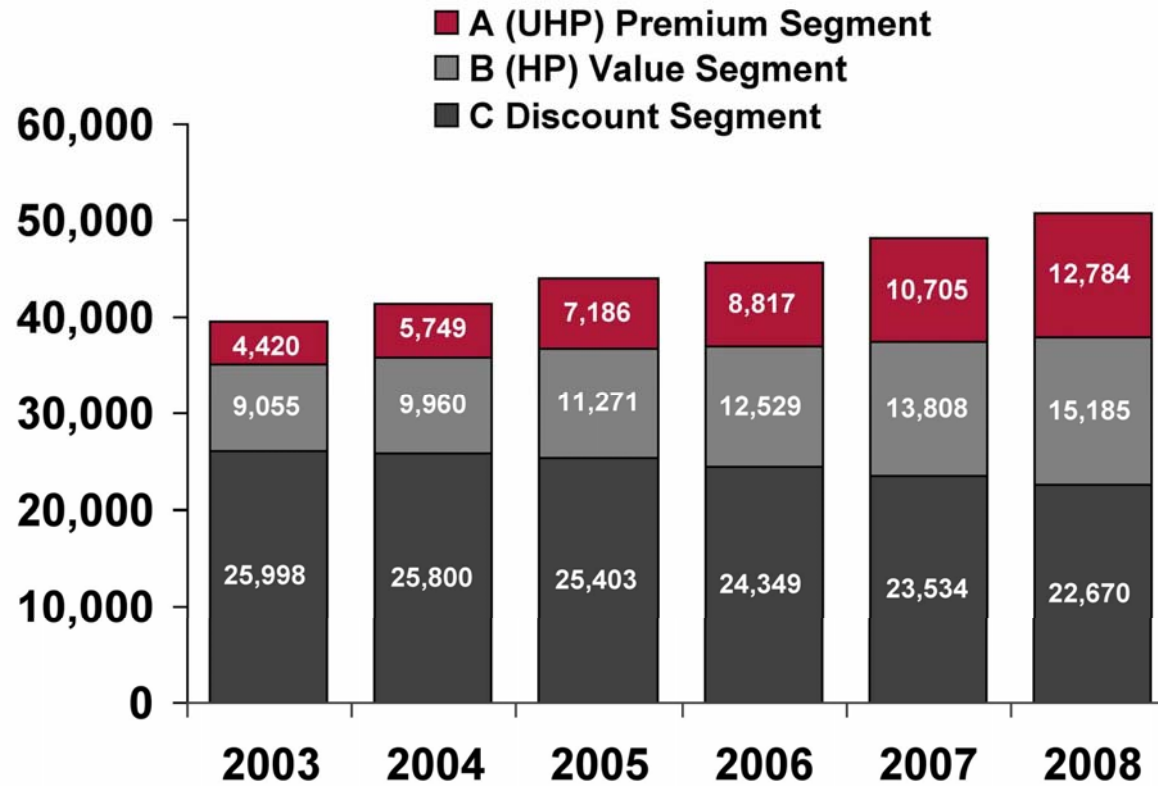
## OVERVIEW: EUROPE

- 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%
- OE market down 0.7% in 2005; Agricultural tyre replacement markets were down 6%
- 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

## EUROPEAN SEGMENTATION

“A”  
UHP



BRIDGESTONE



Continental®



“B”  
HP

Kleber

UNIROYAL

Firestone FULDA

BFGoodrich  
Tyres

MALOYA  
+

“C”  
DISCOUNT

MATADOR

RIKEN



Sava

Barum

VIKING

## RUSSIAN SEGMENTATION



BRIDGESTONE



Continental®



Kleber

KAMA EURO

MATADOR

AMTEL

Barum

FULDA

KUMHO  
TYRES

Cordiant  
POLAR

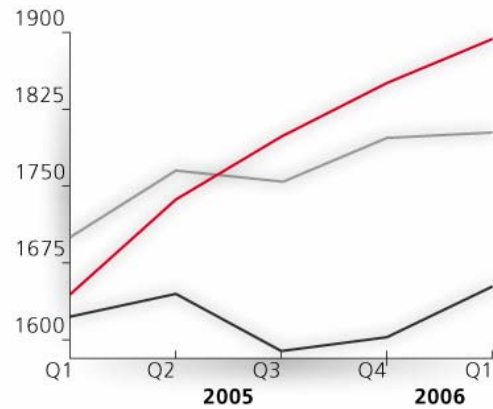


## **RAW MATERIALS COST INCREASES**

- Raw materials costs higher - driven by oil prices, reduced natural rubber output in SE Asia and high demand from China
- Move into higher margin tyre segments reduces raw materials as a percentage of cost of goods sold
- Increase of prices in line with industry
- Closing the gap between UHP and HP segment pricing offsets these cost advances in Russia

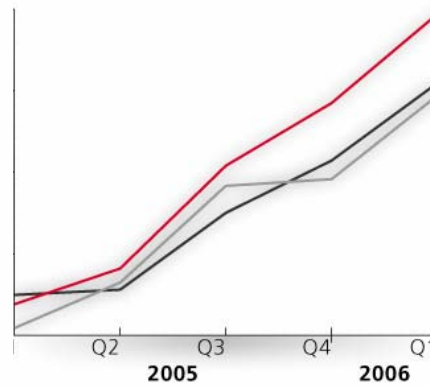
# Market

**Synthetic Rubber prices  
(US dollars)**



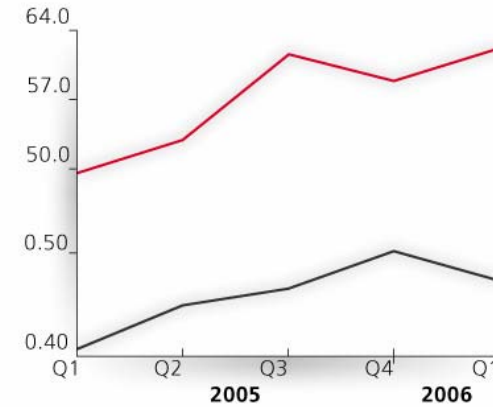
- Japan, SBR Export Values per/tonne
- USA, SBR Export Values per/tonne
- France, SBR Export Values per/tonne

**Natural Rubber prices  
(US dollars)**



- Europe, TSR per/tonne
- New York, TSR20 per/tonne
- SICOM, RSS per/tonne

**Oil prices  
(US dollars)**



- Crude oil, West Texas basis per barrel
- Butadiene per lb



# 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 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 (deal to close in 4Q2006)
- Acquired Moscow Tyre Plant (deal to close in 4Q2006)



VREDESTEIN BANDEN

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# Key Events & Outlook

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## VREDESTEIN BANDEN

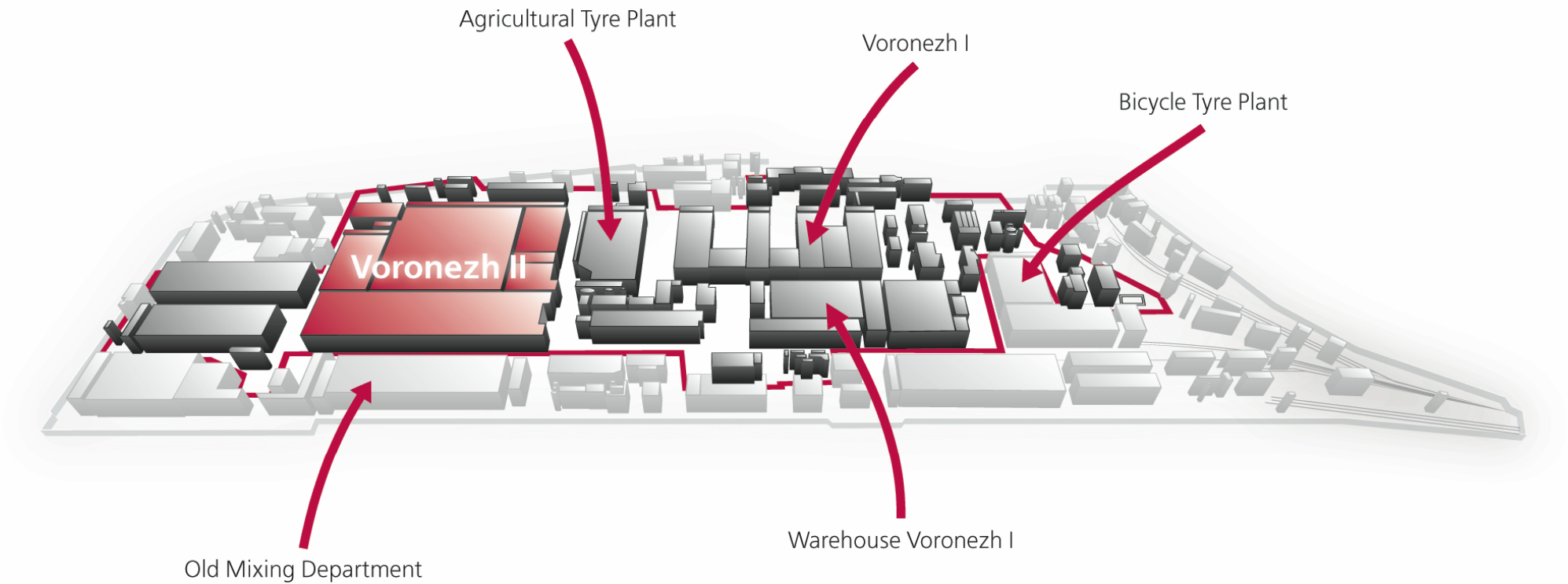
- Highly profitable 60 year old Dutch tyre producer with strong European UHP niche
- World's only producer of designer tyres in cooperation with Giugiaro Design
- Vredestein Banden is Europe's 9<sup>th</sup> largest tyre producer
- Synergy of Dutch and Russian management maximizes efforts and achieves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

# Voronezh Update



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# Voronezh Tyre Complex



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# Key Events & Outlook

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## **INVESTMENTS: 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, with minimal additional investment; ultimate capacity (of a facility) up to 7 million tyres annually
- Voronezh II products: 13"-16", T-TRAC, HI-TRAC, SPORTRAC, SNOWTRAC, ICE-TRAC, COMTRAC, 136 specs



AV-TO DIVISION



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# Key Events & Outlook

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## AV-TO



- 104 multibrand tyre retail stores today
- 500 stores – by 2008
- Pigma: over 27,000 auto components from about 40 producers to more than 1500 customers in Russia and CIS
- Megashina: 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)

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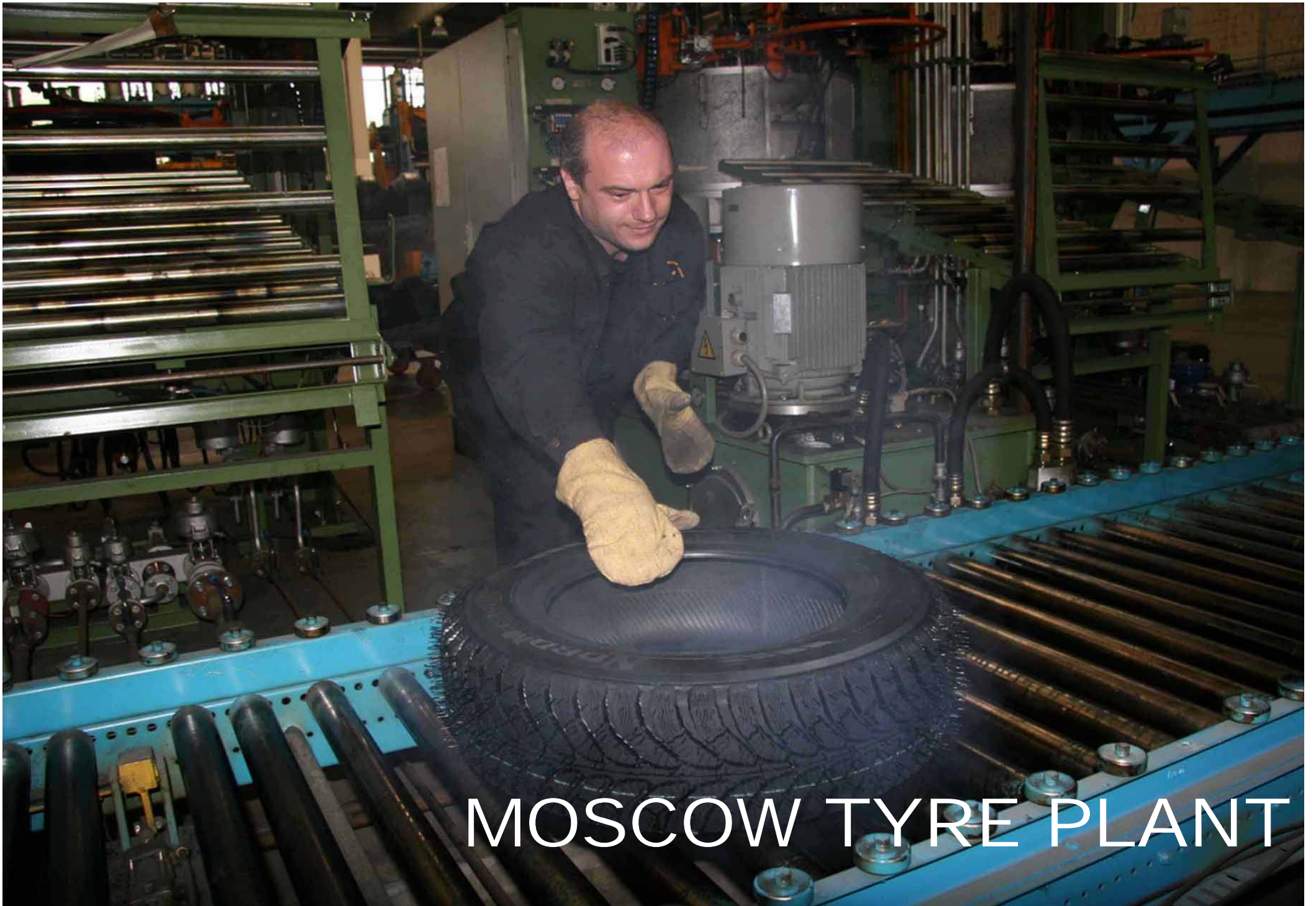
# Key Events & Outlook

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## **INVESTMENTS: AV-TO**

- \$101 million invested to date, \$34 million of which is real estate
- Additional investment to acquire or construct more retail outlets subject to revised business plan following Pigma/Megashina acquisition
- Possible equity partner for AV-TO to raise capital and/or reduce debt





MOSCOW TYRE PLANT

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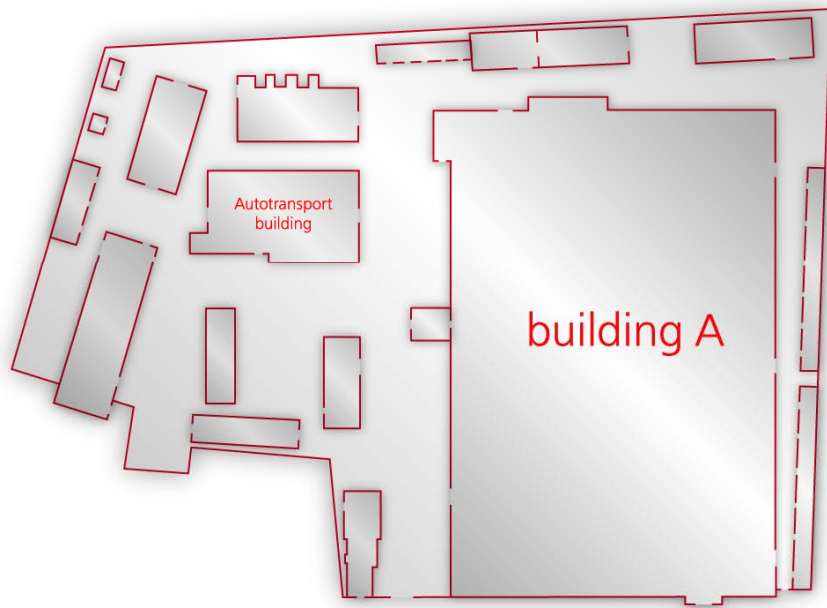
# Key Events & Outlook

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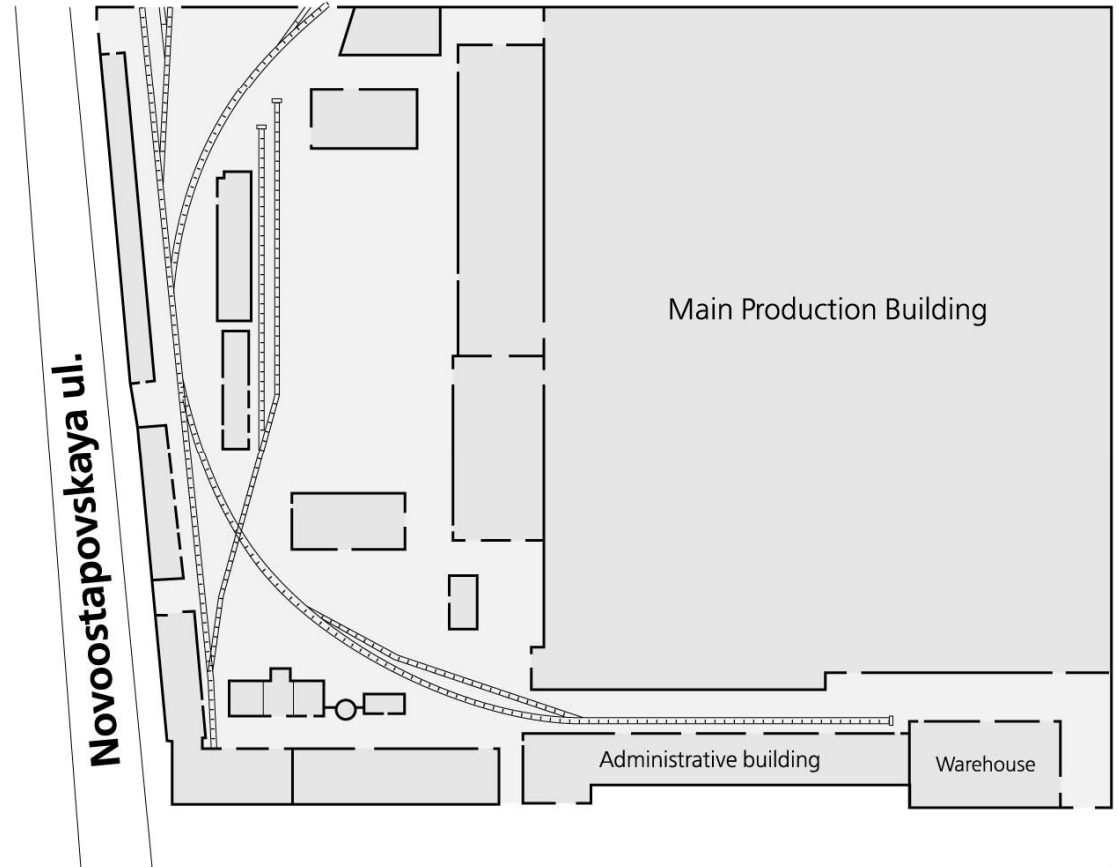
## **MOSCOW TYRE PLANT**

- 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

# OJSC MTP Plan



**1 Dubrovskaya ul.**



**Sharikopodshipnikovskaya ul.**

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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

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# Key Events & Outlook

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## **GROWTH PLAN**

- 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; expand capacity with Moscow Tyre Plant
- 2007 and 2008: Voronezh II, AV-TO expansion, new products and enhanced product mix

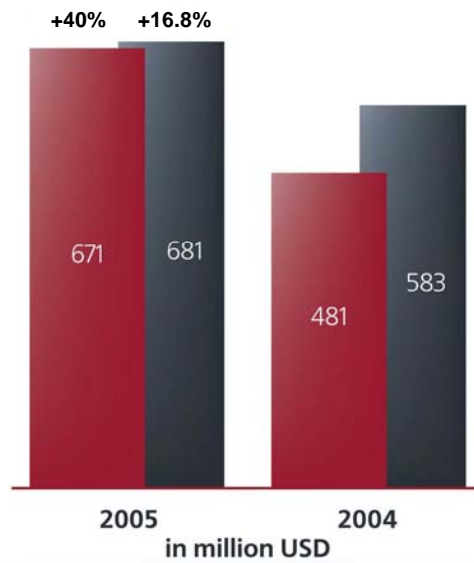


A dramatic, low-key photograph of a car's front quarter. The car is dark, possibly black or dark grey, and is illuminated from the side, creating strong highlights on the fender and the wheel. The wheel is a multi-spoke alloy design. The tire has "PEDESTAL" written on it. The background is a dark, gradient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

# Financial Results

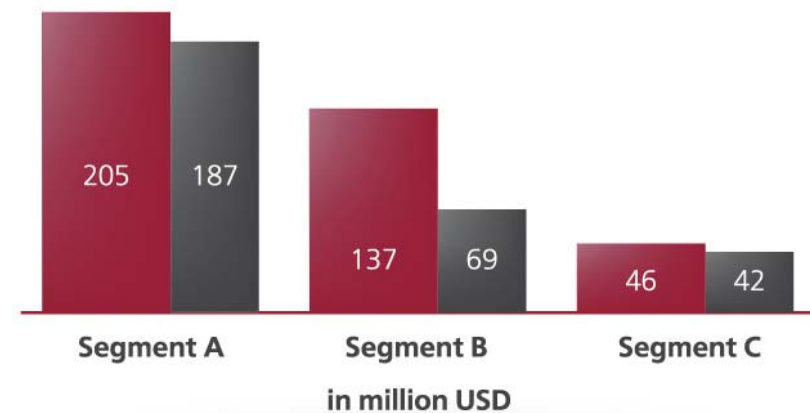
# Financial Results 2005

## Net sales



Consolidated Pro forma basis

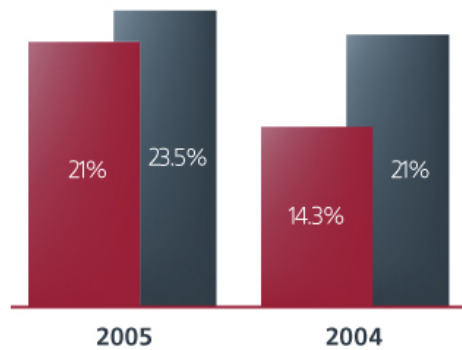
## Tyre sales by segment on pro forma basis



2005 2004

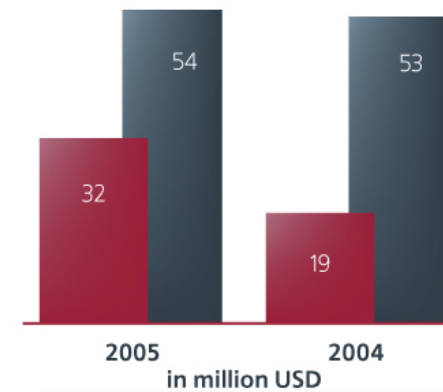
# Financial Results 2005

## Gross profit margin



Consolidated Pro forma basis

## Profit from Operations without impairment



Consolidated Pro forma basis

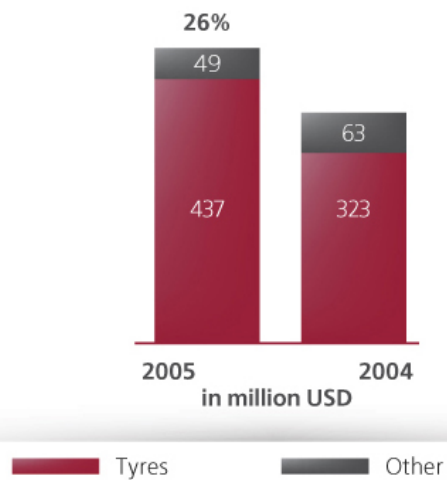
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# Financial Results 2005

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## Cost of Goods Sold

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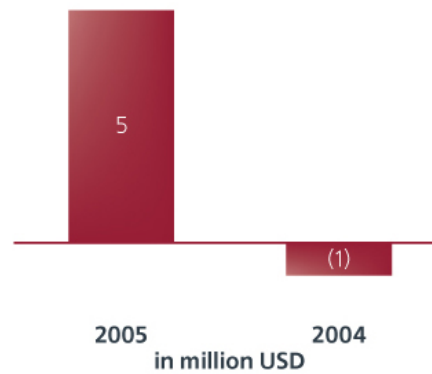


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# Financial Results 2005

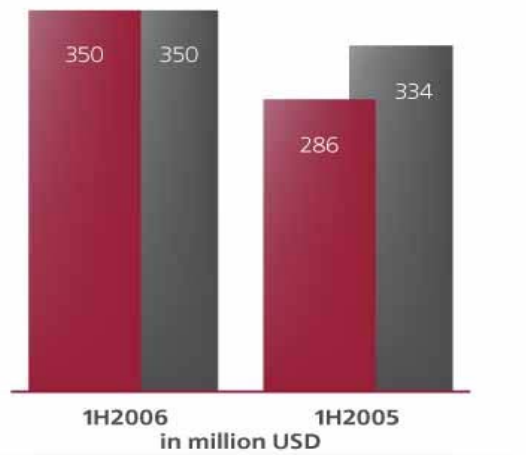
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## Net income before write-offs



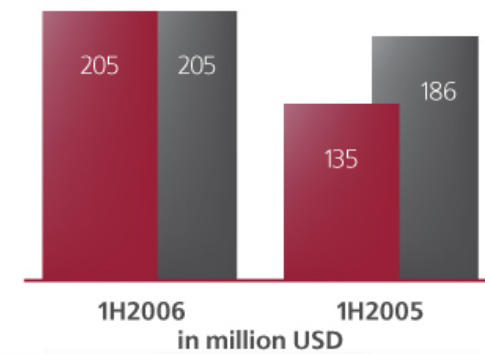
# Financial Results 1H2006

## Net Sales



Consolidated Pro forma basis

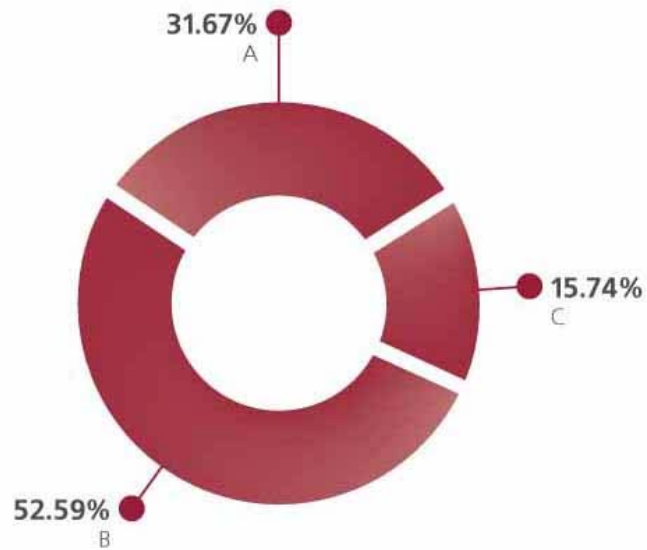
## Net Revenue for PCT



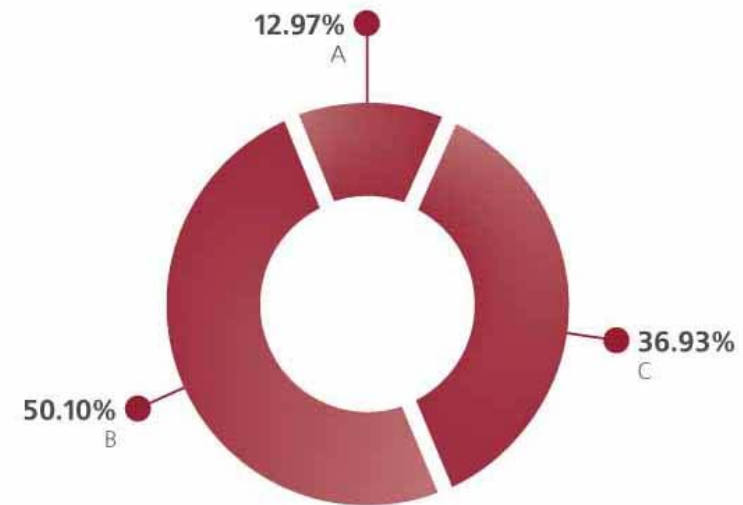
Consolidated Pro forma basis

# Financial Results 1H2006

## Sales of PCT in units



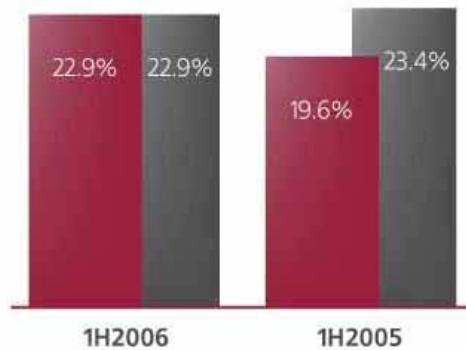
1H2006



1H2005

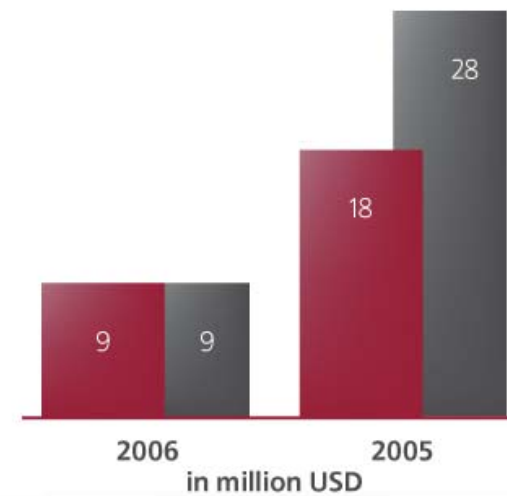
# Financial Results 1H2006

## Gross Profit Margin



Consolidated Pro forma basis

## Profit from Operations



Consolidated Pro forma basis



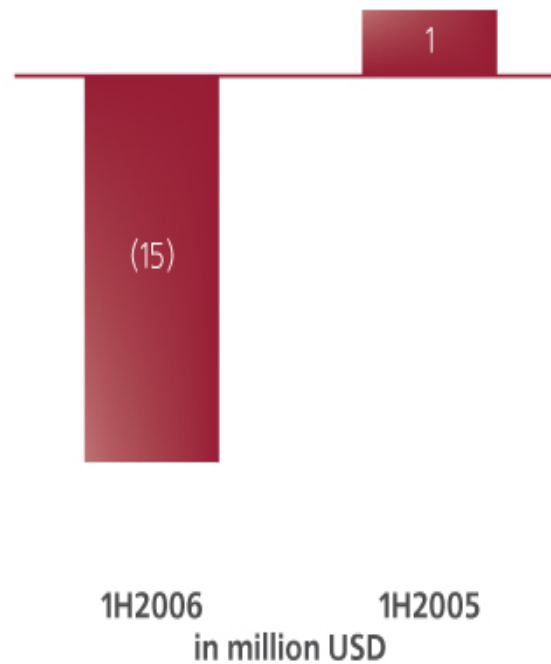
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# Financial Results 1H2006

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## Net profit

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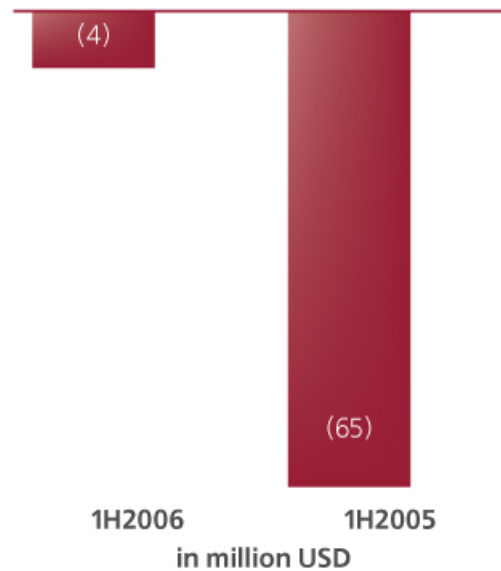


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# Financial Results 1H2006

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## Cash flows from operating activities



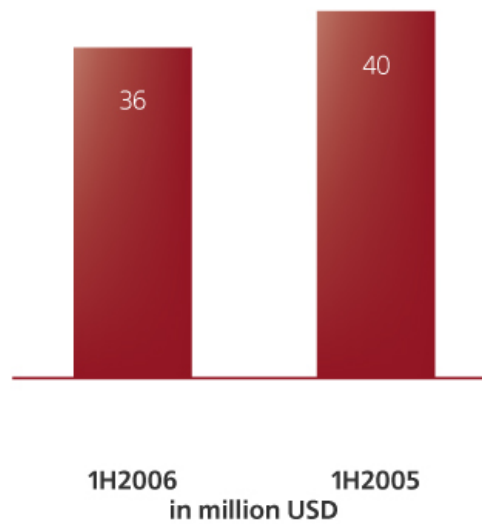
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# Financial Results 1H2006

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## EBITDA

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# Financial Results

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## **GUIDANCE 2006\***

- Improvements in seasonality stronger 2H
- Estimated net sales over \$800 million for the full year 2006
- Further increase in gross profit margin to 23.5%
- Expect to approach break-even in 2006; return to profit in 2007/2008

\* *Excludes the impact of most recent acquisitions of Moscow Tyre Plant and autoparts distributor Pigma*