



Russian Machines: GAZ integration into the world's automotive industry through creation of industrial partnerships.

S. Wolf

What Does WTO Mean for Russia?

02



**GDP
Growth**



**New
Investments**



**New
Markets**



**Stronger
competition**



**Lower
import duties**

Government Incentives on Industrial Assembly

03

2005

Production:

25 000 in 2,6 years

Localization:

30 % in 4,5 years

Agreement effective for 8 years

Starting from

2010

Production:

300 000 in 4 years
95% CKD

Localization:

Autos - 60 % in 6 years
Power Train - 30 % in 4 years
AutoComponents - in 4 years

Create Engineering Centre in 4 years
Agreement effective for 8 years

What does GAZ Group do to Improve Competitiveness?

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2011 Operational Focus and Results

05

Quality and T.C.O. Improvement, Warranty Claim Reduction

LCV 2 MIS IPTV – 46,0%
LCV Supplier IPTV – 27,7%
LCV MFG DRL – 22,0%

Production:

LCV: GAZelle-Business upgrade
BUSES: PAZ-3204, PAZ-4234 Cummins
LiAZ-5256 Cummins, LiAZ-5292 EEV
TRUCKS:
URAL: 44202; 35552; 6370
ENGINE: UMZ 4216 Bi-fuel, YaMZ-652

Operational Efficiency Improvement

Revenue per 1 Direct Worker + 24,5%
In-process Inventory Turnover – 7,7%
Re-work Costs – 24,5%

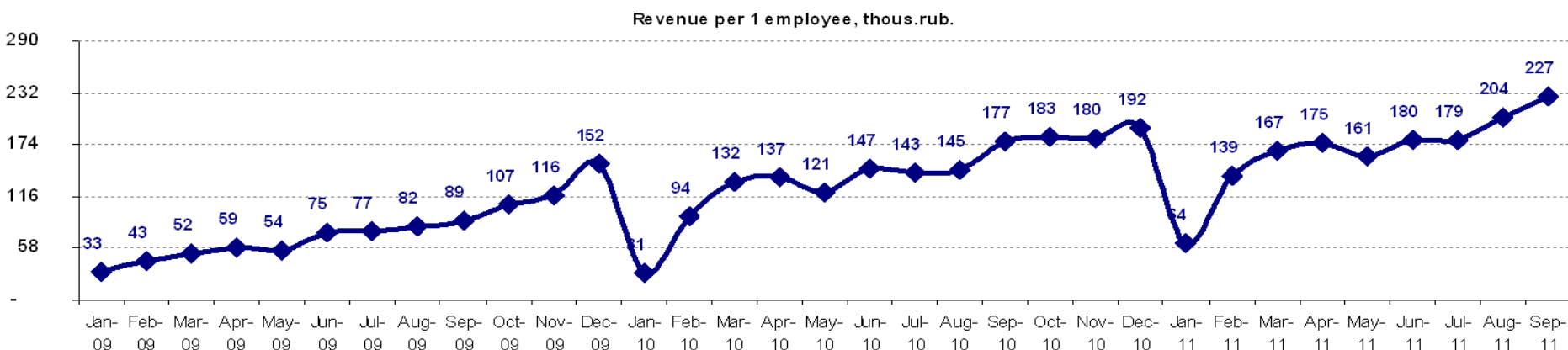
Revenue (outside)

GAZ Group: +38%
LCV: +43%
Buses: +66%
Trucks: +25%
Power Train: +31%
AutoComponents: +27%

The Best Results In the Company's History

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Desired effect:



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GAZ Group Strategic Priorities

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**Strengthen Leadership
in Three Segments**



LCV & LDT



BUSES



AWD TRUCKS

**Build on existing Contract
Manufacturing relationships**



Investments in the Future

07

Investments in the key projects for the next 2 years \$500 mln



GAZelle Next



HDT



UNIMAX



Paintshop



**Contract
Manufacturing
VW**



**Contract
Manufacturing
Daimler**

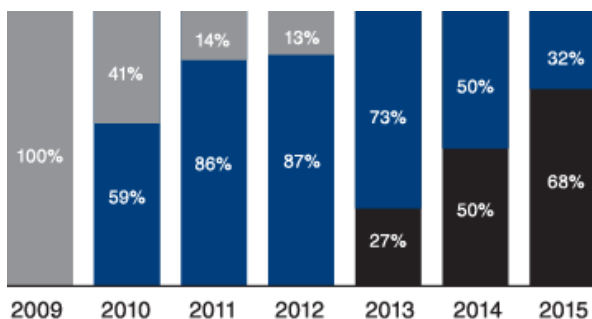


**Contract
Manufacturing
GM**

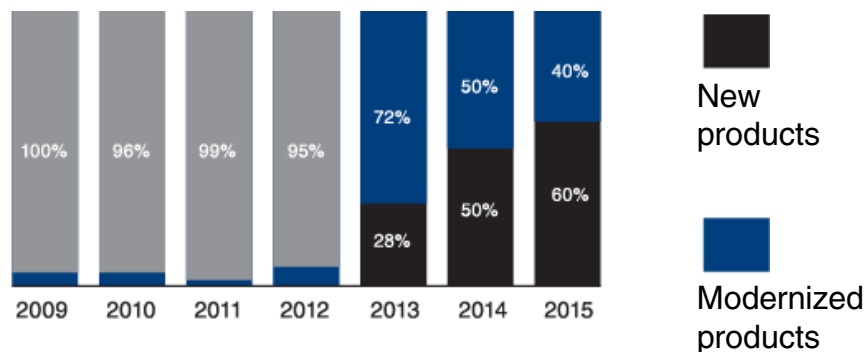
Product Portfolio Update

08

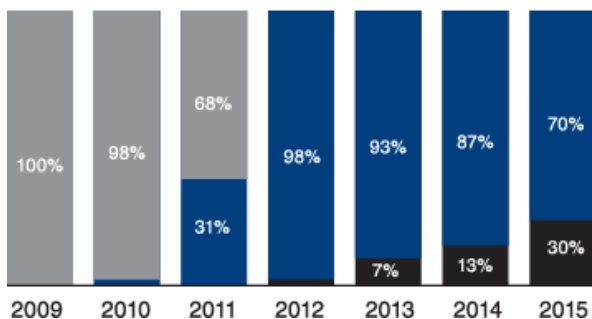
LCV+LDT



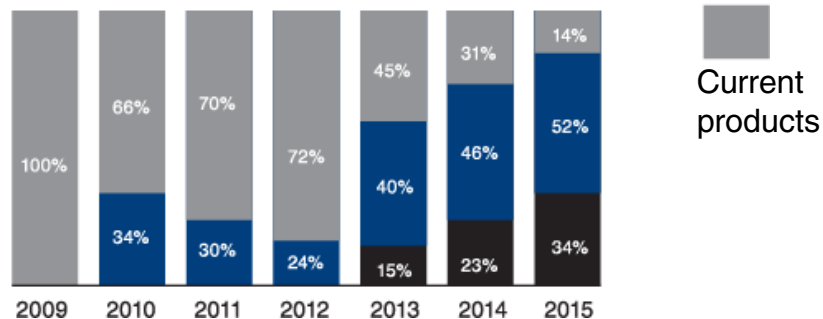
Trucks



Buses



Power Train



Product Upgrades and New Developments

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GAZelle Next



Ermak



LiAZ-6213 EEV (Euro-5)



LiAZ-5292 EEV



GoIAZ-5251 Voyage Scania



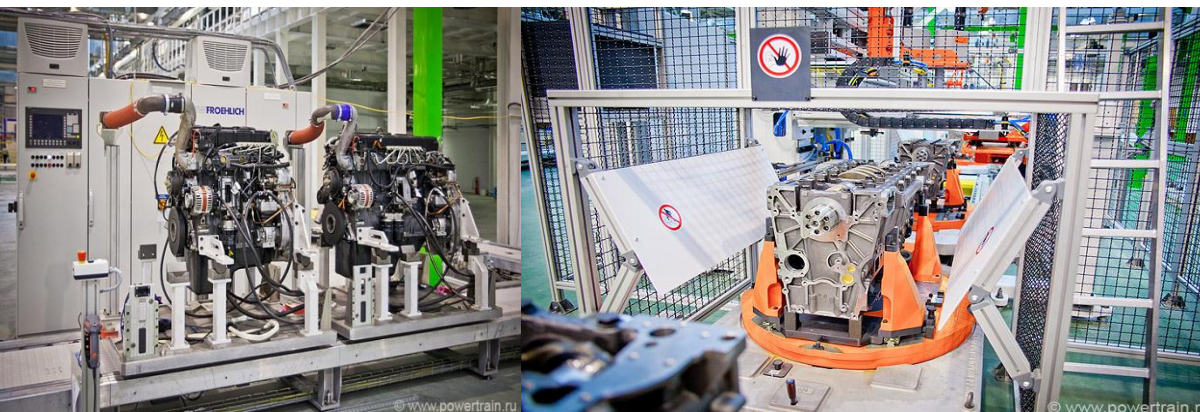
UNIMAX Platform

YAMZ-530 Engine Plant

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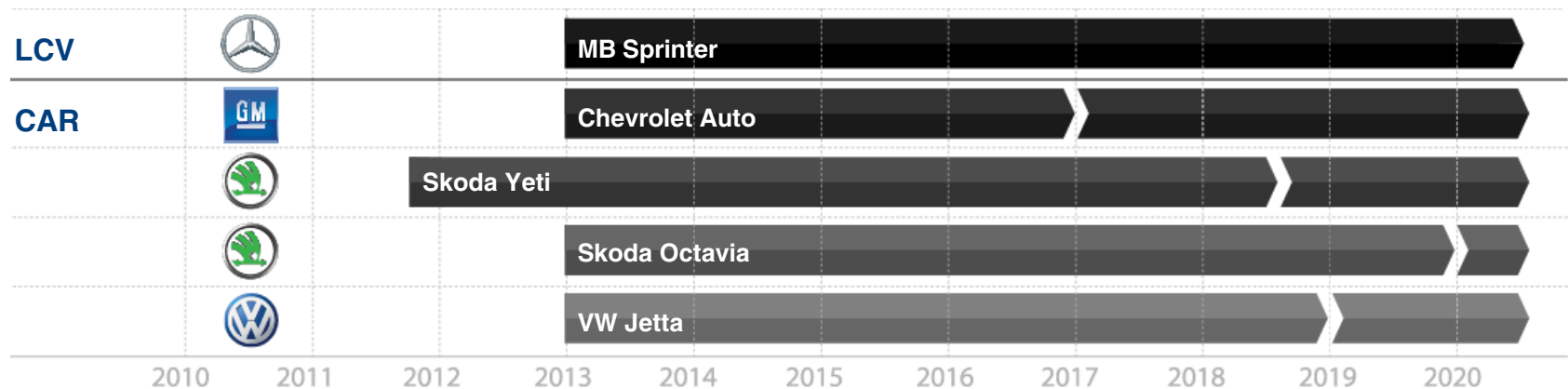
- 4- & 6-cylinder engine
120-320 HP,
EURO-4, -5, -6 emission
standard
- Common Rail
- Nominal rotation speed
 min^{-1} 2300-2400
- Max. torque Nm: 450 -
1240



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Contract manufacturing partnerships will play a significant role

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5 000 jobs

200 000 m2 of production facilities being upgraded

Production of world class products

Improvement of GAZ own products

Skoda Yeti Manufacturing Launched

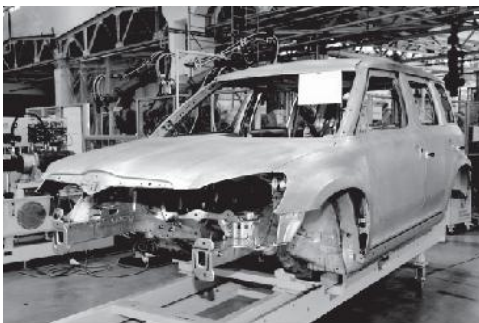
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Skoda Yeti CKD launch



VW / Skoda Training Centre



First body welded



First body assembled

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RM Structure

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RM Key Products In non-automotive sectors

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An-140



Agriculture



Aluminum
railcars

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● GAZ product



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Summary

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We have many goals for the future:

**We will continue caring
for our people**

**We will continue working with and
supporting our best suppliers and
dealers**

**We will take advantage of contract
manufacturing to upgrade the quality
of our products and modernize our
equipment**

**We will continue our focus
on improving quality, financial
efficiency, sales growth and
new product launches**

**We will prioritize LCV,
Bus and Truck businesses**

**We will continue to offer
products with the lowest
T.C.O. and provide the
best service to our customers**