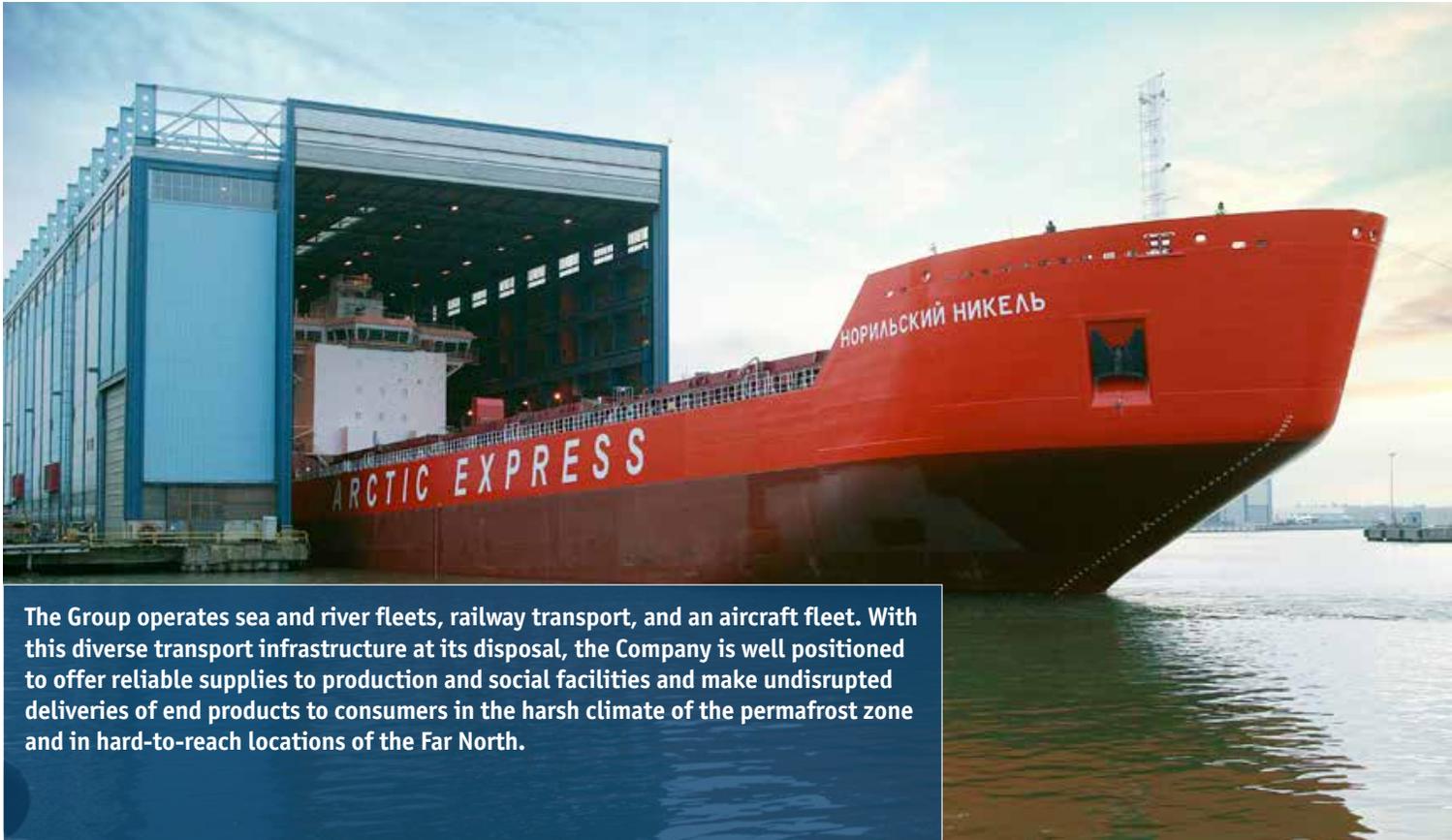


Transportation and Logistics



The Group operates sea and river fleets, railway transport, and an aircraft fleet. With this diverse transport infrastructure at its disposal, the Company is well positioned to offer reliable supplies to production and social facilities and make uninterrupted deliveries of end products to consumers in the harsh climate of the permafrost zone and in hard-to-reach locations of the Far North.

TRANSPORT AND LOGISTICS HUB



Sea fleet

5 Norilsk Nickel container vessels

1 Yenisey heavy-duty ice class tanker (ARC 7 under the PMPC classification)



River fleet

551 vessels

including
162 self-propelled vessels

389 towed vessels



Rail car and locomotive fleet

118 container flatcars

1 switch locomotive
1 Yermak electric locomotive
1 2M62 diesel locomotive



Operated aircraft fleet

42 aircraft

including
16 helicopters¹
26 planes²

¹ operated by Norilsk Branch of Taimyr Air Company

² operated by Nordavia – Regional Airlines and Moscow Branch of Taimyr Air Company (NordStar).

Port of Murmansk has processed

127 ships

The airlines carried

c. **2** m passengers

ROUTE NETWORK



Business Overview

Norilsk Branch of Taimyr Air Company is the only operator capable of responding to both industrial and social emergencies in the region (the Norilsk Industrial District and the Dolgano-Nenets Municipal District of the Taimyr Peninsula).

Norilsk Branch of Taimyr Air Company completed a programme of 6,947 flight hours using 13 owned medium utility helicopters (12 Mi-8T helicopters and one Mi-8MTV helicopter) and five leased helicopters (three Mi-8MTV helicopters operated by company crews and two light utility helicopters, Mi-2 and AS350 B3, operated by third-party crews) and thus met the region's air transportation needs, including:

- industrial operations of the Norilsk Nickel companies (transporting shift personnel, process equipment and life supplies, air inspection of production facilities and other services);
- emergency air medical services, search-and-rescue: 24/7 helicopter crew on stand-by, ready for search-and-rescue in case of an air crash within 260 km, including the Alykel Airport territory. Civil Aviation regulations require this as a condition for all air transportation in the region, including long-haul flights and Alykel Airport operations;
- passenger transportation via local airlines on socially significant routes between the Dudinka administrative centre and remote hard-to-reach towns (about 7.4% of total flight hours).

■ Operating performance indicators

| METRIC* | UNIT | AMOUNT |
|---|------------|-----------|
| Operating performance indicators, Taimyr Air Company, Norilsk Branch | | |
| Flight hours, aircraft operated by Taimyr Air Company | hours | 6,947 |
| Passengers carried | passengers | 52,977 |
| Cargo and mail carried | tonnes | 2,051 |
| Number of aircraft operated | units | 16 |
| Operating performance indicators, Taimyr Air Company, Moscow Branch | | |
| Passengers carried | passengers | 1,128,782 |
| Cargo and mail carried | tonnes | 4,630 |
| Number of aircraft operated | units | 15 |
| Operating performance indicators, Nordavia – Regional Airlines | | |
| Passengers carried | passengers | 727,625 |
| Cargo and mail carried | tonnes | 2,307 |
| Number of aircraft operated | units | 11 |

DEVELOPMENT OF TRANSPORT AND LOGISTICS INFRASTRUCTURE

Cargo transfer terminal in Murmansk

In 2015, the third stage of development started with reconstruction of Berth No. 2. In April 2015, a railway was commissioned to connect production sites No. 1 and No. 2, which resulted in cheaper and faster intraterminal transportation. The Company purchased five new forklifts with a capacity of 3.5 t to handle copper for metal exchange purposes.

In 2016, the Company plans to draft upgrade documents for the completed Berth No. 1 and finish the reconstruction work on Berth No. 2.

Polar Transportation Branch, Dudinka Port

The Company commissioned a Liebherr portal crane, upgraded the Kirovets portal crane, and purchased equipment to upgrade the Sevastopoles-5 floating crane in 2016.

In 2016, the Company plans to continue asset capitalisation to boost operational excellence and fleet operations turnover. As part of this initiative, Polar Transportation Branch is going to purchase the following heavy equipment in 2016:

- heavy frontlift loader;
- semi-trailer trucks for transporting round timber;
- timber loader and stacker for loading/unloading round timber;
- temporary accommodation for seasonal personnel;
- reach stacker with a capacity of 45 t;
- special-purpose SK-3-30-d containers (300 units);
- equipment sets for upgrading the Kirovets portal cranes.

In addition, in 2016 the Company will commission a fuel oil bunker barge.

OJSC Arkhangelsk Commercial Sea Port

The port has completed the reconstruction of Berth No. 2 of the Economia terminal, upgraded its equipment and acquired property from Arkhangelsk Transportation Branch.

Plans for 2016 include assembling and commissioning a Liebherr mobile crane, disassembling gantry cranes at Berth No. 1 (Economia terminal) scheduled to come on-stream in June 2016.

OJSC Yenisey River Shipping Company

As part of its fleet upgrade, the company completed the construction of the seventh and eighth barges with a carrying capacity of 3,000 t and started constructing the ninth barge. This type of towed vessels is used to transport sand for metals production processes.

The Podtesovo repair and maintenance base completed the upgrade of slipway used for ship repairs. Further improvement of onshore infrastructure capacity is underway.

Oracle Transportation Management (OTM)

Kola MMC put its integrated logistics and sales system into operation. The new system helps fully control shipments of finished products from the industrial facilities of Polar Branch and Kola MMC.

In 2016, the Company will continue to improve operating and analytical reporting, as well as cargo documentation. There are also plans to complete automation of traffic schedule generation for the Company's sea fleet.

The Company also plans to implement the system for automation of goods transportation logistics at OJSC Yenisei River Shipping Company and at its transshipment ports (Krasnoyarsk, Lesosibirsk). This will boost Yenisei cargo traffic transparency and allow the Company to efficiently manage and use its river fleet, while at the same time optimising operations between the river fleet and transshipment ports.

The total investments in transport and logistics assets of the Company amounted to

26
USD mln (incl. VAT)

With capital construction accounting for

16
USD mln