

Review of 2018 and 1Q2019 results

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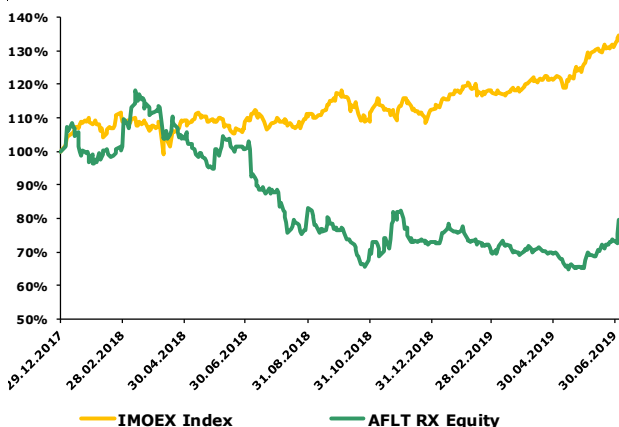
Ticker	AFLT.RX
Recommendation	Buy
Current price RUB/share (23.07.2019)	108
Target price 12M, RUB/share	125
Expected growth potential	15.6%
Ticker	AETG.GR
Recommendation	Buy
Current price EUR/share (23.07.2019)	7.50
Target price 12M, EUR/share	8.43
Expected growth potential	12.4%
Number of ordinary shares, mn	1 111
Average daily turnover for 3M, mn RUB	460
Free float	41%
Market capitalization, mn RUB	120 058

Main shareholders:	
Russian Federation	51.2%
Skagen AS	2.2%

Financial indicators, mn RUB	2019F	2020F	2021F
Revenue	681 637	740 264	805 021
EBITDA	137 355	147 011	171 782
Net income	15 128	16 995	32 032
EPS, rubles per share	14	15	29
Equity	63 012	72 549	86 943
Net debt	550 305	574 804	600 918

Valuation	2019F	2020F	2021F
EV/Revenue	1.0	0.9	0.9
EV/EBITDA	5.0	4.7	4.0
Net debt/EBITDA	4.0	3.9	3.5
Net debt/Equity	8.7	7.9	6.9
P/E	7.9	7.1	3.7
P/B	1.9	1.7	1.4
ROE	24%	23%	37%

Prices dynamics	AFLT RX	IMOEX index
1M	12%	3%
3M	10%	9%
12M	-15%	19%
52 weeks high, RUB	144	2 843
52 weeks low, RUB	90	2 248



Source: Halyk Finance, Bloomberg

Aeroflot Group demonstrated growing operating indicators and positive dynamics of income rates in 2018 and 1Q2019. The strategic development of the Group in all niches of the air transportation market due to the low-cost airline Pobeda and premium airline Aeroflot, the expansion of the route network, as well as the implementation of cost-cutting optimization measures should have a positive effect on the Group's total performance in 2019. However, we note the pressure on operating expenses coming from the high cost of jet fuel, which negatively affected the Group's financial results. Considering the seasonality of Aeroflot's business and the projected increase in passenger traffic in 2-3Q2019, we maintain our recommendation to **Buy** Aeroflot shares with 12M TP **125 RUB/share**.

Improving the dynamics of key indicators and the implementation of new development strategy. In 2018, income rates (the ratio of revenue to passenger turnover) on regular flights increased from 3.63 to 3.81 (+ 5% y/y), including increase by 8.2% on international destinations and by 0.9% on domestic. The main factors for the growth of income rates were the partial transfer of fuel cost to income due to the adjustment of fuel surcharges and the decrease of RUB against EUR on international destinations. Aeroflot also aims to transfer 90-100 mn passengers in 2023, increase international transit passenger traffic from 4.8 mn to 10-15 mn passengers in 2023, open regional bases throughout the Russian Federation, increase the fleet of domestically produced aircraft and increase digitalization.

Low-cost airline company Pobeda - key driver of growth. An additional factor is the acceleration of development of the low-cost airline Pobeda, which ensured the profitability of transportation for the Group due to its low unit costs. Airline Pobeda is aimed at the segment of budget transportation, which, due to its high operating efficiency, offers low fares, making flights more affordable. Pobeda actively expanded its network and accelerated growth rates: in 2018 passenger traffic increased by 56.8% to 7.2 mn passengers.

Operating expenses optimization program. The Group launched a large-scale cost reduction program due to a significant increase in the cost of jet fuel in 2018. Costs per Available Seat Kilometre (CASK), excluding the cost of jet fuel, increased by only 0.7% y/y. Considering the weakening of RUB against USD and EUR in 2018, as well as the fact that operational leasing, maintenance and repair costs, airport fees are denominated in the foreign currencies, we believe that the Group has started to effectively implement this program.

Support for seasonal factors. Low demand in the winter season and a significant increase in the cost of Brent oil in 2018 negatively affected the Group's financial results. As a result of currency and fuel factors, EBITDAR (EBITDA, including operating lease expenses) and EBITDA margin decreased by 2.9 pp and 5 pp, amounting to 20% and 5.5%, respectively. Given the high demand for air transportation services in the 2nd-3rd quarter of 2019, we expect the Group's results to improve.

Recommendation to Buy with 12M TP 125 RUB/share. We expect a moderate increase in jet fuel prices in 2019 and improvement in the dynamics of unit revenue per seat-kilometre (2019: RASK + 1.3%) while decreasing unit cost per seat-kilometre (2019: CASK -14%).

Fig 1. Financial results for 2018, mn RUB

	2018	2017	y/y
Revenue	611 570	532 934	15%
EBITDA	33 598	56 015	-40%
EBITDA margin	5.5%	10.5%	-48%
Net profit	5 713	23 060	-75%

Source: Group's data
Fig 2. Revenue for 2018 in terms of articles, mn RUB

	2018	2017	y/y
Regular passenger traffic	496 454	427 529	16%
Charter passenger traffic	37 838	30 861	23%
Freight transportation	18 900	16 526	14%
Other revenue	58 378	58 018	1%

Source: Group's data
Fig 3. Operating expenses for 2018, mn RUB

	2018	2017	y/y
Aircraft servicing and passenger services	108 589	96 418	13%
Staff costs	82 817	82 801	0%
Operating lease expenses	88 881	65 793	35%
Aircraft maintenance	45 527	36 433	25%
Sales and marketing, administration and general expenses	31 743	36 139	-12%
Depreciation, amortisation and custom duties	13 941	15 604	-11%
Other net expenses	38 551	36 650	5%
Aircraft fuel	181 864	122 685	48%
Total	591 913	492 523	20%

Source: Group's data
Fig 4. Operating performance of the Group for 2018

	2018	2017	y/y
Passengers carried, thous	55 710	50 129	11%
Passengers carried on international routes, thous	24 737	22 550	10%
Passengers carried on domestic routes, thous	30 973	27 579	12%
Revenue Passenger Kilometers, mln RPK	143 151	130 222	10%
Revenue Passenger Kilometers on international routes, mln RPK	83 249	77 034	8%
Revenue Passenger Kilometers on domestic routes, mln RPK	59 901	53 188	13%
Passenger Load Factor, %	82.7%	82.8%	-0.01
Passenger Load Factor on international routes, %	80.9%	82.5%	-1.6
Passenger Load Factor on domestic routes, %	85.3%	83.4%	2.2

Source: Group's data

Review of 2018 results

According to the presented IFRS results for 2018, the Aeroflot Group's revenue increased by 15% y/y to RUB 611,570 mn, EBITDA amounted to RUB 33,598 mn (-40% y/y) with EBITDA margin of 5.5% (10.5% for 2017). The net profit of the Group decreased by 75% y/y to RUB 5,713 mn (RUB 23,060 mn for 2017). The increase in revenue from regular passenger traffic was facilitated by the growth in passenger traffic (+ 11.1% y / y), as well as an increase in profitability rates (the ratio of revenue to passenger traffic) in international destinations due to the weakening of RUB/EUR. Revenue from charter traffic increased by 22.6% y / y due to an increase in the yields of these traffic and the continued development of the charter program of the Russian airline. Revenue from freight traffic increased by 14.4% y/y to RUB 18,900 mn against the growth in freight and mail traffic by 11.2% y/y.

The main expenditure items of Aeroflot for the reporting period were the cost of jet fuel (RUB 181,864mn, + 48% y / y), operating lease costs (RUB 88,881m, + 35% y / y) and maintenance costs for aircraft (RUB 45 527 mn, + 25% y / y). In addition to the expansion of the aircraft fleet in operating leases by 16.8% y / y compared to the same period in 2017, the increase in the cost of operating leases was due to an increase in LIBOR rates (+1.05 pp to 2.31%). Contrary to the increase in the number of staff and the increase in salaries to pilots, expenses on labor costs in 2018 amounted to RUB 82,817 mn. The moderate growth of this item was due to a revaluation of the reserve for future employee benefits, as well as a decrease in the remuneration of management personnel. The implementation of Aeroflot's cost optimization program was reflected in the reduction of selling, general and administrative expenses (advertising and marketing) to RUB 31,743 mn (-12.2% y / y). Depreciation and customs duties decreased to RUB 13,941mn (-10.7% y / y) due to a decrease in the number of aircraft in financial leasing. As of December 31, 2018, the Group's total debt amounted to RUB 97,618 mn (-6.8% y/y), which is associated with a decrease in financial lease obligations due to the disposal of 12 aircrafts.

Group's passenger traffic for 2018 increased to 55.71 mn (+ 11% y / y), from which 24.74 mn accounted for international transportation (+ 10% y / y) and 30.97 mn for domestic transportation (+ 12% y / y). Passenger load factor was 82.7% for 2018 against 82.8% for 2017. The decrease in the passenger load coefficient occurred in international directions (-1.6 pp), while the indicator increased on domestic routes (+2.2 pp). Aeroflot expanded its fleet from 325 at the end of 2017 up to 366 at December 31, 2018. From the 366 aircrafts, 326 were in operating leases, 34 in financial leasing and 6 in property. The Group's aircraft fleet is one of the youngest in the world, at the end of 2018 his average age was 4.2 years.

Airline Pobeda is a key driver of growth in the Group's passenger traffic, due to which in 2018 domestic air traffic demand increased by 56.8% y / y. Aurora Airlines, which develops transportation in the Far East and in remote settlements, carried 4.8% more passengers than in the same period a year earlier. A slight decrease was observed in the airline Russia (-0.10% y / y), carrying out charter operations in the middle price segment.

As of December 31, 2018, Aeroflot increased its main revenue from domestic routes in the Russian Federation by 14.8% y / y (RUB 202,192 mn), which represents 40.7% of total revenue. The increase in regular passenger flights to Europe and Asia had a positive impact on the Group's revenue, reaching RUB 136 673m (+ 19.2% y / y) and RUB 77 127m (+ 15.6% y / y), respectively. For 2018 Aeroflot increased the number of flights to the Middle East and Africa by 16.8% y / y.

Review of 1Q2019 results

Aeroflot's revenue increased by 23.3% y / y to RUB 138,041 mn, EBITDA amounted to RUB 21,333mn (+ 21.2% y / y), and net loss for the period reached RUB15,746mn (+ 51.2%). The growth of passenger traffic by 16.2% y / y, with a positive dynamics of income rates, made it possible to increase revenue by 23.3% y / y. Market factors, including foreign exchange and fuel, significantly influenced the Group's financial results in 1Q2019. Aeroflot explains the high cost of fuel, despite the Brent brand decline by 5.4%, by weakening RUB against USD by 16.3% y / y.

Dividends. The dividend policy of Aeroflot provides target dividend payment level of 25% of IFRS net income. On June 25, 2019 the general meeting of shareholders approved the dividend for 2018 in the amount of 2.6877 RUB / share. Thus, Aeroflot sent RUB 2,857bn in cash to pay dividends to shareholders, which is 50% of Aeroflot's net profit for 2018. According to our calculations, the projected dividend for 2019 will be ~ 6.8 RUB / share with dividend yield of 6% relative to the current price (as of July 23, 2019 the price is 108.1 RUB / share).

The implementation of a new development strategy. New strategy of the Group, approved in 2018, is aimed at further strengthening of its position in the global air transportation market, as well as at improving of the transport accessibility of the Russian regions and the population mobility. Aeroflot expects to reach passenger traffic of 90-100 mn by 2023. It is expected that the share of Pobeda Airlines will account for about 25-30 mn passengers carried compared to 7.185 mn for 2018. Aeroflot intends to use competitive advantages for the development of international transit between Europe and Asia, and also plans to increase international transit passenger traffic from 4.8 mn passengers in 2018 up to 10-15 mn passengers by 2023 (+ 213%). An increase in the domestic aircraft fleet up to 520 is projected by 2023 (+ 42%). Aeroflot plans to open three new regional bases: in Sochi, Yekaterinburg and Novosibirsk, as well as an international hub in Krasnoyarsk, due to which Aeroflot intends to increase regional traffic from 9 mn in 2018 to 19 mn in 2023 (+ 111%). Aeroflot also aims to provide an advanced level of digitalization, while continuing to actively implement the latest digital technologies, including in the field of artificial intelligence.

Recommendation update

We expect the average growth of Aeroflot passenger traffic at 12.4% y / y to 2023 against the increasing passenger traffic in the Russian Federation. We expect the Group to generate revenue of 682 billion rubles in 2019 (+ 11% y / y) and its subsequent average growth of 8% y / y in the period of 2020-2025. Due to the decision of the Government of the Russian Federation in 2017 about reducing the VAT rate to 10% for domestic transportation of passengers and baggage until the end of 2020, we expect an improvement in growth

Fig 5. Financial performance for 1Q2018-2019, mn RUB

	1Q2019	1Q2018	y/y
Total revenue	138 041	111 942	23%
EBITDA	21 333	17 583	21%
EBITDA margin	15.5%	15.7%	-2%
Net loss	- 15 746	- 10 415	51%

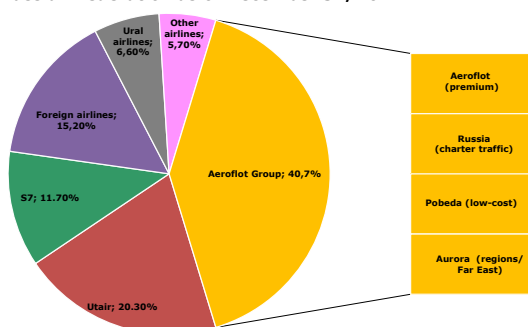
Source: Group's data

Fig 6. Revenue for 1Q2018-2019 in terms of articles, mn RUB

	1Q2019	1Q2018	y/y
Regular passenger traffic	113 391	91 107	24%
Charter passenger traffic	5 864	5 789	1%
Freight transportation	4 173	3 778	10%
Other revenue	14 613	11 268	30%

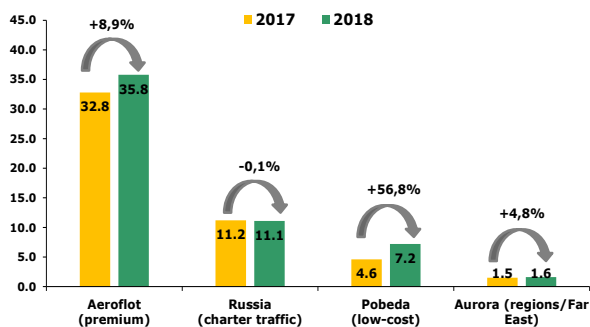
Source: Group's data

Fig 7. Aeroflot's market share in the air transportation market in the Russian Federation as of December 31, 2017



Source: Group's data

Fig 8. Number of passengers transported by Aeroflot as of December 31, 2018, mn passengers



Source: Group's data

rate of the rates of return in 2019 from 3.81 to 3.88 (Revenue / Passenger turnover completed).

Considering the Aeroflot optimization program, we expect a slight average increase in the Group's total operating costs (+ 5% y / y) in the period 2019-2025, which will occur mainly due to an increase in the scale of operations. Based on the forecasted data on the prices of Brent crude oil by the end of 2019, we expect a moderate rate of growth in fuel costs.

As of December 31, 2018 most of the Aeroflot's aircrafts were in operating leases (89%). We capitalized operating leases by applying a capitalization factor of 5 (the average number of payments under operating lease contracts). According to our calculations, while applying the IAS 16 standard, taking into account the operating lease, Aeroflot's net debt in 2019 will amount to 550,305 mn rubles, Net debt / EBITDA and Debt / Equity will be 4.0x (2020: 3.9x) and 9.2x (2020: 8.3x), respectively.

We forecast an increase in the capital investments at an average level of 6% y / y in the period 2019-2023 due to the fact that Aeroflot plans to increase the number of aircrafts of domestic production from 50 in 2018 to 200 by the end of 2026 through the acquisition of 50 domestic airplanes of new generation MS-21 and 100 Russian-built SSJ100 aircraft.

Considering the above factors, we estimate that Aeroflot's 12M TP is **125 RUB / share**, the recommendation is "Buy".

Fig 9. 12M TP calculation, mn RUB

	2019F	2020F	2021F	2022F	2023F
Revenue	681 637	740 264	805 021	872 687	947 945
EBIT	53 342	55 222	75 530	91 595	107 676
+ Depreciation	86 525	92 534	97 154	102 607	108 947
- Income tax	3 782	4 249	8 008	10 863	13 749
- CAPEX	106 312	113 599	122 103	128 677	136 287
- Changes in working capital	14 149	3 552	5 437	5 206	5 578
Free cash flows	15 624	26 356	37 137	49 457	61 007
WACC	9%				
Free cash flows (PV)	14 335	22 186	28 682	35 047	39 665
Terminal value (PV)	549 140				
Enterprise value (EV)	689 055				
Net debt forecast	550 305				
Equity value	138 750				
Number of shares, mn	1 111				
12M TP, ruble per share	125				

Source: Company data, Halyk Finance

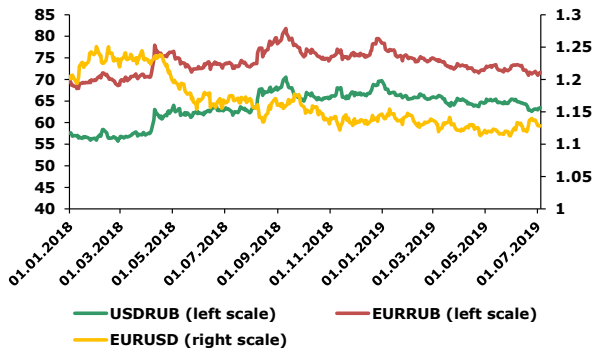
In our model, we updated the WACC parameters. We applied risk-free interest rate for the Russian Federation equal to 7.5% and a corrected beta value for Aeroflot equal to 1.1. We applied market returns for Russia - 13.8%. The cost of share capital and the cost of debt are 14% and 8%, respectively. According to our calculations, the WACC is 9%. We take into account the long-term growth rate of 2% after 2023.

According to our calculations, in 2019 revenue per available seat-kilometer (RASK) will increase and amount to 3.58 (2018: 3.53), while the cost per available seat-kilometer (CASK) will decrease and amount to 2.96 (2018: 3.42). Based on our forecasts, in 2019 both EBITDA and EBITDAR (EBITDA, including operating lease costs) will amount to RUB 137bn with a 20% of EBIT margin.

Risks

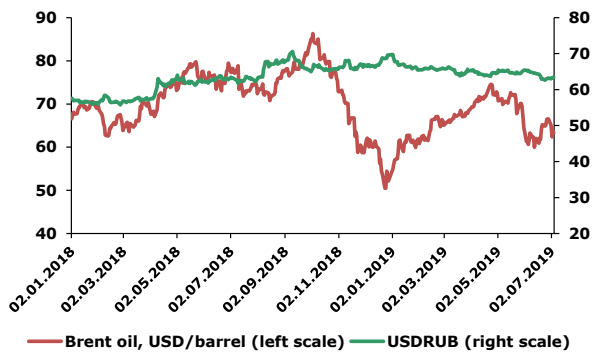
The most significant risks of the Group are related to the currency fluctuations (RUBEUR, RUBUSD, USDEUR), fuel cost and interest rates (LIBOR).

Fig 10. Dynamics of EURRUB, USDRUB, USDEUR in 2018 and 1H2019.



Source: Bloomberg

Fig 11. Price dynamics of Brent oil and USDRUB since the beginning of 2018.



Source: Bloomberg

In 2018 the weakening of the ruble against the dollar and the euro amounted to 7.8% y / y and 12.3% y / y, respectively. Thus, the average EURUSD rate changed by 4.5% in 2018 compared to 2017. These factors put pressure on the Group's expenses in foreign currency. However, the dynamics of the dollar to the euro had a positive impact due to the fact that the Group receives foreign exchange earnings primarily in euros, while part of its operating expenses, such as leasing and aircraft maintenance, are in dollars.

On average, the share of fuel costs at the end of 2018 accounts for about 31% of all operating expenses of Aeroflot. World oil prices showed strong growth in 2018 - the cost of oil increased by 31% y / y. According to the Bloomberg, a slight decrease in oil prices is predicted in the medium term (2021-2022), which can positively affect Aeroflot's financial performance and reduce operating costs for jet fuel.

Changes in interest rates on the long-term capital market also affect the cost of loans, as well as the growth of operating lease payments. Expenses for leasing contracts of the Group are linked to the market interest rates LIBOR. In 2018 LIBOR six-month rates rose from 1.84% to 2.88%, three-month LIBOR rates increased from 1.70% to 2.81% compared with 2017.

Other significant risks that may affect the fundamental value of Aeroflot are a significant increase in oil prices, deterioration of economic conditions in the Russian Federation, technical failures in the operation of domestic aircrafts, increased competition, and an aggravation of the geopolitical situation can make a significant adjustment to the fair value of Aeroflot.

Appendix 1. Aeroflot's financial performance forecast, mn rubles, except for data per share

	2016A	2017A	2018F	2019F	2020F	2021F	2022F	2023F
Profit and Loss Statement								
Revenue	495 880	532 934	611 570	681 637	740 264	805 021	872 687	947 945
Operating costs, excluding staff costs	-354 022	-394 528	-496 337	-459 289	-503 498	-538 595	-579 582	-627 092
Staff costs	-64 682	-82 801	-82 817	-87 906	-92 995	-98 382	-103 964	-109 867
Depreciation and amortisation	-13 395	-14 084	-12 912	-86 525	-92 534	-97 154	-102 607	-108 947
Other operating (expenses)/income, net	-527	-1 110	153	-597	-620	-457	-558	-545
Operating profit	63 254	40 411	19 657	47 320	50 618	70 434	85 976	101 495
(Loss) / Profit from sale and impairment of investments	-2 935	-144	-689	0	0	0	0	0
Finance income	19 802	7 127	4 164	3 510	3 859	4 194	4 553	4 941
Finance costs	-9 443	-8 225	-7 904	-31 920	-33 233	-34 587	-36 216	-37 689
Realised hedging result	-12 310	-5 613	-6 788	0	0	0	0	0
Share of results of associates	12	170	254	0	0	0	0	0
Result from disposal of subsidiaries	-5 099	0	1 240	0	0	0	0	0
Profit/(loss) before income tax	53 281	33 726	9 934	18 910	21 244	40 041	54 313	68 747
Income tax expense	-14 455	-10 666	-4 221	-3 782	-4 249	-8 008	-10 863	-13 749
Profit/(loss) for the year	38 826	23 060	5 713	15 128	16 995	32 032	43 450	54 998
Shares outstanding, mn	1 111	1 111	1 111	1 111	1 111	1 111	1 111	1 111
Earnings per share (EPS)	35	21	5	14	15	29	39	50
Balance Sheet								
Cash and cash equivalents	31 476	45 978	23 711	26 428	28 701	31 211	33 835	36 753
Short-term financial investments	6 319	8 931	6 437	0	0	0	0	0
Accounts receivable and prepayments	78 172	92 932	87 868	97 935	106 358	115 662	125 384	136 197
Current income tax prepayment	2 679	3 580	5 488	3 916	4 328	4 577	4 274	4 393
Aircraft lease security deposits	320	423	525	585	635	691	749	814
Expendable spare parts and inventories	10 040	12 811	14 659	13 565	14 870	15 907	17 118	18 521
Assets classified as held for sale and other	1 140	3 547	6 630	3 772	4 650	5 017	4 480	4 716
Total current assets	130 146	168 202	145 318	146 201	159 543	173 066	185 839	201 393
Property, plant and equipment, finance lease	104 897	97 932	90 964	566 924	595 092	625 231	657 543	692 255
Prepayments for aircraft	27 830	13 089	21 148	23 571	25 598	27 838	30 177	32 780
Deferred tax assets	12 252	10 396	12 002	13 377	14 528	15 798	17 126	18 603
Goodwill	6 660	6 660	6 660	6 660	6 660	6 660	6 660	6 660
Long-term financial investments	3 306	3 338	5 393	4 012	4 248	4 551	4 270	4 356
Intangible assets	1 825	2 054	2 250	3 152	4 167	5 322	6 646	8 175
Aircraft lease security deposits	2 181	1 602	4 356	4 855	5 273	5 734	6 216	6 752
Investments in associates	98	329	545	324	399	423	382	401
Other non-current assets	10 112	19 728	27 990	31 197	33 880	36 844	39 941	43 385
Total non-current assets	169 161	155 128	171 308	654 072	689 845	728 400	768 962	813 368
Total assets	299 307	323 330	316 626	800 272	849 388	901 467	954 801	1 014 760
Accounts payable and accrued liabilities	49 868	67 953	69 346	64 170	70 346	75 250	80 977	87 615
Unearned traffic revenue	39 044	43 695	49 874	44 204	45 924	46 668	45 599	46 064
Deferred revenue related to the frequent flyer programme	1 607	1 720	4 086	2 471	2 759	3 105	2 778	2 881
Provisions for liabilities	5 304	9 433	11 393	8 710	9 845	9 983	9 513	9 780
ST borrowings, finance lease liabilities	24 902	16 015	15 394	11 867	19 610	27 769	30 651	27 892
Liabilities related to assets, classified as held for sale	0	2 210	6 623	2 944	3 926	4 498	3 789	4 071
Derivative financial instruments	0	0	19	0	0	0	0	0
Total current liabilities	120 725	141 026	156 735	134 366	152 411	167 273	173 306	178 303
Long-term loans and borrowings, finance lease liabilities	118 201	87 855	81 316	564 866	583 895	604 360	626 544	651 001
Provisions for liabilities	10 791	16 949	23 753	26 474	28 751	31 267	33 895	36 818
Deferred tax liabilities	39	68	137	81	95	105	94	98
Deferred revenue related to the frequent flyer programme	3 623	3 842	3 282	3 582	3 569	3 478	3 543	3 530
Other non-current liabilities	5 159	6 291	6 068	5 839	6 066	5 991	5 966	6 008
Total non-current liabilities	137 813	115 005	114 556	600 843	622 376	645 200	670 041	697 454
Total liabilities	258 538	256 031	271 291	735 209	774 787	812 473	843 347	875 757
Share capital	1 359	1 359	1 359	1 359	1 359	1 359	1 359	1 359
Treasury shares reserve	-3 571	0	-7 040	-7 040	-7 040	-7 040	-7 040	-7 040
Accumulated profit on disposal of treasury shares	1 659	7 864	7 864	7 864	7 864	7 864	7 864	7 864
Translation from the functional currency to the presentation cur	-5	-5	0	0	0	0	0	0
Hedge reserve	-34 187	-25 159	-33 857	-31 068	-30 028	-31 651	-30 915	-30 865
Retained earnings	77 198	81 476	74 958	91 897	100 394	116 411	138 136	165 634
Equity attributable to shareholders of the Company	42 453	65 535	43 284	63 012	72 549	86 943	109 403	136 953
Non-controlling interest	-1 684	1 764	2 051	2 051	2 051	2 051	2 051	2 051
Total liabilities and equities	299 307	323 330	316 626	800 272	849 388	901 467	954 801	1 014 760
Statement of Cash Flows								
Net cash flows from operating activities	76 712	47 432	19 495	146 098	156 213	173 514	187 116	201 919
Net cash flows from/(used in) investing activities	7 266	14 369	4 842	-106 312	-113 599	-122 103	-128 677	-136 287
Net cash used in financing activities	-80 495	-46 821	-48 526	-37 070	-40 341	-48 900	-55 815	-62 714
Net increase in cash and cash equivalents	3 483	14 980	-22 267	2 717	2 273	2 511	2 623	2 918
Cash and cash equivalents at the end of the year	31 476	45 978	23 711	26 428	28 701	31 211	33 835	36 753

Source: Company data, Halyk Finance forecast

Appendix 2. Short description of the Group.

The Aeroflot Group has one of the leading positions on the European market and is the largest aviation company in the air transportation market in Russia. The Group includes Aeroflot (the parent company), Aurora, Pobeda, and Russia airlines.

The group has an extensive network of routes on domestic and international destinations. As of December 31, 2018, the fleet of the Group consisted of 366 aircrafts that executed flights on 173 destinations to 57 countries. The Aeroflot Group intends to increase its passenger traffic up to 90-100 mn people by 2023 from 55.7 mn in 2018, by developing a low-cost segment on the domestic market, and by increasing transit and regular flights abroad.

The main shareholder of the Group is the Government of the Russian Federation (51.2% of all shares). Ordinary shares of the Company are traded on the Moscow Stock Exchange and are part of the main Russian stock indices.

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