



Capital Markets

6 months 2021 IFRS results

Conference call presentation



September 27, 2021

Financial results 6 months 2021



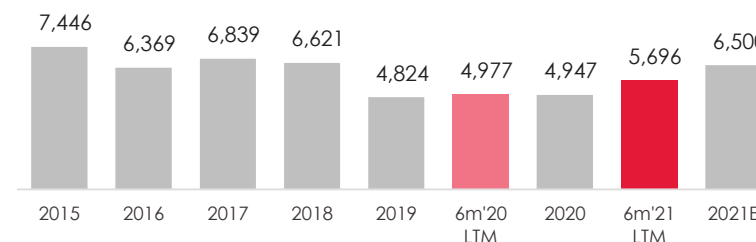
HMS Group back to its regular financial performance along with recovery in the oil & gas equipment segment



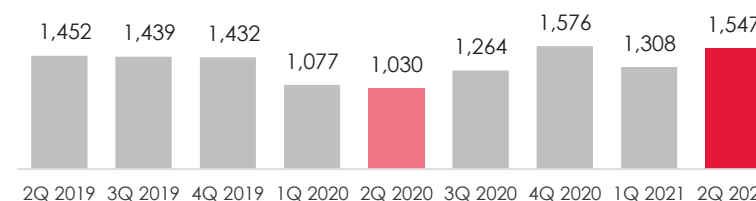
Both Revenue and EBITDA grew due to recovery in OGE and HMS Neftemash, in particular

in millions of Rub	6m 2021	6m 2020	Chg, yoy	2Q 2021	1Q 2021	Chg, qoq
Revenue	25,796	19,498	32%	14,605	11,191	31%
EBITDA	2,855	2,107	36%	1,547	1,308	18%
Gross profit	4,865	3,961	23%	2,778	2,087	33%
Operating profit	1,426	524	172%	860	566	52%
Profit/(Loss) for the period	378	(314)	na	326	52	525%
EBITDA margin	11.1%	10.8%	26 bps	10.6%	11.7%	-110 bps
Gross margin	18.9%	20.3%	-146 bps	19.0%	18.6%	37 bps
Operating margin	5.5%	2.7%	284 bps	5.9%	5.1%	83 bps
Profit/(Loss) for the period margin	1.5%	-1.6%	307 bps	2.2%	0.5%	176 bps
Total debt	22,496	22,752	-1%	22,496	22,209	1%
Net debt	16,581	16,177	2%	16,581	13,053	27%
EBITDA LTM	5,696	4,977	14%	5,696	5,179	10%
Net debt to EBITDA LTM	2.91	3.25		2.91	2.52	

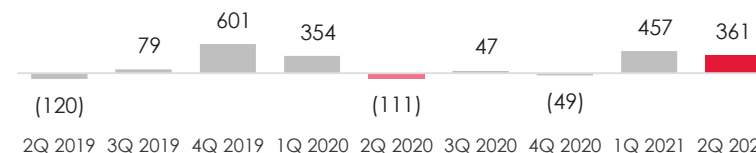
HMS EBITDA for the period 2015 – 2021 expected, Rub mn



HMS EBITDA for the period 2Q 2019 - 2Q 2021, Rub mn



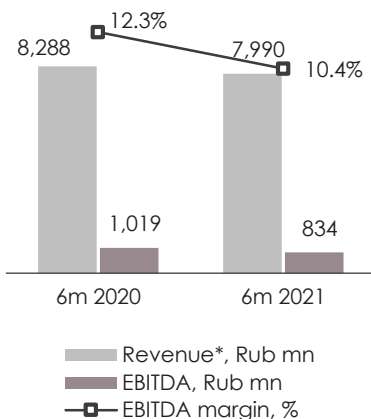
EBITDA of OGE* for the period 2Q 2019 - 2Q 2021, Rub mn



Segments overview



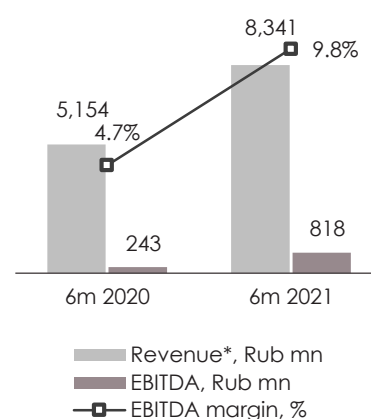
Pumps



Revenue -4% yoy
EBITDA -18% yoy

- Revenue down 4% to Rub 8.0 bn
- EBITDA was down 18% to Rub 834 mn
- Revenue and EBITDA down vs. 6m 2020 due to a change in a mix of contracts where major deliveries are scheduled in 2H 2021
- EBITDA margin down to 10.4%

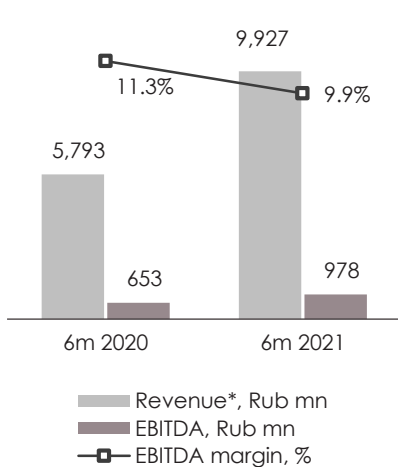
Oil & gas equipment and projects



Revenue +62% yoy
EBITDA +236% yoy

- Revenue and EBITDA grew due to large contracts
- EBITDA margin recovered to 9.8% due to a larger share of large contracts vs. comparable period

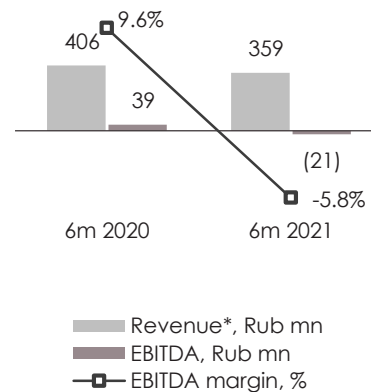
Compressors



Revenue +71% yoy
EBITDA +50% yoy

- Revenue was up to Rub 9.9 bn mainly due to large contracts
- EBITDA was up to Rub 978 mn, fully due to execution of large contracts
- EBITDA margin was 9.9%

Construction (TGS)



Revenue -12% yoy
EBITDA na

- Expected reduction in revenue and EBITDA

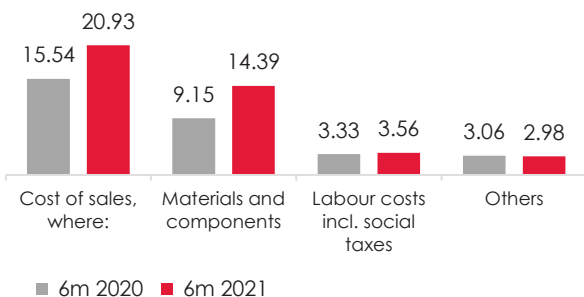
HMS costs & expenses structure



Cost of sales* was up 35% yoy

- Cost of sales increased 35% yoy fully due to a hike in Materials and components (+57% yoy) because of revenue growth and due to a higher share of material-intensive large contracts under execution
- As a share of revenue, Cost of sales also grew, to 81.1% from 79.7%

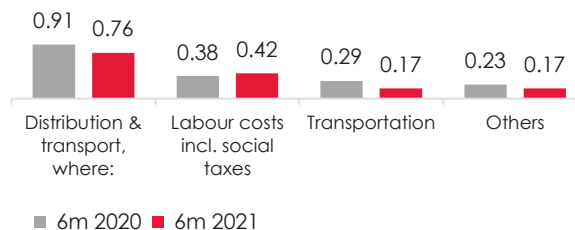
Cost of sales, 6m 2021 vs 6m 2020 in Rub bn



Distribution and transportation expenses down 16% yoy

- As a share of revenue, distribution and transportation expenses down to 3.0% from 4.6%
- Labour costs incl. social taxes up 12% yoy, after tough bailout package in 1H 2020
- Transportation expenses down 42% yoy

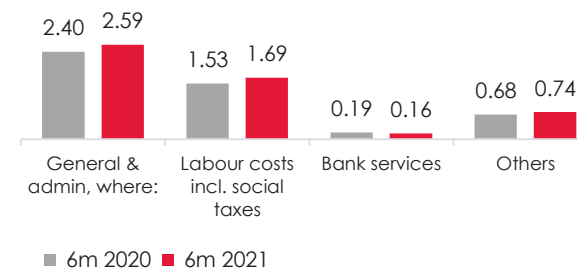
Distribution & transportation expenses, 6m 2021 vs 6m 2020 in Rub bn



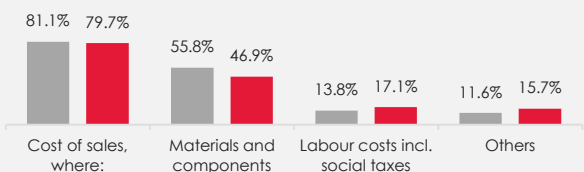
General & administrative expenses up 8% yoy

- General & administrative expenses were up 8% yoy mainly due to labor costs increase (+10% yoy)
- As a share of revenue, general & administrative expenses was down to 10.0%, compared with 12.3% for 6m 2020

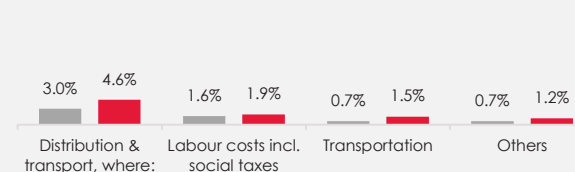
General & administrative expenses, 6m 2021 vs 6m 2020 in Rub bn



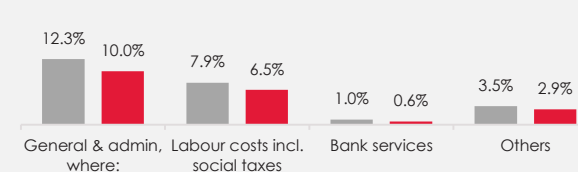
Share in revenue



Share in revenue



Share in revenue



Source: company data, IFRS accounts

Note: In Cost of sales analysis, materials & components, labour costs and social taxes were additionally derived from Change in work in progress and finished goods, thereby do not coincide with the note in the financial statement

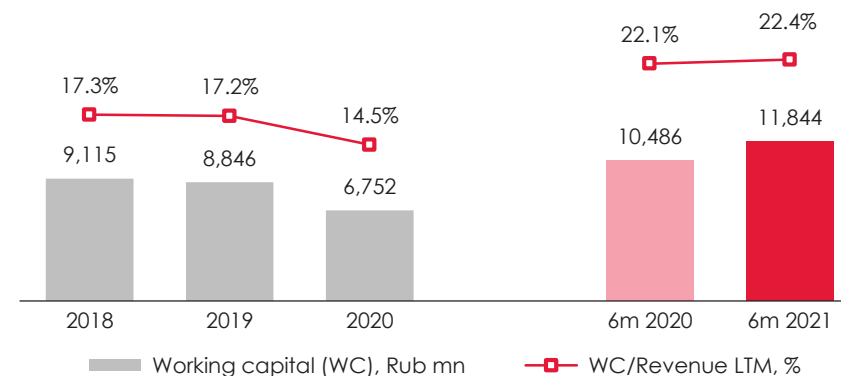
Cash flow analysis



Free Cash Outflow grew due to higher working capital requirements

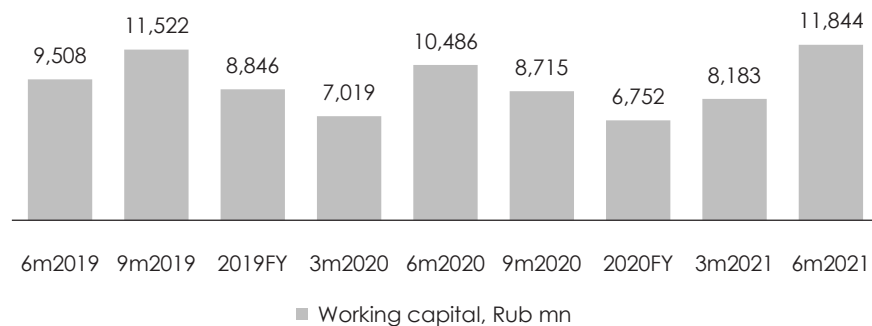
Cash flows performance, Rub mn	6m 2021	6m 2020
Operating cash flow	(4,072)	(742) ↓
Investing cash flow, where:	(631)	(772) ↓
Maintenance capex	(658)	(743)
Acquisitions (M&A)	-	-
Free cash flow*	(4,703)	(1,513) ↓
Dividends	-	(392)

Working capital grew 13% yoy WC/Revenue LTM ratio at 22.4%

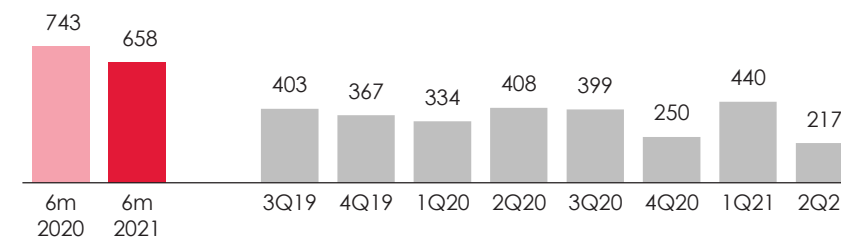


Operating cash flow fluctuates following Working capital

HMS Working capital quarterly volatility
6m2019 - 6m2021, Rub mn



Capex was down 11% yoy to Rub 658 mn



Source: Company data, IFRS

(*) Free cash flow before dividends

Note: Differences in calculations can occur due to the rounding-off rule

Net debt/EBITDA LTM of HMS Group at 2.91x

Refinancing of bank loans with maturity in 2022 is expected in 4Q 2021 with:

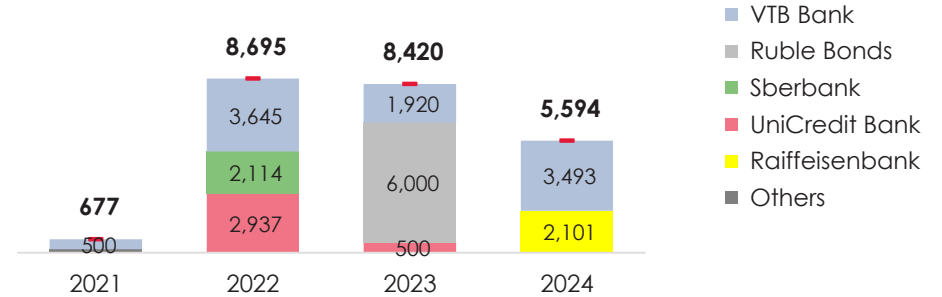
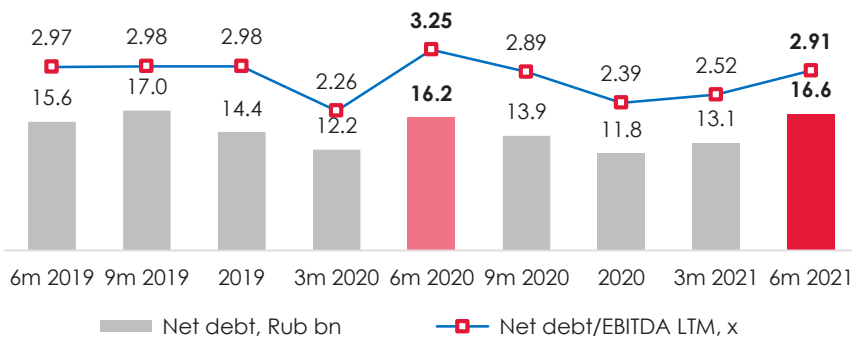
- Unused credit bank lines
- Recently registered Rub bonds program
- Credit committees of two bank-creditors, that are expected in October 2021

HMS is well positioned to refinance bank loans with maturity in 2022 even today, but intends to maintain the balance of creditors

6m 2021 Net debt/EBITDA LTM 2.91x vs 6m 2020 Net debt/EBITDA LTM 3.25x

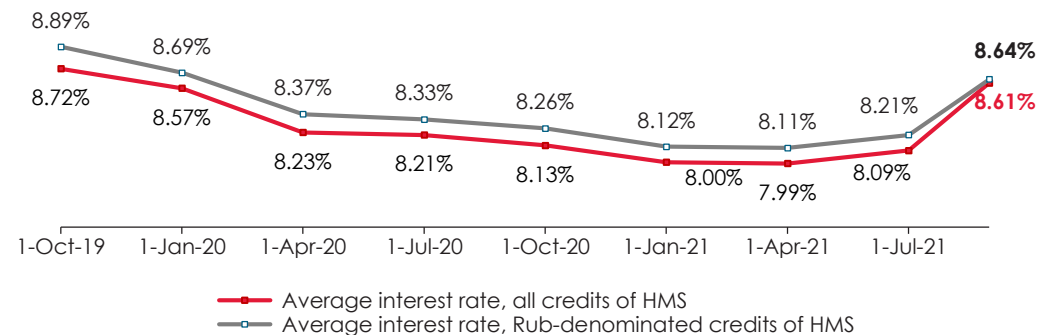
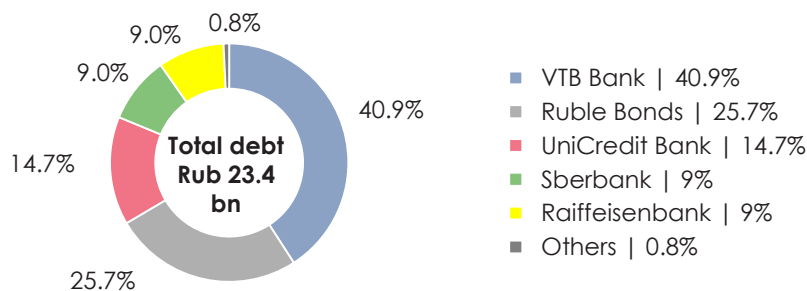
Debt repayment schedule in Sept 2021, Rub mn

HMS Net debt fluctuates in the range Rub 12-17 bn

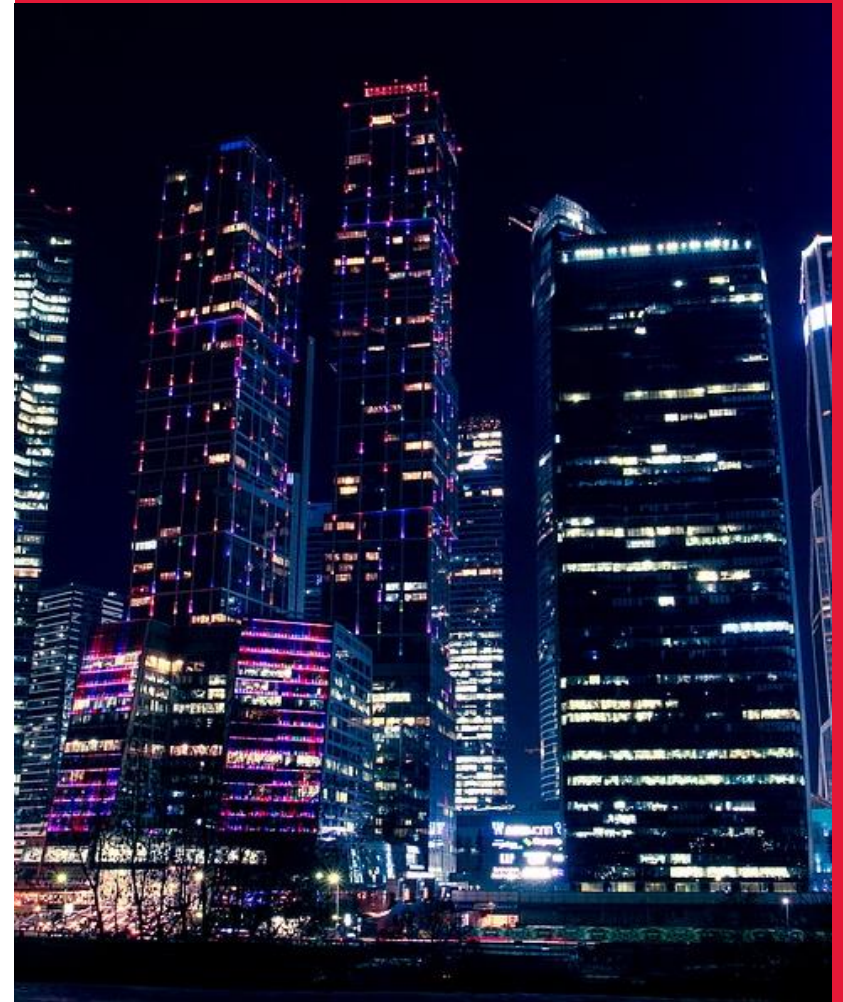


Structure of HMS creditors in Sept 2021

Average interest rate at 8.61% pa in Sept 2021



Business & Outlook



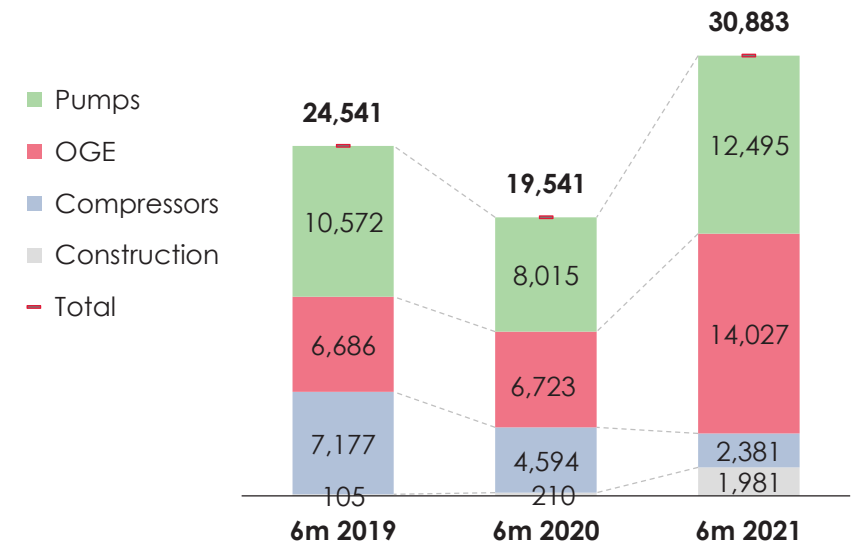
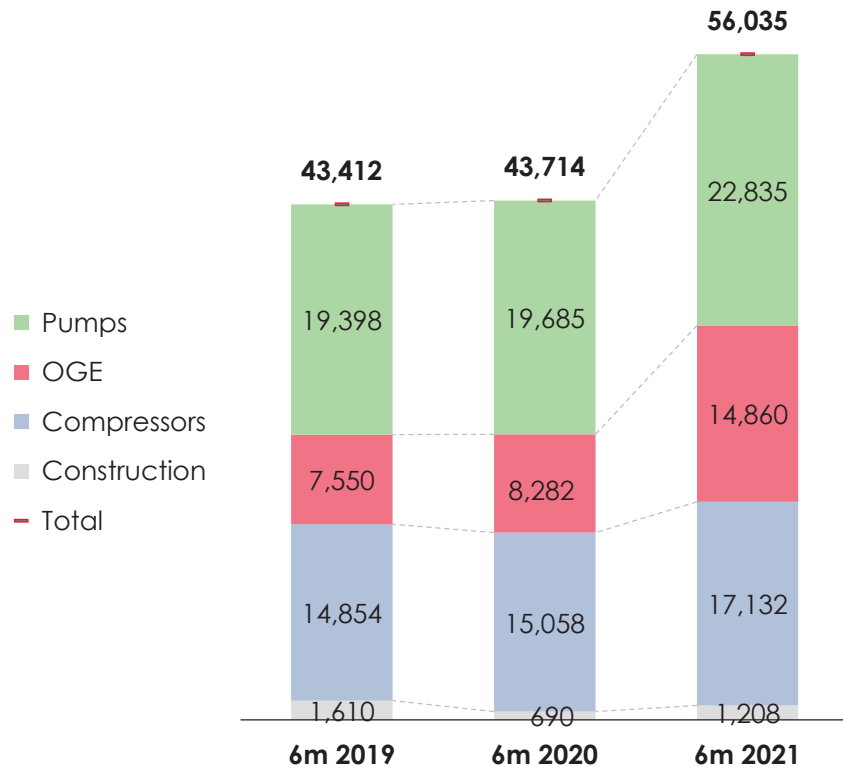
Backlog and Order intake are growing

OGE backlog and order intake demonstrate the segment's recovery

Compressors order intake on LTM basis is growing though it was down at the end of 6m 2021 because the main contracts were signed in 2H 2020

— Backlog¹ +28% yoy

— Order intake² +58% yoy



Source: Company data, management accounts

Note: Backlog and order intake portfolios are the Obskiy LNG contract adjusted for past periods

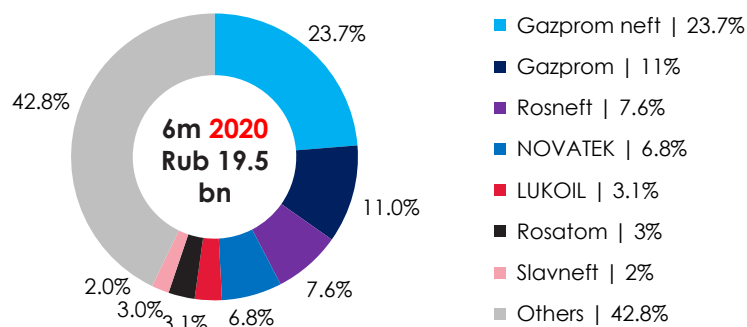
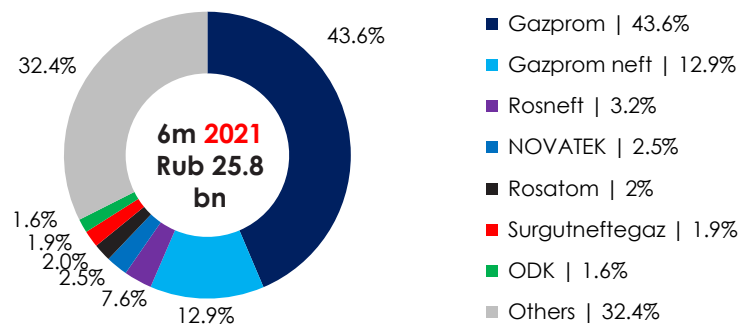
1) Backlog - Portfolio of orders under execution

2) Order intake – Portfolio of orders and contracts, signed within a period

Revenue structure by clients and contracts type

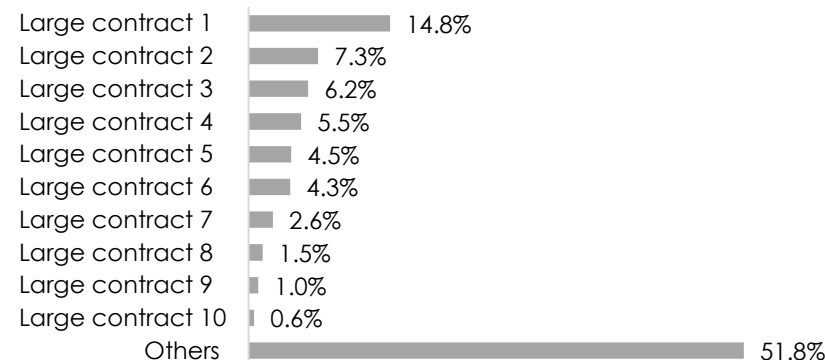


Top-7 clients of HMS Group

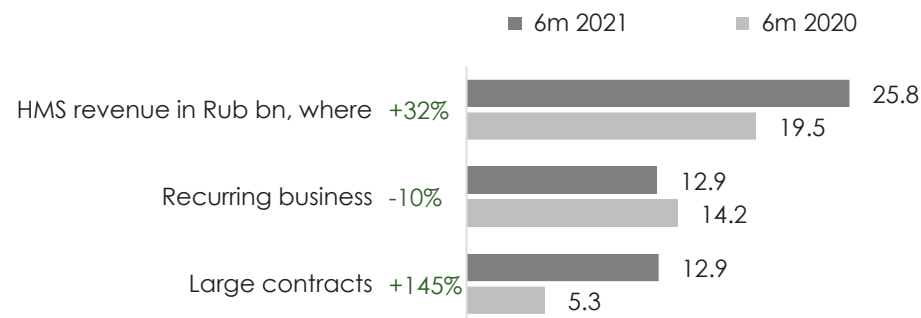


OGE Rub 7.5 bn contract generated 14.8% of 6m 2021 HMS revenue

10 largest projects generated 48% of 6m 2021 revenue



Large contracts were the contributor to HMS growth in revenue



Consolidated statements 6 months 2021 (unaudited)

Consolidated Statement of Financial Position at 30 June 2021 (unaudited)

in thousands of Russian Roubles, unless otherwise stated



	30 June 2021	31 December 2020
ASSETS		
Non-current assets:		
Property, plant and equipment	14,384,553	14,684,279
Other intangible assets	1,590,627	1,743,399
Goodwill	3,190,624	3,255,984
Right-of-use assets	200,254	183,211
Investments in associates	94,933	94,307
Deferred income tax assets	815,368	786,455
Other long-term assets	5,733	42,252
Investment property	172,008	176,833
Total non-current assets	20,454,100	20,966,720
Current assets:		
Inventories	10,452,424	8,847,749
Trade and other receivables and other financial assets	12,835,583	15,598,766
Contract assets	11,379,208	6,201,354
Current income tax receivable	138,151	94,972
Cash and cash equivalents	5,915,041	10,360,588
Total current assets	40,720,407	41,103,429
TOTAL ASSETS	61,174,507	62,070,149
EQUITY AND LIABILITIES		
EQUITY		
Share capital	48,329	48,329
Share premium	3,523,535	3,523,535
Treasury shares	(93,775)	(33,055)
Other reserves	129,392	129,392
Currency translation reserve	578,984	646,427
Retained earnings	5,353,615	5,510,974
Equity attributable to the shareholders of the Company	9,540,080	9,825,602
Non-controlling interests	3,607,196	3,518,674
TOTAL EQUITY	13,147,276	13,344,276
LIABILITIES		
Non-current liabilities:		
Long-term borrowings	14,880,643	20,452,736
Deferred income tax liability	1,474,276	1,421,489
Retirement benefit obligations	637,311	646,213
Provisions for liabilities and charges	197,920	228,199
Lease liabilities	167,032	153,048
Other long-term payables	266,719	230,581
Total non-current liabilities	17,623,901	23,132,266
Current liabilities:		
Trade and other payables	20,234,212	17,969,950
Contract liabilities	1,404,426	4,304,845
Short-term borrowings	7,423,907	1,548,574
Provisions for liabilities and charges	528,003	589,762
Retirement benefit obligations	78,573	77,859
Lease liabilities	24,118	20,440
Current income tax payable	47,216	134,080
Other taxes payable	662,875	948,097
Total current liabilities	30,403,330	25,593,607
TOTAL LIABILITIES	48,027,231	48,725,873
TOTAL EQUITY AND LIABILITIES	61,174,507	62,070,149

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six months ended 30 June 2021 (unaudited)

in thousands of Russian Roubles, unless otherwise stated

	Six months ended 30 June 2021	Six months ended 30 June 2020
Revenue	25,795,798	19,498,083
Cost of sales	(20,931,033)	(15,537,017)
Gross profit	4,864,765	3,961,066
Distribution and transportation expenses	(764,521)	(905,929)
General and administrative expenses	(2,589,855)	(2,404,748)
Other operating expenses, net	(84,735)	(126,603)
Operating profit	1,425,654	523,786
Finance income	94,976	163,837
Finance costs	(916,536)	(941,454)
Share of results of associates	143	264
Profit/(loss) before income tax	604,237	(253,567)
Income tax expense	(226,484)	(60,144)
Profit/(loss) for the period	377,753	(313,711)
Profit/(loss) attributable to:		
Shareholders of the Company	305,134	(344,105)
Non-controlling interests	72,619	30,394
Profit/(loss) for the period	377,753	(313,711)
Other comprehensive income/(loss):		
<i>Items that will not be subsequently reclassified to profit or loss</i>		
Remeasurement of post-employment benefit obligations	26,745	(5,721)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	(60,454)	299,070
Currency translation differences of associates	483	(23)
Other comprehensive (loss)/income for the period	(33,226)	293,326
Total comprehensive income/(loss) for the period	344,527	(20,385)
Total comprehensive income/(loss) attributable to:		
Shareholders of the Company	255,161	(47,380)
Non-controlling interests	89,366	26,995
Total comprehensive income/(loss) for the period	344,527	(20,385)
Basic and diluted earnings/(loss) per ordinary share for profit/(loss) attributable to the ordinary shareholders (RR per share)	2.63	(3.03)

Consolidated Statement of Cash Flows for 6m 2021 (unaudited)

in thousands of Russian Roubles, unless otherwise stated



	Six months ended 30 June 2021	Six months ended 30 June 2020
Cash flows from operating activities		
Profit/(loss) before income tax	604,237	(253,567)
Adjustments for:		
Depreciation and amortisation	1,208,328	1,210,967
(Gain)/loss from disposal of property, plant and equipment and intangible assets	(23,071)	4,548
Finance income	(94,976)	(163,837)
Finance costs	916,536	941,454
Change in retirement benefits obligations	32,778	34,835
Change in warranty provision	(53,133)	76,070
Change in expected credit losses allowance for trade and other receivables and other financial assets and allowance for impairment of non-financial assets	3,435	30,578
Change in allowance for obsolete inventories	40,208	1,300
Change in provision for legal claims	15,800	13,401
Share-based compensation	12,500	29,460
Foreign exchange (gain)/loss, net	(28,974)	15,063
Amortisation of government grants	(15,562)	(15,562)
Share of results of associates	(143)	(264)
Operating cash flows before working capital changes	2,617,963	1,924,446
Increase in inventories	(1,646,820)	(1,267,369)
Decrease in trade and other receivables	2,874,978	1,652,074
(Increase)/decrease in contract assets	(5,183,717)	860,673
Increase/(decrease) in accounts payable and accrued liabilities	1,597,269	(3,445,237)
(Decrease)/increase in contract liabilities	(2,900,419)	1,650,330
Decrease in other taxes payable	(285,338)	(671,572)
Cash (used in)/from operations	(2,926,084)	703,345
Income tax paid	(327,500)	(555,558)
Interest paid	(913,654)	(1,061,544)
Interest received	95,142	172,052
Net cash used in operating activities	(4,072,096)	(741,705)
Cash flows from investing activities		
Repayment of loans advanced	1,401	2,536
Loans advanced	(2,205)	(18,406)
Interest received	-	1,000
Proceeds from sale of property, plant and equipment, net of VAT	27,054	18,765
Purchase of property, plant and equipment, net of VAT	(528,868)	(511,335)
Acquisition of intangible assets, net of VAT	(128,693)	(231,256)
Repayment of contingent consideration liability	-	(33,000)
Net cash used in investing activities	(631,311)	(771,696)
Cash flows from financing activities		
Repayments of borrowings	(3,085,640)	(3,826,233)
Proceeds from borrowings	3,420,035	2,314,701
Repayment of the lease liabilities principal	(9,965)	(19,805)
Buy back of issued shares	(60,720)	-
Dividends related to Long-term Incentive Program	-	(5,660)
Dividends paid to non-controlling shareholders of subsidiaries	(395)	(92)
Dividends paid to the shareholders of the Company	-	(391,942)
Net cash from/(used in) financing activities	263,315	(1,929,031)
Net decrease in cash and cash equivalents	(4,440,092)	(3,442,432)
Effect of exchange rate changes on cash and cash equivalents and effect of translation to presentation currency	(5,455)	64,537
Cash and cash equivalents at the beginning of the period	10,360,588	9,952,118
Cash and cash equivalents at the end of the period	5,915,041	6,574,223



HMS Hydraulic Machines & Systems Group Plc

Company's GDRs is listed on:

- London Stock Exchange (Main market, IOB)
- Moscow Exchange (1st level)

Number of shares outstanding: 117,163,427

Number of issued GDRs: 6,676,593

ISIN RegS: US40425X4079

 144A: US40425X3089

Ratio 1 GDR : 5 Shares

Ticker HMSG

Capital markets

7 Chayanova str., Moscow 125047, Russia

Phone: +7 (495) 730-66-01

Email: ir@hms.ru

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Notes to the presentation and formulas used for some figures' calculations

- All figures in millions of Russian Rubles, unless otherwise stated
- Management of the Group assesses the performance of operating segments based on a measure of adjusted EBITDA, which is derived from the consolidated financial statements prepared in accordance with IFRS
- **EBITDA** is defined as operating profit/(loss) adjusted for other operating income/expenses, depreciation and amortisation, amortisation of government grants, impairment of assets, excess of fair value of net assets acquired over the cost of acquisition, defined benefits scheme expense and provisions (including provision for obsolete inventory, ECL allowance and provision for impairment of trade and other receivables and other financial assets, unused vacation allowance, warranty provision, provision for legal claims, tax provision and other provisions). This measurement basis, therefore, excludes the effects of a number of non-recurring income and expenses on the results of the operating segments.
- **EBIT** is calculated as **Gross profit** minus **Distribution & transportation expenses** minus **General & administrative expenses** minus **Other operating expenses**
- **Total debt** is calculated as **Long-term borrowings** plus **Long-term lease liabilities (non-current)** plus **Short-term borrowings** plus **Short-term lease liabilities (current)**
- **Net debt** is calculated as **Total debt** minus **Cash & cash equivalents** at the end of the period
- **ROCE** is calculated as **EBIT LTM** divided by **Average Capital Employed (Total debt + Total equity)**
- **ROE** is calculated as **Total equity period average** divided by **Profit for the period**
- **Operating profit adj. & Profit for the year adj.** are deferred as adjusted by impairment of PPE, investment property and goodwill
- **Capex** = Organic capex = Purchase of PPE + Purchase of intangible assets
- **Backlog** is calculated as the preceding backlog plus new or additional customer orders booked during the reporting period, less amounts of contract value booked as revenue under "Russian GAAP" on an unconsolidated basis under the relevant contracts, plus or minus adjustments made in the judgment of the Group's management. The Group may also make certain adjustments to bookings to reflect amendment, expiry or termination of contracts, cancellation of orders, changes in price terms under contracts or orders, or other factors affecting the amount of potential revenue which the Group believes may be recognized under such contracts. The Group's backlog estimates are not an indication of potential revenues. Actual revenues and other measures of financial performance under IFRS may differ materially from any estimate of backlog, and changes in backlog between periods may have limited or no correlation to changes in revenue or any other measure of financial performance under IFRS