

# Annual General Meeting of Shareholders 2007



**AMTELVREDESTEIN**

we're driven<sup>®</sup>





# Executive Board report

# Developments in 2006

- Continued acquisition, disposal and modernisation programme in 2006
- First Russian manufacturer of “A” segment Vredestein-branded tyres at Amtel-Povolzhye plant
- Russia’s number one network of tyre retail centers
- Entering auto parts and tyre distribution businesses with acquisition of Pigma and Megashina and merging them into AV-TO unit



**AMTEL**VREDESTEIN

we're driven™

# Developments in 2006

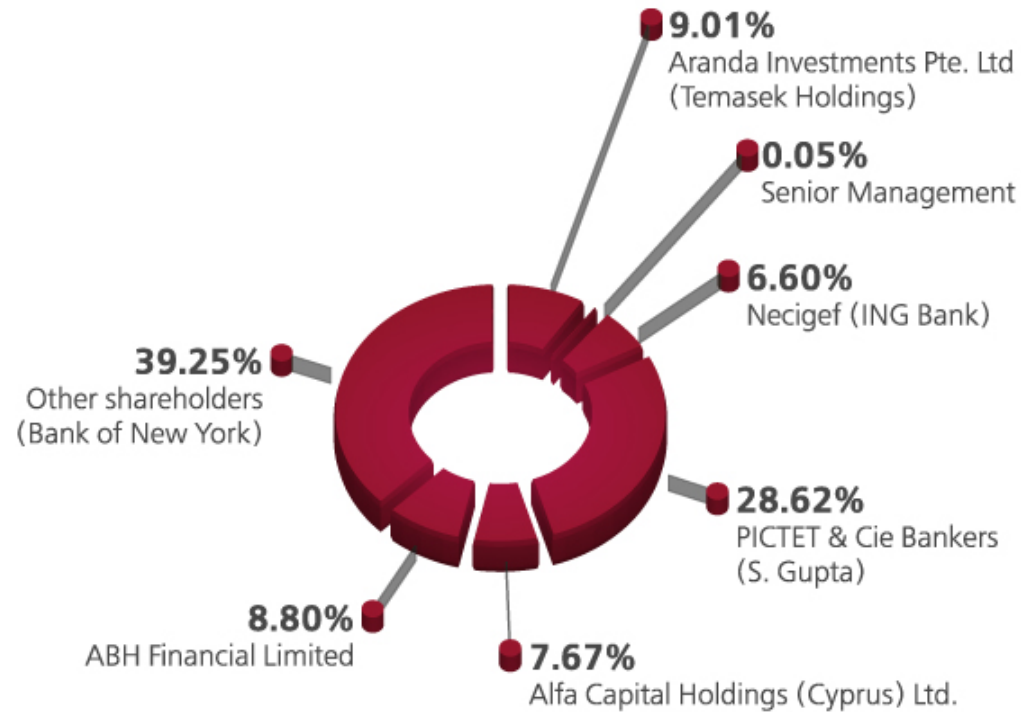
- Expanded production capacity by acquiring Moscow Tyre plant where immediately started production of Amtel and other brands
- Disposal of Amtel-Kuzbass in Kemerovo, Company's last non-core asset
- Company has no longer a majority shareholder



**AMTELVREDESTEIN**

we're driven™

# Shareholding structure



Total number of shares  
as of June 7, 2006: 68,176,803



**AMTEL VREDESTEIN**

we're driven™

# AV-TO

- Russia's top tyre retailer and a leading tyre and auto parts distributor
- Concluded acquisitions of over 70 tyre retail outlets throughout Russia to become country's largest tyre retailer -- 115 retail outlets in major Russian cities
- Expanded its business into wholesale and distribution when purchased Pigma and Megashina



**AMTEL VREDESTEIN**

we're driven™



# AV-TO

- Acquisitions extend Company's reach to an additional 1,500 customers throughout Russia and supply them with over 27,000 car components produced by more than 40 manufacturers
- AV-TO now supplies tyres from a variety of manufacturers to over 500 tyre customers outside its own network
- AV-TO is in the process of improving and expanding many of its stores to provide customers with a full range of services



**AMTEL VREDESTEIN**

we're driven™

# Voronezh II will launch in 2007

- Voronezh II project will launch in 2007
- Production capacity of 2.5 million (expandable to 4.1 million) radial PCT
- Product will include 13"-17" tyres under Vredestein and Maloya brands for Russian and export to Europe and other international markets
- Voronezh II is being equipped with all new equipment, including 9 tyre-building machines, 36 hydraulic presses for vulcanisation and mixing machines



**AMTEL**VREDESTEIN

we're driven™



# Raw Materials cost increase

- Steady improvements in the Company's product mix and price increases substantially offset the impact of higher costs
- Raw materials costs up by more than 40% over the last three years, and rose by 11% last year alone
- Through introduction of lighter, more technologically advanced tyres that incorporate less raw materials, Company managed to absorb much of the cost increase and improve its gross profit margin in 2006



# Outsourcing

- Outsourcing continues to supplement production
- Much of Company's non-PCT production outsourced to South East Asia (truck, bus, agricultural and bicycle tyres)



**AMTELVREDESTEIN**

we're driven™

# Divestments

- Company hones production profile with divestments of loss-producing facilities
- Disposal of Krasnoyarsk and Volgograd facilities in 2005 had a positive effect on bottom line growth
- Amtel-Kuzbass, Company's last remaining non-core asset was sold in December 2006



**AMTELVREDESTEIN**

we're driven™

# Acquisition of MTP

- Production capacity greatly increased by acquisition of the Moscow Tyre Plant, known for popular Taganka brand
- Company assumed control of MTP in 2006 after joint venture with Germany's Continental floundered
- Primarily producing Amtel tyres at the factory, plans to manufacture approximately 1.5 million tyres in 2007



**AMTEL VREDESTEIN**

we're driven™

# Technology exchange

- Technology exchange improves quality throughout the Company - R&D teams worked in project-oriented groups
- Efficiency will be further improved in 2007 by introduction of LIMS (Laboratory Information Management System)
- Unified product development across all facilities
- Development of Planet DC for the Dacia Logan to be manufactured in Russia in 2007
- Russian subsidiary OJSC Amtel-Vredestein was selected to supply tyres for all Renault Logan cars produced in Russia



**AMTELVREDESTEIN**

we're driven™

# Kirov plant produces Vredestein

- Kirov facility is now producing Vredestein tyres for Europe
- Successful launch of Vredestein Snowtrac and T-Trac tyres at Kirov plant in the first half 2006
- These tyres are sold both on the Russian market and exported to Western European markets
- The Kirov factory will also produce Amtel Planet3 based upon Vredestein T-Trac technology, beginning in 2007



**AMTEL VREDESTEIN**

we're driven™



# PCT and LT

- Rapid growth of PCT sales – 12.7% up to 11.92 million units versus 10.58 million units in 2005
- New tyres launched: Ultrac Sessanta, Sportrac3, Amtel NordMaster2, Amtel NordMaster CL
- Over one hundred new specifications were added to Vredestein, Maloya and Amtel product lines
- Vredestein market share reached 2.1% in Europe (3.9% in Germany, its key market)



**AMTEL VREDESTEIN**

we're driven™

# PCT and LT

- Winter tyres sales set a new record in Europe
- Flexibility and automation keep Vredestein growth on target
- Space Master remains a perennial winner
- Higher demand for Amtel tyres among OE manufacturers



**AMTEL VREDESTEIN**

we're driven™

# PCT and LT

- Summer tyre range expanded (Amtel Planet series)
- Amtel launches first non-studded tyre
- Maloya growth still limited by capacity
- Taganca gets a new lease of life
- Light truck tyres production overwhelmed by demand



**AMTELVREDESTEIN**

we're driven™

# Other Tyres

- Strong reputation for agricultural tyres reaps rewards
- Sales of Industrial tyres are down, but margin on target
- Strategic retreat from Truck tyres production continues
- Expansion continues in the competitive Bicycle tyre market



**AMTEL VREDESTEIN**

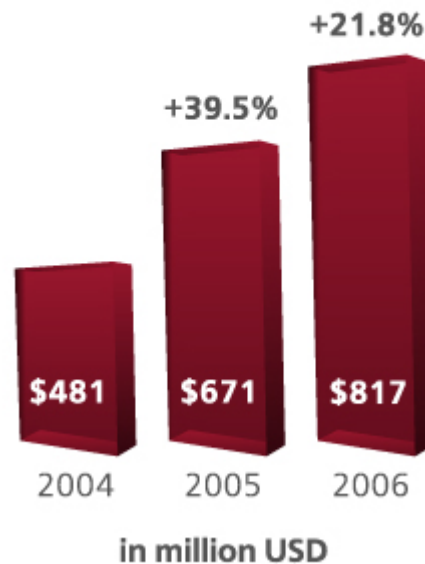
we're driven™



# Earnings and Financial Results

# Financial Results

Net Sales



Net Revenue from PCT

AV-TO not included

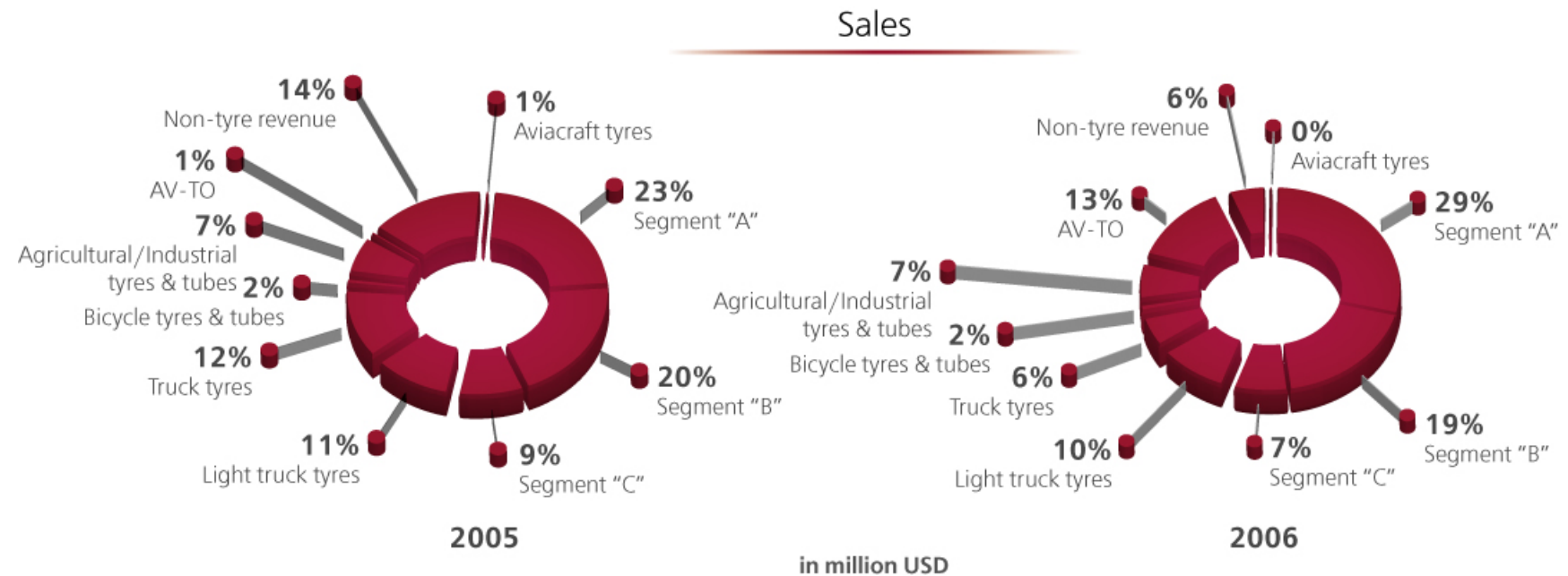


**AMTELVREDESTEIN**

we're driven™



# Financial Results



**AMTEL VREDESTEIN**

we're driven™

# Financial Results

- Vredestein contributes 41% of net sales
- Product mix continues upward trend
- Passenger car tyre sales grow 30%
- Premium “A” segment PCT sales up 57.6%
- Value-for-money “B” segment PCT sales up 19.7%
- Discount “C” segment PCT continues its decline

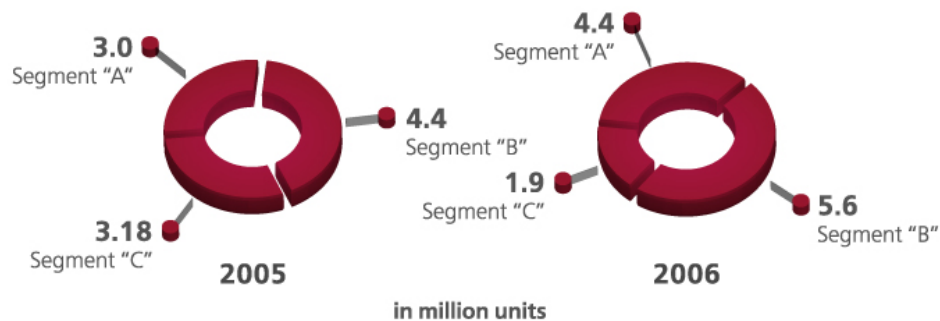


**AMTEL**VREDESTEIN

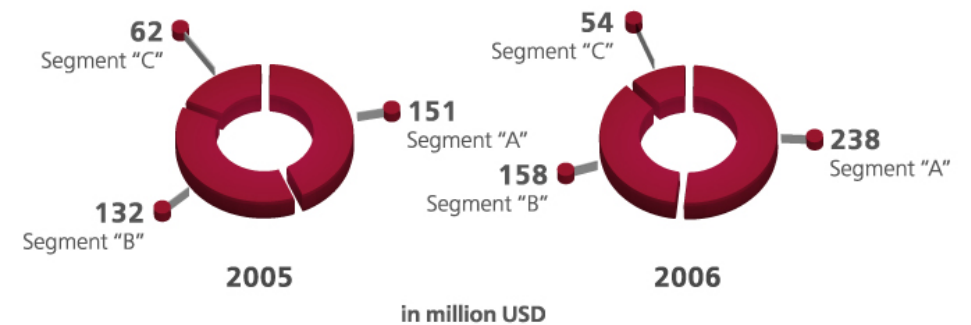
we're driven™

# Financial Results

Passenger Car Tyres Sold



Passenger Car Tyres Sold

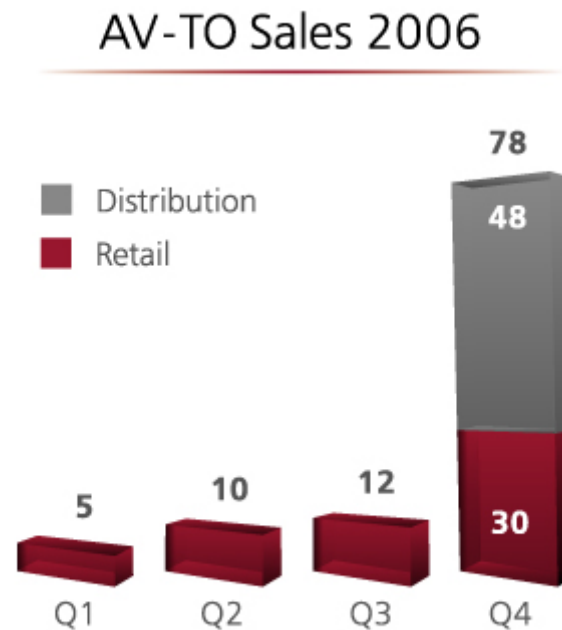


**AMTEL VREDESTEIN**

we're driven™

# Financial Results

- AV-TO makes a significant contribution to sales for the first time in 2006



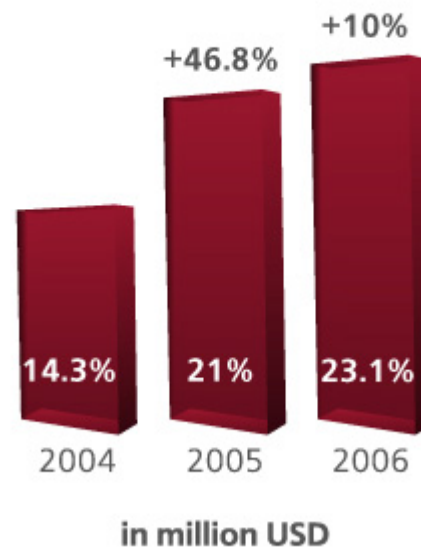
AMTEL VREDESTEIN

we're driven™

# Financial Results

- Improvement in gross profit margin

Gross Profit Margin

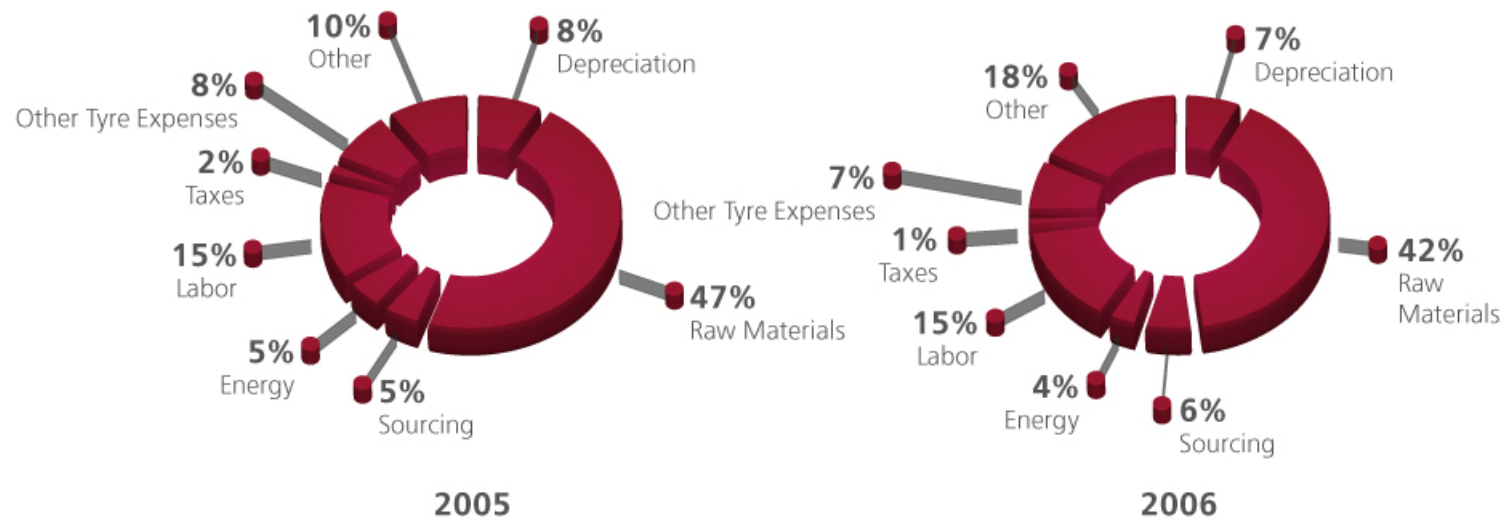


**AMTEL VREDESTEIN**

we're driven™

# Financial Results

## Cost of Goods Sold



**AMTEL VREDESTEIN**

we're driven™



# Financial Results

- Other operating income/expenses
  - Negative goodwill
  - Impairment
  - Distribution expenses
  - Advertising expenses
  - Administrative expenses
  - Capital expenditures (CAPEX)

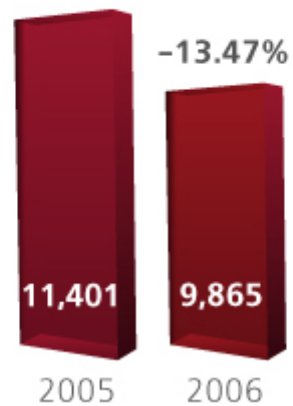


**AMTELVREDESTEIN**

we're driven™

# Financial Results

## Headcount Reduction



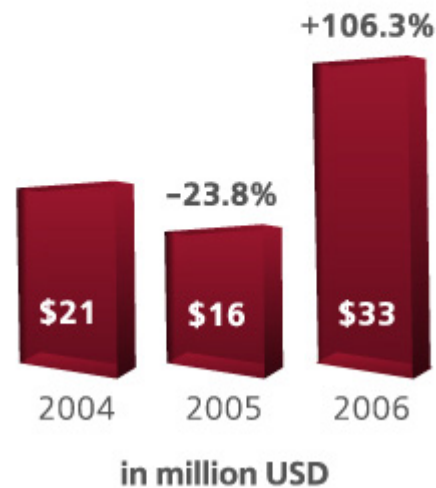
**AMTELVREDESTEIN**

we're driven™

# Financial Results

- Profit from operations up 106.3%

## Profit from Operations



**AMTEL VREDESTEIN**

we're driven™

# Financial Results

- Restructuring costs
- Financing costs increase as company continues its investment programme
- Net result improves
- Assets increased as a result of acquisitions
- Shareholders equity and minority interest
- Liabilities
- Net debt increases substantially as Company completes investment programme



# Outlook for 2007

- Positive outlook for 2007 and expectations to achieve sales growth primarily in PCT business
- Net debt to increase in 2007 as Company completes the expansion of its Voronezh tyre factory
- Sales expected to fall between \$1-1.1 billion in 2007
- Anticipated improvements in gross profit margin
- EBITDA may exceed \$120 million and rise as high as \$130 million



# Outlook for 2007

- Expenses are expected to reduce as a percentage of sales as the Company lowers its overheads
- The Company expects to be profitable in 2007
- Sales of over 17 million tyres (plus 1.6 million bicycle tyres), including 14.5 million PCT
- Tyre sales in Russia – 11.4 million, including 9.5 million PCT (1.2 million of which is planned for export to Europe and CIS)



**AMTELVREDESTEIN**

we're driven™



# Outlook for 2007

- Raw material costs expected to climb, but total basket cost increase no more than 11%
- Sales to OE to grow 9% in 2007 as a percentage of total sales (as high as 25% of total tyre sales in 2007/2008)
- AV-TO should approach its breakeven in 2007
- Company does not anticipate further significant workforce reductions



**AMTEL VREDESTEIN**

we're driven™

# Financial Instruments

- Financial Risk Management
- Market risk
- Credit risk
- Liquidity risk
- Cash flow interest rate risk



# Risk and Risk Management

- Risks from acquisitions
- Strategic risks
- OE market risks
- Debt risk
- Raw materials risks
- Product liability risks



# Risk and Risk Management

- Insufficient insurance risks
- Environmental and regulatory risks
- Global Depository Receipts and trading market risks
- Tax risks
- Risks resulting from resignations by members of the Executive Board
- Continuity risk



Этот документ может содержать утверждения, которые относятся к будущим событиям или будущим финансовым показателям деятельности «Амтел-Фредештайн», N.V. Эти утверждения не гарантируют, что будущие действия будут реализованы, предположения могут быть неточными и неопределенными. Таким образом, фактические итоги и результаты могут существенно отличаться от того, что заявлено в утверждениях о будущем. «Амтел-Фредештайн», N.V. не намерен изменять эти утверждения, чтобы отразить фактические результаты.

This document 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 N.V. does not intend to update these statements to reflect actual results.



**AMTEL VREDESTEIN**

we're **driven**<sup>\*</sup><sub>TM</sub>

[www.amtel-vredestein.com](http://www.amtel-vredestein.com)