

Annual General Meeting of Shareholders 2007



AMTEL VREDESTEIN

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Supervisory Board Report

Introduction

- Increased market share for its Amtel brand
- Emergence as Russia's number one tyre retailer
- Volume growth of Vredestein tyres imported into Russia
- Commencement of production in Russia and export to Europe of Vredestein tyres
- Acquisition of the Moscow Tyre Plant



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Introduction

- Purchase of auto parts and tyre distribution businesses, *Pigma* and *Megashina*, as part of the Company's AV-TO subsidiary
- Completion of the first critical stage in the development of Voronezh II, a new state-of-the-art tyre factory at its Amtel-Chernozemye tyre complex
- Disposal of Amtel-Kuzbass, the Company's chemical fibre plant in Kemerovo, the company's last non-core asset



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Corporate Governance

- Executive Board continued implementing the provisions of the Code (Tabaksblat Code) to provide shareholders with transparent and reliable management
- All by-laws and regulations for the Executive Board, Supervisory Board and Supervisory Board committees are posted at the Company's web-site as contemplated by the Code



Supervisory Board Composition

- Mr. Sudhir Gupta – Chairman
- Mr. Maxim Ignatiev – Vice Chairman, Member of Remuneration and Appointment Committee
- Mr. Daniel Gupta – Chairman of Remuneration and Appointment Committee
- Mr. Dominic P. Gualtieri – Chairman of Audit Committee
- Mr. Tarik Chaudri – Member of Audit Committee
- Mr. Hubert Pandza - Member of Audit Committee



Executive Board Composition

CURRENT MEMBERS

- Mr. Alexei Gurin – Chairman

RESIGNED MEMBERS

- Mr. Anne van't Veer
- Mr. Rob Oudshoorn
- Mr. Ton Tholens
- Mr. Sergei Bokhanov



Business Review

- Concluded acquisitions of over 70 tyre retail outlets throughout Russia to become country's largest tyre retailer -- 115 retail outlets in major Russian cities
- Acquired Nizhny Novgorod-based auto parts distributor, Pigma, and tyre distributor, Megashina, and merged these businesses into its AV-TO subsidiary to become a leader in tyre and auto parts distribution



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Business Review

- Signed \$63 million agreement with a Siemens subsidiary, Lincas Export Services GmbH, to purchase equipment for its Voronezh II tyre factory makes Voronezh II the most advanced tyre production facility in Russia
- Acquired Moscow Tyre Plant -- gaining essential production capacity to meet the growing demand for its brands in Russia
- Disposed of Amtel-Kuzbass, its chemical fibre plant in Kemerovo and its last remaining non-core asset



Committees

AUDIT COMMITTEE

- Members: Mr. Dominic Gualtieri, Mr. Tarik Chaudri, Mr. Hubert Pandza
- Committee met nine times in 2006 with full attendance by its members



Audit Committee Activities

RISK AND CONTROLS

- Reviewed the progress of risk management and control system implementation by the Company -- including ongoing identification, monitoring of key risks, and the controls performed by the respective departments in managing these risks
- Evaluated the overall effectiveness of the system of internal controls through the review of work performed by internal and external auditors and discussions with the key members of the Executive Board



Audit Committee Activities

FINANCIAL RESULTS

- Reviewed half-year financial results and annual audited financial statements of the Company with appropriate officers of the Company and external auditors
- Reviewed results included the announcements pertaining thereto, before recommending to the Supervisory Board for their approval and release of the Company's results to the AFM and the LSE



Audit Committee Activities

EXTERNAL AUDIT

- Reviewed with the external auditor its audit plan for the financial year ended 31 December 2006 to ensure that their scope of work adequately covered the activities of the Company
- Reviewed the results and issues arising from the external auditor's audit of the financial year end statements and the resolution of such issues highlighted in its correspondence to the Committee
- Reviewed the external auditor's audit performance and independence before recommending to the Supervisory Board their appointment and remuneration



Audit Committee Activities

INTERNAL AUDIT

- Reviewed with the internal auditor its annual audit plan for the financial year ended 31 December 2006 to ensure that principal risk areas were adequately identified and covered in the plan
- Reviewed the recommendations by internal audit, representations made and corrective actions taken by management in addressing and resolving issues as well as ensuring that all issues are adequately addressed on a timely basis



Audit Committee Activities

INTERNAL AUDIT

- Reviewed the results of ad-hoc activities performed by internal audit and the actions taken relating to those activities
- Reviewed the adequacy of resources and the competencies of staff within the internal audit activity to execute the plan, as well as the audit working programmes used in the execution of the internal auditor's work and results of their work



Committees

REMUNERATION AND APPOINTMENT COMMITTEE

- Members: Mr. Daniel Gupta and Mr. Maxim Ignatiev
- Two formal meetings in 2006
- One informal meeting in April 2007 to discuss the Remuneration and Appointment Committee report
- Full details of Executive Board remuneration are set forth in the financial statements 2006
- Supervisory Board received compensation for the full year of service in 2006



Remuneration Policy

EMPLOYMENT AGREEMENTS

- Executive Board members have an employment agreement with the Company or with one of its subsidiaries
- Termination of a Dutch resident Executive Board member is in compliance with Dutch Civil Code (*Burgerlijk Wetboek*)
- Termination of a Russian resident Executive Board member is in accordance with employment agreement
- The main elements of the contract of a new Executive Board member are to be made public immediately after conclusion, disclosing base salary, variable remuneration (structure and amount), any redundancy scheme, pension arrangements and performance criteria



Remuneration Policy

TERM OF APPOINTMENT

- As of the Annual General Meeting in 2006, new Executive Board members are to be appointed for a period of four years
- On expiry, the Executive Board member may be reappointed for successive terms of not more than four years



Remuneration Policy

REMUNERATION ELEMENTS

- Base Salary 2006:
 - compensation should be comparable to that offered by a reference group of public companies that are roughly similar to the Company in size and complexity



Remuneration Policy

REMUNERATION ELEMENTS

- Bonus 2006:
 - The current bonus scheme applicable to the Executive Board members is based on individual financial targets
 - When an employment agreement is terminated by a member of the Executive Board, this member is no longer entitled to any bonus
 - The Company does not disclose individual performance targets for Executive Board members



Remuneration Policy

REMUNERATION ELEMENTS

- Share Options and Share Grants:
 - In April 2007 the Supervisory Board decided to discontinue the share option programme in its existing form
 - Supervisory Board has decided to award some of the Executive Board members and senior management the option to purchase ordinary shares



Remuneration Policy

REMUNERATION ELEMENTS

- Share Options and Share Grants:
 - a) to grant to Alexander Lantushenko the option to purchase for €0.01 each 8,000 ordinary shares
 - b) to grant to Anatoly Volnov the option to purchase for €0.01 each 8,000 ordinary shares
 - c) to grant to Robert Oudshoorn the option to purchase for €0.01 each 15,000 ordinary shares
 - d) to grant to Antonius Tholens the option to purchase for €0.01 each 12,000 ordinary shares
 - e) to grant to Kornelis Hetteema the option to purchase for €0.01 each 12,000 ordinary shares
 - f) to grant to Alexei Gurin the option to purchase for €0.01 each 50,000 ordinary shares



Remuneration Policy

REMUNERATION ELEMENTS

- Allowances and benefits in kind
 - Members of the Executive Board benefit from allowances and/or benefits in kind
 - The majority of these allowances and benefits comprise elements based on general local practice or relate to specific international circumstances
- Loans
 - It is the current policy of the Company not to grant the Executive Board members any personal loans and guarantees



Remuneration Policy

SUPERVISORY BOARD REMUNERATION

- Members
 - \$50,000 for full year of service
- Vice-Chairman and each committee Chair
 - \$75,000 for full year of service
- Chairman
 - \$100,000 for full year of service





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