



Strategic Development Program of KAMAZ OJSC for the Period Until the Year 2020



KAMAZ

Address by the Chairman of the Management Board

Dear Shareholders, Business Partners, Employees of KAMAZ,

Under the conditions in which the society and business are looking for ways of overcoming the global financial and economic crisis, KAMAZ continues to forge ahead, following the path mapped out in the approved medium term strategy for its development. The most challenging phase has been passed, it is now time to look ahead. The recovering market, development and adoption at the government level of the “Strategy for the Development of Automobile Industry of the Russian Federation for the Period Until the Year 2020”, the strengthening of our union with Daimler AG, our strategic partner, KAMAZ’s entry into the «RT-Auto» Holding Company which is taking shape have made it necessary to reflect these factors in the Company’s development plans.

The Strategic Development Program of KAMAZ OJSC for the Period Until the Year 2020 has been formulated by us as a long term business concept which sets out the key aims, guidelines and actions to make sure that the Company develops in a stable way.

Business is an activity which is aimed forward into the future. But it does not make sense to talk about the future if you do not change the present.

Yours sincerely and confident of our success,

Chairman of the Management Board –
General Director, KAMAZ OJSC

Sergey A. Kogogin





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Development Trends

Macro-Tendencies	Industry Trends	KAMAZ's Actions
Globalizing and stiffening competition, growing uncertainty and commercial risks	Business Scale-Up (alliances and mergers), focus on key competences, cooperation (R&D, manufacturing), outsourcing	Integration with Daimler, strategic partnerships for components, developing the customer base
Growing markets in the developing countries, stagnating demand in the mature markets	Geographical diversification of sales, deploying manufacturing operations in developing countries	Boosting export supplies, setting up assembly facilities of KAMAZ OJSC abroad
Tightening legislative norms in the area of environment control, safety, noise	Improving the environmental parameters of the equipment, expanding the use of alternative types of fuel and combined energy units	Launching into production Euro 4, 5 trucks. Developing a range of CNG trucks
Increasing requirements on the efficiency of commercial vehicles (economy, reliability, lifetime), ergonomics and comfort	Increasing the specific load carrying capacity and fuel economy, sophistication of the equipment, use of new materials and electronics system	Developing and launching into production the trucks of the new model line
Increasing requirements on the terms of purchase, aftermarket service, availability of service and spare parts	Package offer for the customer (broad model line, proprietary service, financial service)	Expanding the product range, upgrading the dealer network, developing the financial service



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Strategic Aspects of the Development of KAMAZ

Daimler's Goals and Interests

KAMAZ is a strong regional player



Government's Goals and Interests

KAMAZ is an industry shaping enterprise of the country

KAMAZ is a major exporter

strategic priorities

- key market is Russia
- maintaining the dominant role in the CIS countries
- presence in the attractive markets of Euroasia, Africa and South America
- positioning itself in the medium price segment
- developing the integration with Daimler

strategic vision

KAMAZ is the national industry leader, major international player in partnership with Daimler.



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Long Term Targets of KAMAZ

KAMAZ is an adaptive, effective, global company

Strategic development benchmarks

	2015	2020
truck sales volumes	70 thnd. units	100 thnd. units
sales share outside the RF	20 %	30 %
revenues ¹	213 bln. Rbls.	374 bln. Rbls.
EBITDA	24,0 bln. Rbls.	44,0 bln. Rbls.
EBITDA, as % of revenue	11,3 %	11,8 %
investments ²	8,7 bln. Rbls.	12,6 bln. Rbls.

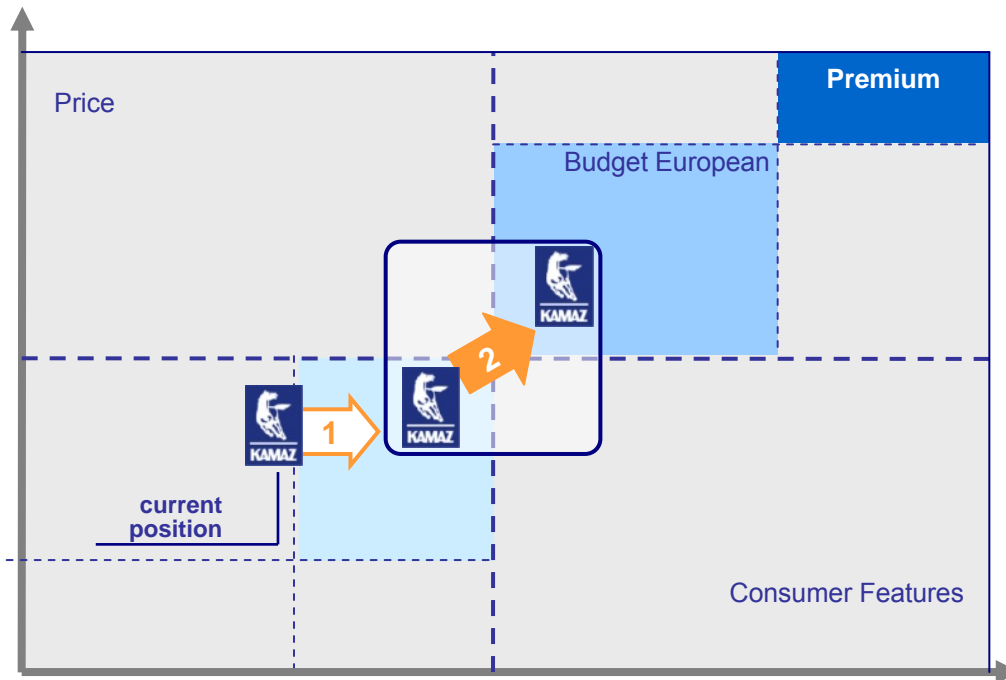
¹ IFRS financial indicators

² volume of investments per year



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Product Positioning and Product Development



1

«Existing Product with New Quality»

(2010 - 2013)

Currently existing model line is produced using modern components (Cummins engine, ZF transmission, etc.). Key efforts are aimed at increasing the reliability and quality of the truck without significantly raising the price.

2

«Practical High-Tech»

(2014 → ...)

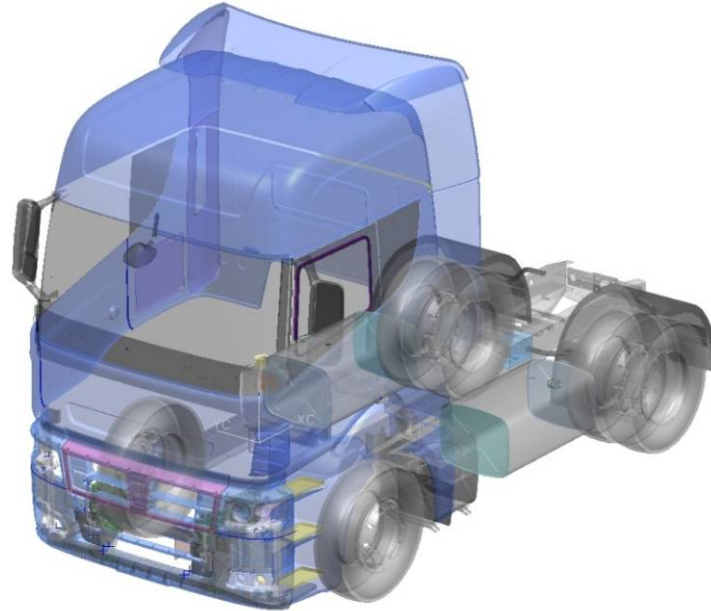
Production of the trucks of the new generation gets underway which have fundamentally different technical characteristics and consumer qualities.

The plan is to position KAMAZ products in the medium price segment, while ensuring its presence in the most capacious market sectors.



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Key Innovations of the New Generation of KAMAZ Trucks



Modular design, optimized for various customers (High, Med, Low)

Power train ensuring high fuel economy and compliance with Euro-5 emission standards

Modern systems of life support and comfort for the driver's better working conditions

Drive axles with higher efficiency and lifetime adapted for severe operating conditions

Electronic systems (ABS/EBS, ESP, ASR, ACC, LGS, etc.) to improve the safety and convenience of operation

Advanced structural materials (including Al-alloys and plastics) to reduce the curb weight

KAMAZ trucks of the new generation, in terms of their main technical features and consumer qualities, measure up to the world level of automotive manufacture.



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Priorities of KAMAZ Production Development

Developing the Production System

- Increasing the labor productivity up to the level of no less than 2.5 trucks per employee by 2020.
- Integrating KAMAZ Production System and the Daimler Operating System «TOS»

Quality

- Implementing the Program for increasing the service life and the reliability of the trucks;
- Annual reduction in the PPM level by 25 % of the level achieved during the previous year
- Launching into production Euro 4, Euro 5 trucks.

Cutting Back Upon Production Costs

Carrying out action plans aimed at optimizing costs:

- cutting back upon the losses caused by scrap through improvement of the product quality;
- cutting back upon the costs for the management of production through automation;
- curtailing the logistics costs by introducing the level 4PL integrated system;
- curtailing the utilities costs;
- curtailing the purchasing costs.

Environment Control and Industrial Safety

Implementation of the «Environmental Program of KAMAZ Group of Companies for 2009-2015», «Action Plan in the Area of Environment And Social Medium Protection», «Comprehensive Program for Industrial Safety of KAMAZ Group of Companies for 2010-2015».



Personnel Management

Efficiency improvement principles

Innovation = personnel

Executives' leadership

Process standardization

Personnel Evaluation

- efficiency evaluation – introducing KPI
- competence evaluation – expanding the methods

Retaining key personnel

- competitive salaries and wages
- system for informing the personnel
- system for rotation and career advancement

optimum support by the competent personnel

Hiring the Personnel

- partnership with specialty companies in the regions
- creating the database on the internal and external candidates
- corporate labor market

Personnel Development

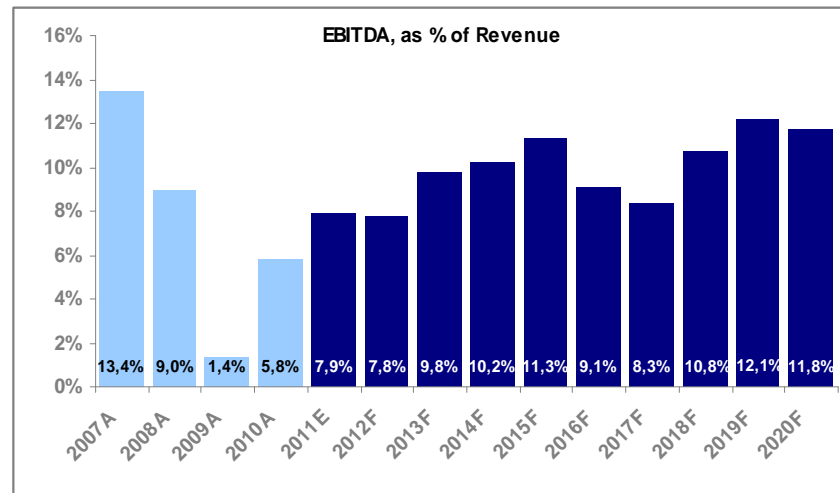
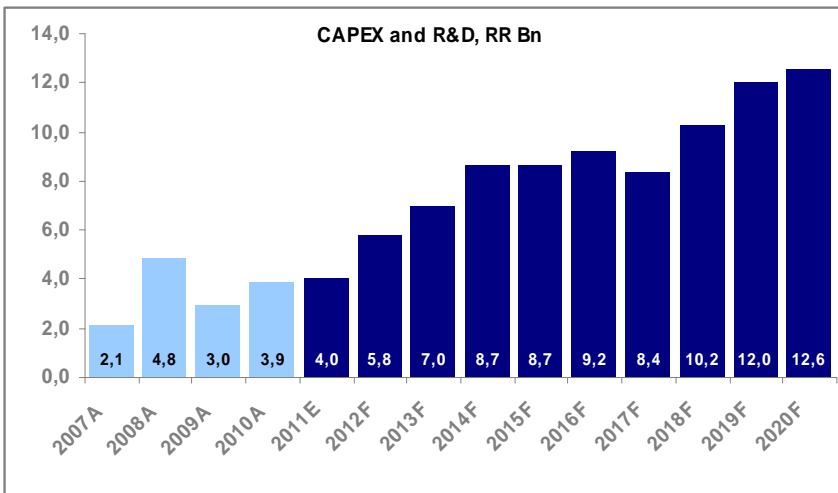
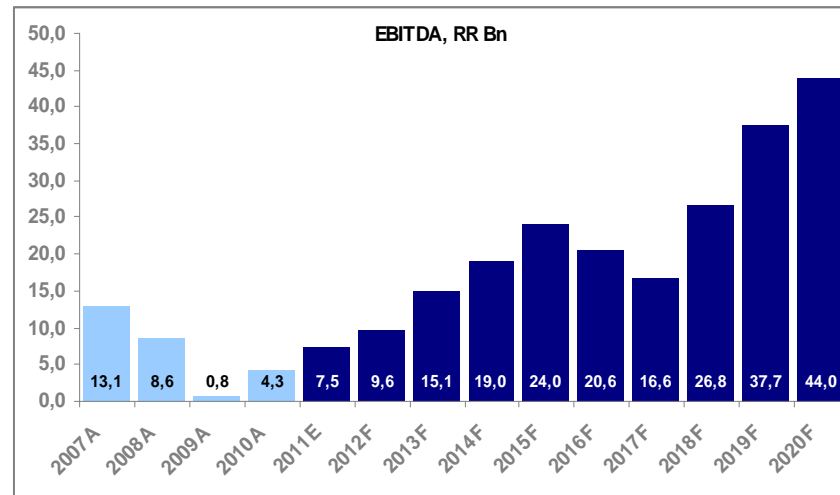
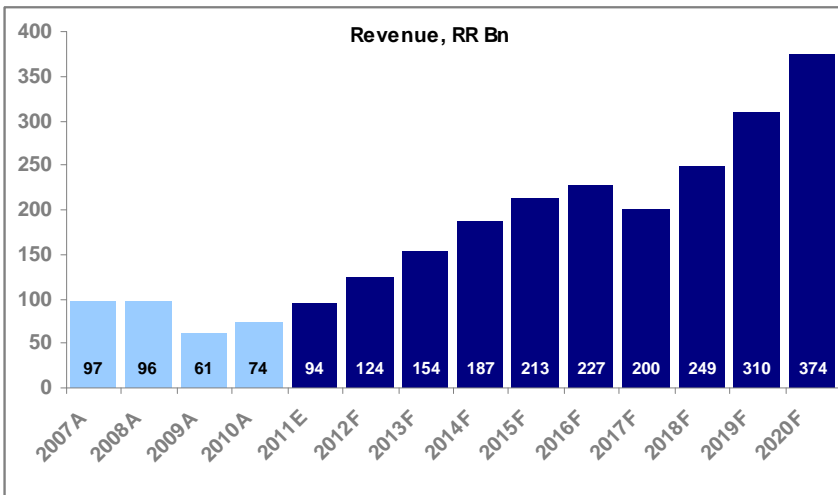
- partnership with educational institutions of the RF and RT
- international partnership in the area of education
- developing corporate system of education;
- professional standards

Strategic principles which determine the thrust of changes in personnel management:

- introducing system based approach to innovation policy. Any change should incorporate personnel and investments into personnel
- involving and exposing the executives of all levels in and to the personnel management processes
- standardizing all the processes of personnel management



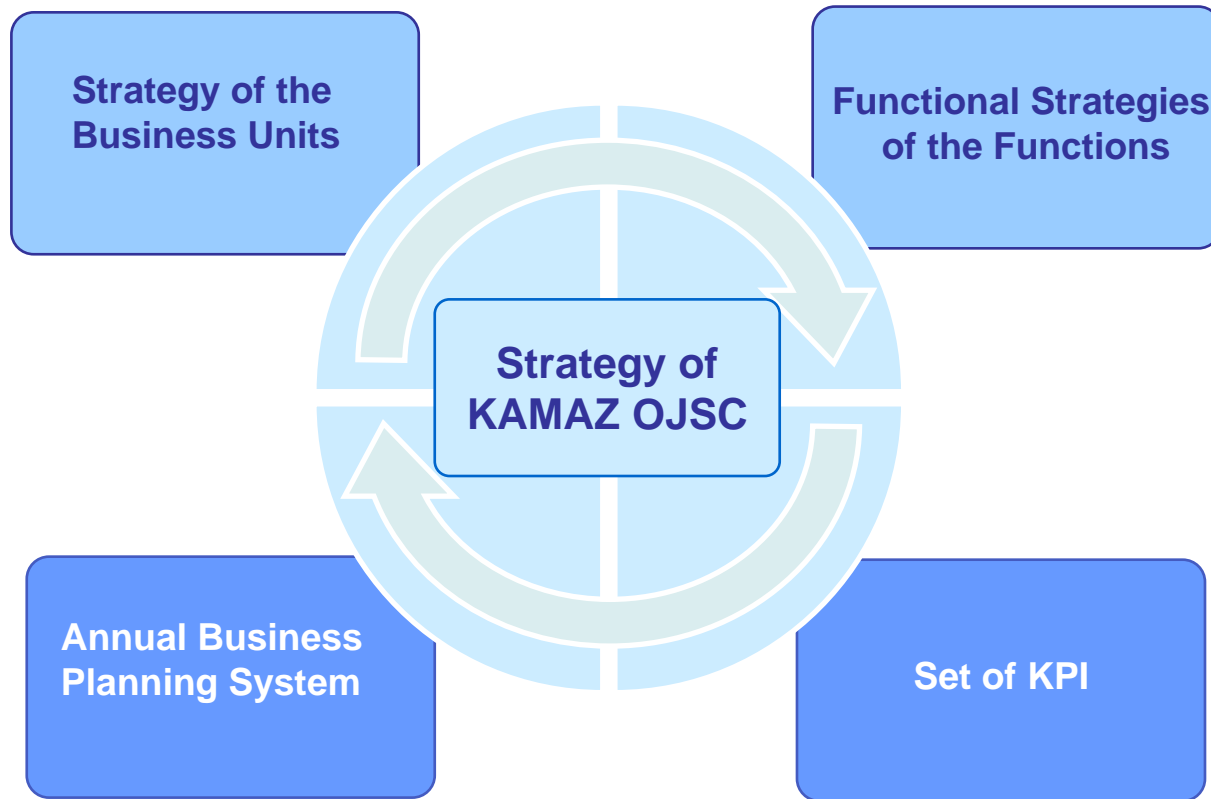
Key Financial Indicators per IFRS





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Mechanism for the Implementation of the Strategy



Implementation of the Strategic Development Program of KAMAZ OJSC is ensured by coordinated performance of the business units' strategies and the key functional strategies, the system of planning and implementing the annual business plans, the introduction of KPI at all the management levels.