

**Selling and distribution expenses (USD million)**

Expense item	2017	2018	Change, %
Transportation expenses	38	39	3
Marketing expenses	14	31	2x
Staff costs	13	14	8
Other	10	8	-20
<b>TOTAL</b>	<b>75</b>	<b>92</b>	<b>23</b>

In 2018, selling and distribution expenses increased 23% (or +USD 17 million) to USD 92 million primarily due to increase of marketing expenses (+USD 17 million), including sponsorship of various sport activities.

**General and administrative expenses (USD million)**

Expense item	2017	2018	Change, %
Staff costs	478	541	13
Taxes other than mineral extraction tax and income tax	79	103	30
Third party services	97	93	-4
Depreciation and amortisation	32	38	19
Rent expenses	25	23	-8
Transportation expenses	8	9	13
Other	40	52	30
<b>TOTAL</b>	<b>759</b>	<b>859</b>	<b>13</b>

In 2018, general and administrative expenses increased 13% (or +USD 100 million) to USD 859 million. Positive effect of Russian rouble depreciation amounted to -USD 50 million. General and administrative expenses increased in real terms primarily due to the following:

- +USD 95 million – increase in staff costs mainly due to one-off payments related to bonuses paid for the completion of key projects, changes in the Management Board as well as salary indexation;
- +USD 29 million – higher property tax owing to changes in tax legislation in 2018 and additions of property, plant and equipment on the books of Polar division and GRK “Bystrinskoye”.

**Other operating income and expenses (USD million)**

Expense/income item	2017	2018	Change, %
Social expenses	303	207	-32
Change in allowance for obsolete and slow-moving inventory	11	15	36
Change in allowance for expected credit losses	19	6	-68
Net income earned during the pre-commissioning stage	-	-106	-100
Other, net	29	-27	n. a.
<b>TOTAL</b>	<b>362</b>	<b>95</b>	<b>-74</b>

# USD 95<sub>mln</sub>

other operating expenses in 2018

In 2018, other net operating expenses decreased -USD 267 million to USD 95 million driven by the following factors:

- Decrease of social expenses by -USD 96 million primarily owing to the completion of large-scale one-off social projects;
- Net income earned by GRK "Bystrinskoye" from products sale during the hot commissioning stage (-USD 106 million).

**Finance costs (USD million)**

Expense item	2017	2018	Change, %
Interest expense on borrowings net of amounts capitalized	386	384	-1
Unwinding of discount on provisions and payables	133	100	-25
Changes in fair value of cross-currency interest rate swap	-	51	100
Changes in fair value of non-current liabilities	-	46	100
Other, net	16	-1	n. a.
<b>TOTAL</b>	<b>535</b>	<b>580</b>	<b>8</b>

# USD 580<sub>mln</sub>

finance costs in 2018

Increase in finance costs by 8% y-o-y to USD 580 million was mainly driven by changes in fair value of derivative contracts, namely cross-currency interest rate swaps, and non-current liabilities. Interest expense on borrowings (net of amounts capitalized) marginally decreased.

The Company managed to maintain the average cost of debt at the prior-year level, despite an increase of base interest rates (LIBOR) in the reporting period, as the result of a number of debt optimization initiatives, including:

- Refinancing some relatively expensive bilateral credit lines with the proceeds of 5-year USD 2.5 billion syndicated term loan, secured by the Company at the end of 2017 at interest rate of Libor 1M+1.50% per annum;
- Decrease in the effective interest rate on a number of existing credit lines totaling USD 755 million; and
- Early termination of relatively expensive GRK "Bystrinskoe" Project Finance Loan in August 2018.

### Income tax expense

In 2018, income tax expense increased by 17% to USD 843 million driven mostly by the increase of taxable profit, partly offset by Russian rouble depreciation against US Dollar in 2018.

The effective income tax rate in 2018 of 21.6% was above the Russian statutory tax rate of 20%, which was primarily driven by non-deductible social expenses.

#### Income tax expense (USD million)

Index	2017	2018	Change, %
Current income tax expense	686	812	18
Deferred tax expense	35	31	-11
<b>TOTAL</b>	<b>721</b>	<b>843</b>	<b>17</b>

#### The breakdown of the current income tax expense by tax jurisdictions (USD million)

Country of presence	2017	2018	Change, %
Russian Federation	672	789	17
Finland	8	11	38
Other countries	6	12	100
<b>TOTAL</b>	<b>686</b>	<b>812</b>	<b>18</b>

#### EBITDA (USD million)

Index	2017	2018	Change, %
<b>Operating profit</b>	<b>3,123</b>	<b>5,416</b>	<b>73</b>
Depreciation and amortisation	645	765	19
Impairment of non-financial assets	227	50	-78
<b>EBITDA</b>	<b>3,995</b>	<b>6,231</b>	<b>56</b>
<b>EBITDA margin</b>	<b>44%</b>	<b>53%</b>	<b>9 p. p.</b>

In 2018, EBITDA increased by 56% (or +USD 2,236 million) to USD 6,231 million with the EBITDA margin amounting to 53% (up from 44% in 2017) owing to higher metal revenue, decrease of one-off social expenses and Russian rouble depreciation.

#### Net profit before non-cash write-offs and foreign exchange differences (USD million)

Index	2017	2018	Change, %
<b>Net profit</b>	<b>2,123</b>	<b>3,059</b>	<b>44</b>
Impairment of non-financial assets	227	50	-78
Foreign exchange loss/(gain), net	-159	1,029	n. a.
Gain from disposal of subsidiaries	-20	-	100
<b>Net profit before non-cash write offs and foreign exchange differences</b>	<b>2,171</b>	<b>4,138</b>	<b>91</b>