

Aeroflot: Update of recommendation

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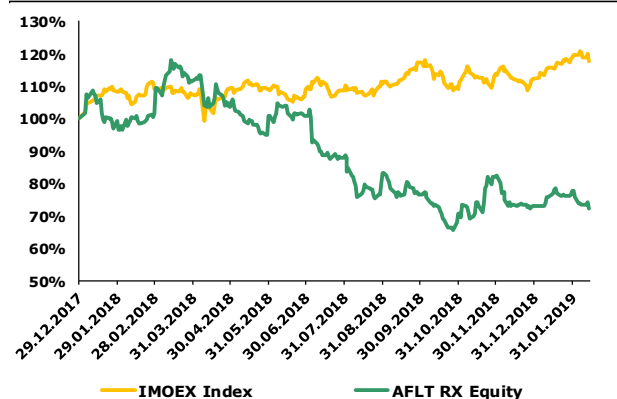
Ticker	AFLT.RX
Recommendation	Buy
Current price RUB/share (14.02.2019)	101
Target price 12M, RUB/share	130
Expected growth potential	28,2%
Ticker	AETG.GR
Recommendation	Buy
Current price EUR/share (14.02.2019)	7,10
Target price 12M, EUR/share	8,63
Expected growth potential	21,5%
Number of ordinary shares, mn	1 111
Average daily turnover for 3M, thous. RUB	5 828
Free float	49%
Market capitalization, mn RUB	112 572

Main shareholders:	
Russian Federation	51,2%
Skagen AS	2,2%

Financial indicators, mn RUB	2019F	2020F	2021F
Revenue	684 902	766 384	850 238
EBITDA	134 308	159 844	182 623
Net income	22 470	36 007	50 430
EPS, rubles per share	20	32	45
Equity	119 026	173 036	248 681
Net debt	565 617	524 521	466 004

Valuation	2019F	2020F	2021F
EV/Revenue	1,0	0,9	0,8
EV/EBITDA	5,3	4,4	3,9
Net debt/EBITDA	4,2	3,3	2,6
Net debt/Equity	4,8	3,0	1,9
P/E	5,0	3,1	2,2
P/B	0,9	0,7	0,5
ROE	19%	21%	20%

Prices dynamics	AFLT RX	IMOEX index
1M	-4%	2%
3M	3%	5%
12M	-28%	10%
52 weeks high, RUB	164	2 547
52 weeks low, RUB	91	2 091



Source: Halyk Finance, Bloomberg

Aeroflot Group demonstrated an increase in revenue growth as the result of the high production indicators due to FIFA World Cup, which took place in Russian Federation in the summer of 2018, as well as significant control of operating expenses, despite the substantial increase in the cost of jet fuel in the second half of 2018. Although there are geopolitical risks and pressure put on operating expenses as the result of the high cost of jet fuel, the strategic development of Aeroflot in all niches of the air transportation market, the expansion of the route network and optimization measures implemented to control costs should have a positive impact on Aeroflot's financial results. Considering the attractive dividend payouts, we recommend to **Buy** Aeroflot shares with 12M TP **130 RUB/share**.

Strategic growth and cost management. On the 1st of November of 2018, the Board of Directors of Aeroflot approved a new development strategy until 2023. Aeroflot aims to carry 90-100 million passengers in 2023, increase international transit passenger traffic from 5 million to 10-15 million passengers in 2023, open regional hubs throughout the Russian Federation, increase the fleet of domestic aviation technology and increase the level of digitalization. Aeroflot's low-cost carrier Pobeda is assumed to be a key growth driver, which is expected to carry 25-30 million passengers annually. In 2018 Aeroflot took measures to reduce costs and obtained a positive effect from the optimization program introduced in order to reduce the pressure on financial results from the cost of jet fuel and the exchange rate movements.

Attractive dividend payouts. The dividend policy of Aeroflot sets the level of dividend payouts at 25% of net income. In 2018 Aeroflot paid its dividends to its shareholders for 2017 in the amount of 14.2 billion rubles, which is a relatively high level of dividend payment in the history of Aeroflot. According to our calculations, the projected dividend for 2018 is ~6 RUB/share with a dividend yield that equals to 6% relative to the current market price (14.02.2019r. the share price is 101,36 RUB/share).

Exchange rate, fuel prices and competition. In case RUB strengthens against EUR and USD, a negative currency effect on the financial performance of the Group is possible. Aeroflot at the moment does not hedge jet fuel prices. This unhedged position makes Aeroflot less competitive if there is an excessive increase in oil prices in comparison with airlines that hedge fuel prices, but also suggests a more favorable position in the event of a decrease or stabilization in oil prices. According to Bloomberg, a decrease in the average price of oil is expected (from the level of 71.69 USD per barrel in 2018 to the level of 66.38 USD per barrel in 2019), which will have a positive impact on operating expenses. However, competition within the domestic market as well as against foreign airline companies can put pressure on Aeroflot's revenues and on the development of long-haul air traffic of the airline company Rossiya, which is mainly focused on the medium price segment.

Recommendation is to Buy with 12M TP 130 RUB/share. We expect EBITDA margin to be 20% in 2019 and 21% in 2020. We assume that Aeroflot's operating indicators will demonstrate a positive dynamics on the forecasted horizon, which, in the absence of unforeseen factors, should ensure stabilization and improvement of financial indicators. Taking into the consideration the high potential of developing the air network transportation in the Russian Federation's market, we recommend to **Buy** Aeroflot shares with **12M TP 130 RUB/share**.

Fig 1. Financial indicators for 9M2018, mn RUB

	9M2018	9M2017	y/y
Revenue	466 345	404 773	15%
EBITDA	47 189	53 306	-11%
EBITDA margin	10%	13%	-3,1
Net Income	22 490	27 149	-17%

Source: Company data

Fig 2. Revenues for 9M2018 in terms of articles, mn RUB

	9M2018	9M2017	y/y
Regular passenger traffic	379 408	327 726	16%
Charter passenger traffic	30 566	22 776	34%
Cargo transportation	12 839	11 300	14%
Other revenue	43 532	42 971	1%

Source: Company data

Fig 3. Operating costs for 9M2018, mn RUB

	9M2018	9M2017	y/y
Aircraft servicing and passenger services	80 268	74 706	7%
Staff costs	61 315	60 509	1%
Operating lease expenses	63 768	47 710	34%
Aircraft maintenance	32 009	26 247	22%
Sales and marketing, administration and general expenses	22 478	23 846	-6%
Depreciation, amortisation and custom duties	10 343	11 444	-10%
Other net expenses	27 353	28 505	-4%
Aircraft fuel	131 965	89 944	47%
Total	429 499	362 911	18%

Source: Company data

Fig 4. Operating indicators of Aeroflot Group for 9M2018

	9M2018	9M2017	y/y
Passengers carried, thous	42 249	38 340	10%
Passengers carried on international routes, thous	18 759	17 221	9%
Passengers carried on domestic routes, thous	23 490	21 119	11%
Revenue Passenger Kilometers, mln RPK	108 428	99 382	9%
Revenue Passenger Kilometers on international routes, mln RPK	62 725	58 408	7%
Revenue Passenger Kilometers on domestic routes, mln RPK	45 703	40 974	12%
Passenger Load Factor, %	83,8%	83,7%	0,1
Passenger Load Factor on international routes, %	82,3%	83,7%	-1,4
Passenger Load Factor on domestic routes, %	85,9%	83,7%	2,2

Source: Company data

Review of results for 9M2018

According to the IFRS results for 9M2018, Aeroflot's revenue increased by 15% y/y to RUB 466 345 mn, EBITDA amounted to RUB 47 189 mn (-11% y/y) with EBITDA margin, which equals to 10% (13% for 9M2017). Aeroflot's net profit decreased by 17% y/y to RUB 22 490 mn (RUB 27 149 mn in 9M2017). The increase in revenue from regular passenger traffic was mainly attributable to the growth in the number of passengers carried (+ 10% y/y) and due to an increase in the rate of return, primarily on international routes, as the ruble weakened against the euro and the consequent effect of this FX-denominated revenue. The rate of return on domestic and international traffic amounted to 3.88% for 9M2018, which is an increase of 5.6% y/y compared with the rate of return for 9M2017. Revenue from charter flights increased by 34% y/y due to the increase in the proportional rate of return of this traffic and continuing expansion of Rossiya company's charter program. Cargo revenue rose by 14% y/y to RUB 12 839 mn as cargo and mail volumes grew by 14% y/y.

The main expenditure items of Aeroflot for the reporting period were the cost of jet fuel (RUB 131,965 mn, + 47% y/y), operating lease costs (RUB 63,768 mn, + 34% y/y) and maintenance costs of aircrafts (RUB 32 009 mn, + 22% y/y). Due to the average increase in the price of Brent crude over 9M2018 to USD 72.74 per barrel (+ 24.26% y/y) and RUBUSD depreciation (+ 17.24% y/y for 9M2018), the price of jet fuel denominated in RUB for Aeroflot increased by 36% y/y. In addition to the expansion of the aircraft fleet in operating lease by 21.8% y/y compared to the same period in 2017, an increase in the operating lease expenses was mainly due to an increase in LIBOR rates (+1 p.p. to 2.2%). Despite the increase in the number of staff and the increase in salaries to pilots, the staff costs for 9M2018 increased only by 1.3% y/y to RUB 61 315 mn. The moderate growth of this line item was due to a revaluation of the reserve for future employee benefits. The implementation of Aeroflot's cost optimization program was reflected in the reduction of commercial, general and administrative expenses (advertising and marketing) to RUB 22 478 mn (-6% y/y). The depreciation expense and expenditures for customs duties fell to RUB 10 343 mn (-10% y/y) due to a decrease of the number of aircrafts in finance lease.

As of September 30, 2018, Aeroflot's total debt decreased by 8% y/y and amounted to RUB 96 871 mn (excluding operating leases) with a cash balance of RUB 60 051 mln. Aeroflot had access to credit lines in the amount of RUB 81 500 mn.

The number of passengers carried by the Aeroflot Group for 9M2018 increased to 42.25 mn (+ 10% y/y), of which 18.76 mn accounted for international routes (+ 9% y/y) and 23.49 mn accounted for domestic routes (+ 11% y/y). The passenger load factor was 83.8% for 9M2018 against 83.7% for 9M2017. The decline in the passenger load factor occurred on international destinations (-1.4 p.p.), while the passenger load factor increased (+ 2.2 p.p.) on domestic routes. Aeroflot expanded its fleet from 325 at the end of 2017 to 361 at the end of September 30, 2018. Out of 361 aircraft, 319 were in operating lease, 36 in finance lease and 6 aircrafts were owned by Aeroflot.

The low-cost airline company Pobeda was a key factor in the growth of passengers carried by Aeroflot (+ 55.3% y/y) due to an increase in demand for domestic flights. The company utilizes Boeing 737 airplanes (22 aircrafts as of September 30,

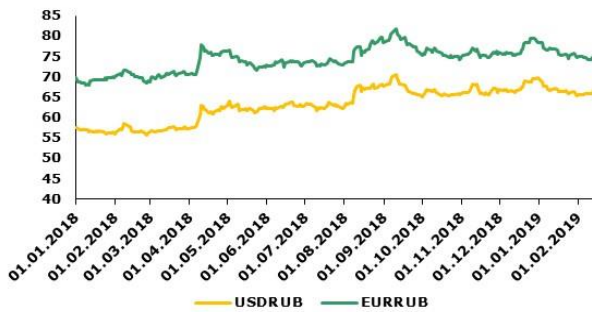
2018), which demonstrate high efficiency and cost effectiveness, and the expansion of the low-cost airline's fleet will be attributable to these airplanes. The number of passenger carried by Aeroflot, which provides premium transportation services, grew by 8% y/y. Aurora, which is expanding passenger transportation in the Far East and in remote settlements, carried passengers by 5.2% more than in the same period a year earlier. An insignificant increase was observed in the number of passengers carried by the airline company Rossiya (+0.3% y/y), realizing charter transportation in the medium price segment.

Dividends. The dividend policy of Aeroflot assumes a target dividend payout level of 25% of net profit under international financial reporting standards (IFRS). On 25th of June of 2018, the general meeting of shareholders approved a high dividend payment for 2017 in the amount of 12.8 RUB/share. Thus, Aeroflot allocated funds in the amount of RUB 14.2 bn of dividend payments for its shareholders, which equal to 50% of Aeroflot's net profit. According to our calculations, the projected dividend for 2019 would be ~ 10 RUB/share with dividend yield relative to the current market price of 10% (as of 14.02.2019 the share price is 101.36 RUB/share).

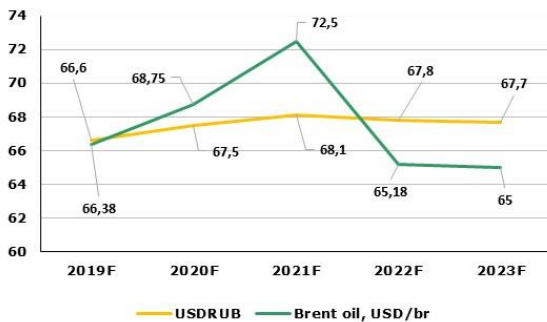
Approval of development strategy. On 1st of November of 2018, the Board of Directors of Aeroflot approved a new development strategy until 2023. Aeroflot expects to reach a passenger traffic of 90-100 mn by 2023. It is expected that airline company Pobeda will account for about 25-30 mn of passengers carried, compared to 5.2 mn passengers carried in 9M2018. Using regional transportation hubs, Aeroflot plans to increase international transit passenger traffic to 10–15 mn passengers against 5 mn in 2017. The expansion of aircraft fleet produced in domestic market is projected to amount to 520 aircrafts by 2023 (+ 44%). Aeroflot plans to open three new regional hubs in Sochi, Yekaterinburg and Novosibirsk, as well as an international hub in Krasnoyarsk, which will contribute to Aeroflot's plans to triple regional traffic from 7 mn passengers in 2017 to 19 mn passengers in 2023. Aeroflot also aims to improve the level of digitalization, introducing the latest digital technology.

Renewal of fleet. As of September 30 2018, Aeroflot's total aviation fleet was comprised of 361 aircraft, of which 50 airliners operated by Aeroflot were produced in Russia. Aeroflot plans to increase the number of domestically produced aircrafts to 200 by 2026. The Group has the youngest aircraft fleet in the world, which is one of the key advantages, with an average age of 4.1 years.

In February 2018 Aeroflot signed an agreement to acquire 50 aircrafts of domestic production, which are known as the new generation aircrafts (MC-21). Further, in June 2018, as the result of the general meeting of shareholders of Aeroflot, it was decided to conclude an operating lease agreement of a large transaction to acquire 50 new MC-21 aircrafts. The planned delivery time of the latest Russian passenger aircrafts is from the 1st quarter of 2020 until 3d quarter of 2026. The amount of lease payments and provision for maintenance would be more than 5 bn of US dollars. As of September 30 2018, Aeroflot repurchased shares from its existing shareholders in the amount of 47.8 mn shares for a total value of RUB 7 039 mn, who did not approve the purchase of 50 new MC-21 aircrafts by Aeroflot produced in Russian Federation.

Fig 5. Dynamics of EURRUB and USDRUB for 2018 and beginning of 2019


Source: Bloomberg

Fig 6. Average forecast for Brent and USDRUB for 2019-2023


Source: Bloomberg, Focus Economics

Fig 7. Dynamics of Brent and USDRUB as of 2017, beginning values for indexes equal to 100%


Source: Bloomberg

On September 10, 2018, Aeroflot also concluded an agreement for the shipment of 100 Superjet 100 (SSJ100) aircrafts produced in Russia. The delivery is expected in 2019-2026. This transaction is large and requires the corresponding parties to conclude an agreement on all the material terms of the transaction as well as obtain corporate approval. There is a possibility that in case of disapproval by shareholders of the decision to acquire 100 SSJ100 aircrafts, Aeroflot might buy back a part of outstanding shares. At this stage, also due to the short history of operation of domestically produced aircrafts, we cannot accurately evaluate the economic effect of the use of a new aircraft fleet.

Exchange rates, geopolitical risks and the oil market

According to data for 9M2018, the depreciation of RUB relative to USD and EUR had a negative impact on Aeroflot's operating expenses, which increased by RUB 14 253 mn, but had a positive effect on the revenue, which increased by RUB 19 056 mn. Average USDRUB forecasts for 2019-2023 are significantly higher than the average value for 2018 (USDRUB - 62.8932). Despite the fact that the major part of operating expenses for leasing and maintenance of aircraft is expressed in USD, the revenue generated by Aeroflot in foreign currency (mainly in EUR) compensates the negative effect of ruble depreciation. As a result, the strengthening of RUB against USD and EUR could put pressure on Aeroflot's financial performance. At the same time, the stability of the Russian currency provides more favorable macroeconomic conditions that contribute to the growth of consumption, which stimulates the demand for domestic flights.

As of September 30 2018, Aeroflot increased its total revenue from domestic routes within Russian Federation by 13.5% y/y (RUB 155 892 mn), which represents 41.1% of total revenues. The increase in regular passenger flights to Europe and Asia (the total share of revenues to Europe and Asia are 28.1% and 14.8%, respectively) had a positive effect on Aeroflot's revenue, reaching RUB 106 577 mn (+ 20.9% y/y) and RUB 56 011 mn (+ 13.1% y/y), respectively. For 9M2018, Aeroflot's revenue from regular flights to North and Central America amounted to RUB 23 523 mn (+ 18.8% y/y), which is equivalent to 6.2% of the total revenue from regular routes. Aeroflot also increased the number of flights to the Middle East (+ 16.6% y/y), which contributed to an increase of 16.2% in revenue. As a result, the reduction of flights to Europe, Asia and the Middle East could have a significant negative effect on Aeroflot's revenues. In addition, the likely enforcement of new sanctions against the Russian Federation by the US government may affect the decline in the air travel transportation by Aeroflot to the United States.

On average, about 25% of all Aeroflot's operating expenses is attributable to jet fuel expenses. During 2018, growing demand and economic growth supported the oil prices. Meanwhile, by the end of 2018 fears of continued trade controversy between US and China and a slowdown in global growth put pressure on oil prices, despite an agreement between OPEC + participants to lower production in 1H2019. According to Bloomberg, oil prices are projected to decline in the long run (2022-2023), which can positively affect Aeroflot's financial performance and reduce operating costs for jet fuel expenses.

Update of estimate

The main updated factors in our assessment are:

- Operating indicators of Aeroflot;
- Macroeconomic indicators (passengers carried in Russia, GDP growth and inflation);
- Forecasted oil prices and currency fluctuations;
- Application of new standard IFRS 16;
- Capital expenditures;
- Weighted average cost of capital (WACC) and long term growth of Aeroflot.

We forecast the average growth of Aeroflot's passengers carried at the average level of 12.2% y/y until 2023 due to the increase in the number of passengers carried in the Russian Federation and a decrease in the growth of passengers carried to the level of 7-6% in the period of 2024-2025. We expect an average inflation rate in the Russian Federation of 4.6% y/y in 2019 and its subsequent decline to 4% y/y on the forecasted time horizon. According to the consensus forecast Bloomberg, from the beginning of this year a slight decrease is expected in the average price of Brent crude from 71.69 USD per barrel in 2018 to 66.38 USD per barrel in 2019. We expect a moderate increase in the Company's total operating costs in 2019 (+ 10% y/y) in comparison with 2018 (+ 22% y/y), which will occur mainly due to an increase in the scale of operations. We expect Aeroflot revenue at the level of RUB 685 bn in 2019 (+ 11.3% y/y) and its subsequent average growth of 9% y/y on the horizon 2019-2024 and growth of 2.3% y/y in the period of 2024-2025.

From 1st of January of 2019, IAS 16 becomes mandatory for its application, according to which operating leases will be classified similarly to financial leases, when assets accepted under operating leases will be recorded on Aeroflot's balance sheet and related expenses will be shown as depreciation and amortization and finance costs expenses. Previously, operating lease expenses were classified as operating expenses. Aeroflot will have more assets, but at the same time the amount of debt will increase, which will affect the key debt load ratios (net debt/EBITDA and net debt/capital). When evaluating and forecasting future financial results of Aeroflot, we took into account that the majority of the Aeroflot's aircrafts are in the operating lease (88%) and we applied the new accounting standard. We capitalized operating leases by applying a capitalization factor of 7 (the average number of payments under operating lease contracts). According to our calculations, taking into consideration the capitalization of operating leases, the total debt of Aeroflot will increase from RUB 189 313 mn to RUB 702 600 mn in 2019, when applying IFRS 16.

According to our estimates, the recommendation is to **Buy** Aeroflot shares with **12M TP 130 RUB/share**.

Fig 8. 12M TP calculation, mn RUB

	2019F	2020F	2021F	2022F	2023F	2024F	2025F
Revenue	684 902	766 384	850 238	887 023	958 281	1 028 081	999 444
EBIT	60 460	77 788	90 751	119 908	142 154	161 735	158 292
+ Depreciation	73 848	82 056	91 872	91 281	94 840	96 245	97 439
- Income tax	5 617	9 002	12 607	17 123	19 377	25 172	22 797
- CAPEX	66 135	72 479	81 235	91 370	90 970	95 073	97 129
- Changes in working capital	6 011	7 268	7 020	5 731	6 587	6 344	- 759
Free cash flows	56 544	71 096	81 761	96 965	120 060	131 390	136 565
WACC	12%						
Free cash flows (PV)	50 494	56 695	58 224	61 662	68 179	66 629	61 843
Terminal value (PV)	286 164						
Enterprise value (EV)	709 890						
Net debt forecast	565 619						
Equity value	144 270						
Number of shares, mn	1 111						
12M TP, rubles per share	130						

Source: Company data, Halyk Finance

When calculating the WACC, we applied a risk-free interest rate for the Russia equaling to 8.4%; an adjusted beta value for Aeroflot in the amount of 0.80; the average market yield for Russia that equals to 17.46% and the risk premium of 9.07%. The cost of equity capital and the after-tax cost of debt are 15.6% and 11%, respectively. According to our calculations, WACC equals to 12%. We take into consideration the long-term growth rate in the amount of 2% after 2025. In our estimate, we forecast an average increase in capital expenditures that equals to 6% y/y in the period from 2019-2025 due to the construction of new regional bases and an enlargement of the fleet. We expect EBITDA at RUB 134 bn with EBITDA margin of 20% in 2019 (2020: RUB 160 bn with an EBITDA margin of 21%).

Risks

There are a number of significant risks that may affect the Company's fundamental value. Rising prices for oil, worsening economic conditions in Russia, increased competition due to lower tariffs and increased capacity in the market, as well as aggravation of the geopolitical situation can make a significant adjustment to Aeroflot's fair value.

Appendix 1. Pro forma financial statements of Aeroflot, mn RUB, except per share data

	2016A	2017A	2018F	2019F	2020F	2021F	2022F	2023F	2024F	2025F
Profit and Loss Statement										
Revenue	495 880	532 934	615 550	684 902	766 384	850 238	887 023	958 281	1 028 081	999 444
Operating costs, excluding staff costs	-354 022	-394 528	-414 246	-457 766	-507 426	-561 822	-566 710	-608 488	-650 183	-619 888
Staff costs	-64 682	-82 801	-85 430	-91 236	-97 164	-103 378	-106 606	-109 881	-116 682	-120 266
Depreciation and amortisation	-13 395	-14 084	-68 134	-73 848	-82 056	-91 872	-91 281	-94 840	-96 245	-97 439
Other operating (expenses)/income, net	-527	-1 110	-1 375	-1 593	-1 949	-2 415	-2 518	-2 918	-3 237	-3 558
Operating profit	63 254	40 411	46 365	60 460	77 788	90 751	119 908	142 154	161 735	158 292
(Loss) / Profit from sale and impairment of investments	-2 935	-144	-166	-185	-207	-230	-240	-259	-278	-270
Finance income	19 802	7 127	7 527	13 897	20 318	25 609	36 579	48 532	62 815	76 560
Finance costs	-9 443	-8 225	-39 266	-46 303	-53 135	-53 364	-70 915	-93 849	-98 741	-120 915
Realised hedging result	-12 310	-5 613	0	0	0	0	0	0	0	0
Share of results of associates	12	170	196	218	244	271	283	306	328	319
Result from disposal of subsidiaries	-5 099	0	0	0	0	0	0	0	0	0
Profit/(loss) before income tax	53 281	33 726	14 656	28 087	45 008	63 037	85 616	96 884	125 859	113 986
Income tax expense	-14 455	-10 666	-1 466	-5 617	-9 002	-12 607	-17 123	-19 377	-25 172	-22 797
Profit/(loss) for the year	38 826	23 060	13 191	22 470	36 007	50 430	68 493	77 507	100 687	91 189
Shares outstanding, mn	1 111	1 111	1 111	1 111	1 111	1 111	1 111	1 111	1 111	1 111
Earnings per share (EPS)	35	21	12	20	32	45	62	70	91	82

Balance Sheet

Cash and cash equivalents	31 476	45 978	61 555	136 980	153 277	212 559	310 000	383 313	514 041	579 678
Short-term financial investments	6 319	8 931	0	0	0	0	0	0	0	0
Accounts receivable and prepayments	78 172	92 932	107 338	119 432	133 640	148 263	154 677	167 103	179 275	174 281
Current income tax prepayment	2 679	3 580	4 176	4 671	5 255	5 855	6 098	6 600	7 105	6 870
Aircraft lease security deposits	320	423	493	552	621	692	721	780	840	812
Expendable spare parts and inventories	10 040	12 811	13 451	14 864	16 477	18 243	18 402	19 759	21 113	20 129
Assets classified as held for sale and other	1 140	3 547	4 138	4 627	5 206	5 801	6 042	6 539	7 040	6 807
Total current assets	130 146	168 202	191 152	281 127	314 476	391 413	495 941	584 093	729 413	788 577
Property, plant and equipment, finance lease	104 897	97 932	620 920	618 792	617 164	615 808	614 674	614 058	614 072	612 616
Prepayments for aircraft	27 830	13 089	15 268	17 076	19 212	21 406	22 297	24 129	25 979	25 119
Deferred tax assets	12 252	10 396	12 127	13 563	15 259	17 002	17 709	19 165	20 634	19 951
Goodwill	6 660	6 660	6 660	6 660	6 660	6 660	6 660	6 660	6 660	6 660
Long-term financial investments	3 306	3 338	3 894	4 355	4 899	5 459	5 686	6 153	6 625	6 406
Intangible assets	1 825	2 054	2 396	2 680	3 015	3 359	3 499	3 786	4 077	3 942
Aircraft lease security deposits	2 181	1 602	1 869	2 090	2 351	2 620	2 729	2 953	3 180	3 074
Investments in associates	98	329	384	429	483	538	560	607	653	631
Other non-current assets	10 112	19 728	23 013	25 377	28 957	32 264	33 606	36 368	39 156	37 860
Total non-current assets	169 111	155 128	686 530	691 382	698 000	705 117	707 420	713 879	721 035	716 259
Total assets	299 307	323 330	877 682	972 509	1 012 476	1 096 531	1 203 360	1 297 972	1 450 448	1 504 835
Accounts payable and accrued liabilities	49 868	67 953	71 349	78 845	87 398	96 767	97 609	104 805	111 987	106 769
Unearned traffic revenue	39 044	43 695	37 143	37 143	37 143	37 143	37 143	37 143	37 143	37 143
Deferred revenue related to the frequent flyer programme	1 607	1 720	1 545	1 624	1 630	1 599	1 618	1 615	1 611	1 615
Provisions for liabilities	5 304	9 433	7 419	7 385	8 079	7 628	7 697	7 801	7 709	7 736
ST borrowings, finance lease liabilities	24 902	16 015	31 287	89 819	74 190	85 616	99 540	81 674	89 908	27 213
Liabilities related to assets, classified as held for sale	0	2 210	3 194	1 801	2 402	2 466	2 223	2 363	2 351	2 312
Derivative financial instruments	0	0	0	0	0	0	0	0	0	0
Total current liabilities	120 725	141 026	151 936	216 618	210 842	231 220	245 831	235 403	250 708	182 787
Long-term loans and borrowings, finance lease liabilities	118 201	87 855	618 461	612 780	603 611	592 952	581 860	570 584	556 951	542 342
Provisions for liabilities	10 791	16 949	11 552	13 097	13 866	12 839	13 267	13 324	13 143	13 245
Deferred tax liabilities	39	68	92	66	76	78	73	76	76	75
Deferred revenue related to the frequent flyer programme	3 623	3 842	3 469	3 645	3 652	3 588	3 628	3 623	3 613	3 621
Other non-current liabilities	5 159	6 291	5 087	5 512	5 630	5 410	5 517	5 519	5 482	5 506
Total non-current liabilities	137 813	115 005	638 661	635 101	626 835	614 866	604 346	593 126	579 265	564 790
Total liabilities	258 538	256 031	790 597	851 719	837 677	846 086	850 177	828 528	829 973	747 577
Share capital	1 359	1 359	1 359	1 359	1 359	1 359	1 359	1 359	1 359	1 359
Treasury shares reserve	-3 571	0	0	0	0	0	0	0	0	0
Accumulated profit on disposal of treasury shares	1 659	7 864	7 864	7 864	7 864	7 864	7 864	7 864	7 864	7 864
Translation from the functional currency to the presentation currency	-5	-5	-5	-5	-5	-5	-5	-5	-5	-5
Hedge reserve	-34 187	-25 159	-25 159	-25 159	-25 159	-25 159	-25 159	-25 159	-25 159	-25 159
Retained earnings	77 198	81 476	101 262	134 967	188 976	264 621	367 360	483 621	634 652	771 435
Equity attributable to shareholders of the Company	42 453	65 535	85 321	119 026	173 035	248 680	351 419	467 680	618 711	755 494
Non-controlling interest	-1 684	1 764	1 764	1 764	1 764	1 764	1 764	1 764	1 764	1 764
Total liabilities and equities	299 307	323 330	877 682	972 509	1 012 476	1 096 531	1 203 360	1 297 972	1 450 448	1 504 835

Statement of Cash Flows

Net cash flows from operating activities	76 712	47 432	87 718	133 533	93 900	154 746	205 984	192 859	266 254	189 769
Net cash flows from/(used in) investing activities	7 266	14 369	-71 921	-77 279	-86 905	-97 196	-93 333	-99 939	-102 039	-94 440
Net cash used in financing activities	-80 495	-46 821	-220	19 171	9 301	1 733	-15 210	-19 608	-33 486	-29 692
Net increase in cash and cash equivalents	3 483	14 980	15 577	75 425	16 296	59 283	97 441	73 313	130 728	65 637
Cash and cash equivalents at the end of the year	31 476	45 978	61 555	136 980	153 277	212 559	310 000	383 313	514 041	579 678

Source: Company data, Halyk Finance forecast

Appendix 2. The Company's description.

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

The group has an extensive network of routes on domestic and international destinations. As of September 30, 2018, the fleet of the Group consisted of 361 aircrafts that executed regular flights to 173 destinations in 57 countries. The Aeroflot Group intends to increase its passenger traffic up to 90-100mn people by 2023 from 50.1mn in 2017, 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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