

## HMS Group Reports Rub 5.2 billion EBITDA for 9 months 2021

Moscow, Russia – December 15, 2021 – HMS Hydraulic Machines & Systems Group Plc (the “HMS Group”, or the “HMS”, or the “Group”) (LSE, MOEX: HMSG), the leading pump, oil & gas equipment and compressor manufacturer and provider of flow control solutions and related services in Russia and the CIS, today announces its financial results for the nine months ended September 30, 2021.

### Financial highlights 9m 2021:

- Revenue: Rub 41.1 bn (+31% yoy)
- EBITDA<sup>1</sup>: Rub 5.2 bn (+54% yoy), EBITDA margin at 12.6%
- Operating profit: Rub 3.2 bn (+162% yoy)
- Profit for the period: Rub 1.2 bn
  
- Total debt: Rub 22.6 bn (-1% yoy)
- Net debt: Rub 16.8 bn (+21% yoy)
- Net debt-to-EBITDA LTM ratio: 2.48x

### Operational highlights 9m 2021:

- Backlog<sup>2</sup>: Rub 47.3 bn (-16% yoy)
- Order intake<sup>3</sup>: Rub 36.8 bn (-5% yoy)

### Forecast FY 2021:

- Revenue: Rub 60.0 bn
- EBITDA: Rub 6.5 bn

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<sup>1</sup> 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.

<sup>2</sup> Backlog – Portfolio of uncompleted orders and contracts

<sup>3</sup> Order intake – Portfolio of contracts and orders signed for a period

## HMS GROUP PERFORMANCE

### 9 MONTHS 2021 FINANCIAL RESULTS

- Order intake was down to Rub 36.8 billion, by 5% yoy, compared with Rub 38.9 billion for 9m 2020, that is within its normal range of volatility. All business segments grew except the compressors. In terms of contracts type, both recurring business and large contracts were down.
- Backlog was Rub 47.3 billion, down by 16% yoy, compared with Rub 56.6 billion at the end of 9m 2020, but in the same time the company is working on a number of opportunities in 2022. In terms of contracts type, both recurring business and large contracts decreased.
- Revenue grew to Rub 41.1 billion by 31% yoy, compared with Rub 31.5 billion for 9m 2020, based on revenue growth in all business segments except the pumps.
- EBITDA was Rub 5.2 billion, up by 54% yoy, implying EBITDA margin of 12.6%.
- Revenue from large contracts grew 118% yoy, while revenue from recurring business was down by a minor 1% yoy. EBITDA from large contracts increased 150% yoy, and EBITDA from recurring business declined 17% yoy.
- Profit for the period was Rub 1.2 billion, compared with loss for the period at Rub 224 million for 9m 2020.
- Free cash outflow was Rub 4.5 billion, compared with free cash inflow of Rub 0.9 billion for 9m 2020, due to the higher working capital requirements for execution of large contracts that are within the normal quarterly volatility.

<i>in millions of Rub</i>	9m 2021	9m 2020	Change yoy	3Q 2021	2Q 2021	Change qoq
Orders	36,834	38,901	-5%	5,951	12,444	-52%
Backlog	47,259	56,580	-16%	47,259	56,035	-16%
Revenue	41,122	31,477	31%	15,326	14,605	5%
EBITDA	5,197	3,371	54%	2,341	1,547	51%
<i>EBITDA margin</i>	12.6%	10.7%		15.3%	10.6%	
Profit/(Loss) for the period	1,209	(224)	na	831	326	155%
Free cash (outflow)/inflow	(4,473)	884	na	231	(3,510)	na

## EXPENSES AND OPERATING PROFIT

- Cost of sales was Rub 32.8 billion, up by 30% yoy, compared with Rub 25.2 billion for 9m 2020, mainly due to the growth in materials and components costs (+39% yoy).

<i>in millions of Rub</i>	9m 2021	9m 2020	Change yoy	Share of 9m 2021 revenue	Share of 9m 2020 revenue
<b>Cost of sales</b>	<b>32,771</b>	<b>25,166</b>	<b>30%</b>	<b>79.7%</b>	<b>80.0%</b>
Materials and components	23,528	16,940	39%	57.2%	53.8%
Labour costs incl Social taxes	5,541	5,094	9%	13.5%	16.2%
Depreciation and amortization	1,584	1,586	0%	3.9%	5.0%
Construction and design <sup>4</sup>	2,038	1,378	48%	5.0%	4.4%
Others	80	168	-52%	0.2%	0.5%

- Gross profit grew to Rub 8.4 billion, by 32% yoy, compared with Rub 6.3 billion for 9m 2020.
- SG&A expenses<sup>5</sup> were up 3% yoy.  
 Distribution & transportation expenses were down 9% yoy due to lower transportation costs. As a share of revenue, distribution & transportation expenses declined to 3.0%, compared with 4.3% for 9m 2020.  
 General & administrative expenses were up to Rub 3.9 billion (+7% yoy) mainly due the growth in labour costs incl. social taxes (+9% yoy). As a share of revenue, general & administrative expenses were down to 9.4%, compared with 11.4% for 9m 2020.
- Operating profit increased to Rub 3.2 billion (+162% yoy), compared with Rub 1.2 billion for 9m 2020.

<i>in millions of Rub</i>	9m 2021	9m 2020	Change yoy	Share of 9m 2021 revenue	Share of 9m 2020 revenue
<b>Gross profit</b>	<b>8,351</b>	<b>6,311</b>	<b>32%</b>	<b>20.3%</b>	<b>20.0%</b>
Distribution & transportation	1,219	1,344	-9%	3.0%	4.3%
General & administrative	3,852	3,597	7%	9.4%	11.4%
<b>SG&amp;A expenses</b>	<b>5,071</b>	<b>4,941</b>	<b>3%</b>	<b>12.3%</b>	<b>15.7%</b>
Other operating expenses	97	154	-37%	0.2%	0.5%
<i>Operating expenses ex. Cost of sales</i>	<i>5,169</i>	<i>5,095</i>	<i>1%</i>	<i>12.6%</i>	<i>16.2%</i>
<b>Operating profit</b>	<b>3,183</b>	<b>1,215</b>	<b>162%</b>	<b>7.7%</b>	<b>3.9%</b>
Finance costs	1,415	1,438	-2%	3.4%	4.6%

<sup>4</sup> Construction and design and engineering services of subcontractors

<sup>5</sup> SG&A expenses - Selling, General and Administrative Expenses, compiled of distribution & transportation expenses plus general & administrative ones

- Finance costs were Rub 1.4 billion, down by 2% yoy, due to a lower level of average total debt within the reporting period, compared with 9m 2020.
- Average interest rate grew to 8.60% p.a., compared with 8.13% p.a. last year.

<i>in millions of Rub</i>	9m 2021	9m 2020	Change yoy
<b>Finance costs</b>	<b>1,415</b>	<b>1,438</b>	<b>-2%</b>
Interest rate, average	8.60%	8.13%	
Interest rate Rub, average	8.63%	8.26%	

## BUSINESS SEGMENTS PERFORMANCE

### Industrial pumps<sup>i</sup>

- Order intake was Rub 16.5 billion, up by 24% yoy, compared with Rub 13.3 billion for 9m 2020, mainly due to the large nuclear pump contract signed in 2Q 2021.
- Backlog was Rub 21.8 billion, up 10% yoy, compared with Rub 19.7 billion at the end of 9m 2020, based on large contracts.
- Revenue was down to Rub 13.1 billion (-6% yoy), compared with Rub 13.9 billion for 9m 2020.
- EBITDA was down 15% yoy to Rub 1.5 billion, compared with Rub 1.8 billion for 9m 2020, due to less revenue generated by both recurring business and large contracts. EBITDA margin was 11.7%, compared with 13.0% during 9m 2020.

<i>in millions of Rub</i>	9m 2021	9m 2020	Change yoy	3Q 2021	2Q 2021	Change qoq
Orders	16,497	13,343	24%	4,003	7,772	-49%
Backlog	21,753	19,749	10%	21,753	22,835	-5%
Revenue	13,147	13,945	-6%	5,157	4,373	18%
EBITDA	1,545	1,816	-15%	711	495	44%
EBITDA margin	11.7%	13.0%		13.8%	11.3%	

### Oil and Gas equipment & projects (OGEP)<sup>ii</sup>

- Order intake grew to Rub 15.4 billion, up by 50% yoy, compared with Rub 10.2 billion during 9m 2020, due to a number of large contracts signed in the reporting period.
- Backlog was Rub 11.7 billion, up by 18% yoy, compared with Rub 9.9 billion at the end of 9m 2020, supported by large contracts.
- Revenue was Rub 13.4 billion, up by 59% yoy, compared with Rub 8.4 billion for 9m 2020, due to large contracts.
- EBITDA increased to Rub 1.4 billion, up by 380% yoy, compared with Rub 0.3 billion for 9m 2020 due to a larger share of large contracts in the reported period. EBITDA margin was 10.4%, compared with 3.5% for 9m 2020.

<i>in millions of Rub</i>	9m 2021	9m 2020	Change yoy	3Q 2021	2Q 2021	Change qoq
Orders	15,375	10,237	50%	1,348	2,603	-48%
Backlog	11,697	9,916	18%	11,697	14,860	-21%
Revenue	13,369	8,394	59%	5,027	3,952	27%
EBITDA	1,393	290	380%	575	361	59%
EBITDA margin	10.4%	3.5%		11.4%	9.1%	

### **Compressors**<sup>iii</sup>

- Order intake declined to Rub 3.0 billion, compared with Rub 15.1 billion for 9m 2020, due to less large contracts signed in the reporting period.
- Backlog was Rub 12.9 billion, down by 49% yoy, compared with Rub 25.3 billion at the end of 9m 2020.
- Revenue was Rub 15.3 billion, up by 72% yoy, compared with Rub 8.9 billion for 9m 2020, due to large contracts.
- EBITDA was Rub 2.0 billion, up by 79% yoy, compared with Rub 1.1 billion for 9m 2020. EBITDA margin was up to 13.4%, compared with 12.9% for 9m 2020.

<i>in millions of Rub</i>	9m 2021	9m 2020	Change yoy	3Q 2021	2Q 2021	Change qoq
Orders	2,962	15,106	-80%	581	2,043	-72%
Backlog	12,897	25,264	-49%	12,897	17,132	-25%
Revenue	15,257	8,868	72%	5,330	6,621	-19%
EBITDA	2,049	1,142	79%	1,071	492	117%
EBITDA margin	13.4%	12.9%		20.1%	7.4%	

### **Construction**<sup>iv</sup>

- Order intake equaled Rub 2.0 billion. Backlog was down to Rub 0.9 billion.
- Revenue was up to Rub 678 million, compared with Rub 580 million for 9m 2020. EBITDA was Rub 27 million, compared with Rub (20) million last year.

<i>in millions of Rub</i>	9m 2021	9m 2020	Change yoy	3Q 2021	2Q 2021	Change qoq
Orders	2,000	215	832%	19	26	-27%
Backlog	911	1,652	-45%	911	1,208	-25%
Revenue	678	580	17%	319	166	92%
EBITDA	27	(20)	na	48	(3)	na
EBITDA margin	4.0%	-3.4%		15.1%	-1.8%	

## WORKING CAPITAL AND CAPITAL EXPENDITURES

- Working capital increased to Rub 13.4 billion (+54% yoy), compared with Rub 8.7 billion at the end of 9m 2020. Working capital changes are within the normal quarterly volatility.
- As a share of revenue LTM, working capital was at 23.9% vs. 18.9% at the end of 9m 2020.
- Maintenance capex was Rub 1.0 billion, down 11% yoy, compared with Rub 1.1 billion for 9m 2020.

<i>in millions of Rub</i>	9m 2021	9m 2020	Change yoy	3Q 2021	2Q 2021	Change qoq
Working capital	13,390	8,715	54%	13,390	11,844	13%
Working capital / Revenue LTM	23.9%	18.9%		23.9%	22.4%	
Maintenance capex	1,011	1,141	-11%	353	217	63%
Acquisitions	-	-		-	-	

## DEBT POSITION

- Total debt down 1% yoy to Rub 22.6 billion, compared with Rub 22.8 billion at the end of 9m 2020.
- Net debt was Rub 16.8 billion (+21% yoy), compared with Rub 13.9 billion at the end of 9m 2020.
- Net debt to EBITDA LTM ratio was 2.48x, down from 2.89x at the end of 9m 2020.

<i>in millions of Rub</i>	9m 2021	9m 2020	Change yoy	3Q 2021	2Q 2021	Change qoq
Total debt	22,642	22,832	-1%	22,642	22,496	1%
Net debt	16,771	13,897	21%	16,771	16,581	1%
Net debt / EBITDA LTM	2.48	2.89		2.48	2.91	

## SIGNIFICANT EVENTS AFTER THE REPORTING DATE

### DIVIDENDS

- On December 14, 2021, the Board of Directors approved the payment of the interim dividends in respect of 9m 2021 in the amount of Rub 10.70 per one GDR (Rub 2.14 per one ordinary share). The dividends will be paid on December 29, 2021, to shareholders on the HMS' register at close of business (UK time) on December 23, 2021 (the «Record Bate»).

### DEBT MANAGEMENT

- In October-December 2021, HMS Group refinanced its Rub 6.1 billion borrowings with maturity in 2021-2022 and shifted their repayments to 2023-2024. The average interest rate grew to 9.69% p.a.

<i>in millions of Rub</i>	2021	2022	2023	2024
Debt to be repaid as of today	101	1,715	10,152	11,270

### CONTRACTS

- On December 1, 2021, HMS Group announced the signing of Rub 1.4 billion compressor contract to manufacture and deliver equipment in 2023.

## BUYBACK PROGRAM

- After the reporting date, no GDRs have been purchased under the buyback program. The company holds 257,960 of its GDRs in treasury (1.1% of its issued share capital).

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## Webcast to discuss 9 months 2021 IFRS results

**Date:** Thursday, December 16, 2021

**Time:** 14.00 (MOSCOW) / 12.00 (London)

**HMS Group 9m 2021 IFRS results**

**Conference passcode: 1088823**

To participate in the conference call, please dial in:

Russia Local: +7 495 646 5137  
Russia Toll Free: 8 10 8002 8655011

UK Local: +44 (0)330 336 9601  
UK Toll Free: 0800 279 6877

US Local: +1 323 701 0160  
US Toll Free: 800 289 0741

### Live link

<https://www.webcast-egs.com/hmsgroup20211216>

Please, dial in 5-10 minutes prior to the scheduled start time. Pre-registration is available. We will share materials on [HMS' investor website](#) ahead of the call.

### Contacts:

Investor Relations, [ir@hms.ru](mailto:ir@hms.ru)

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HMS Group is the leading pump and compressor manufacturer, as well as provider of flow control solutions and related services to the oil and gas, nuclear and thermal power generation and water utilities sectors in Russia and the CIS. HMS Group's products are mission-critical elements of projects across a diverse range of industries. It has participated in a number of large-scale infrastructure projects in Russia, including providing pumps and modular equipment to the Vankor oil field and pumping stations on recent trunk pipelines projects linking Russia's core oil producing areas to export ports on the Pacific Ocean and Baltic Sea. HMS Group's global depository receipts ("GDRs") are listed under the symbol "HMSG" on the London Stock Exchange and the Moscow Exchange.

### **Press Release Information Accuracy Disclaimer**

*Information published in press releases was accurate at the time of publication but may be superseded by subsequent releases or other information.*

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- <sup>i</sup> The industrial pumps business segment designs, engineers, manufactures and supplies a diverse range of pumps and pump-based integrated solutions to customers in the oil and gas, power generation and water utilities sectors in Russia, the CIS and internationally. The business segment's principal products include customized pumps and integrated solutions as well as pumps built to standard specifications; it also provides aftermarket maintenance and repair services and other support for its products.
- <sup>ii</sup> The oil and gas equipment and projects business segment manufactures, installs and commissions modular pumping stations, automated metering equipment, oil, gas and water processing and preparation units and other equipment and systems for use primarily in oil extraction and transportation. The segment's core products are equipment packages and systems installed inside a self-contained, free-standing structure which can be transported on trailers and delivered to and installed on the customer's site as a modular but fully integrated part of the customer's technological process.
- <sup>iii</sup> The compressors business segment designs, engineers, manufactures and supplies a diverse range of compressors and compressor-based solutions, including compressor units and compressor stations, to customers in the oil and gas, metals and mining and other basic industries in Russia. The business segment's principal products include customized compressors, series-produced compressors built to standard specifications, and compressor-based integrated solutions.
- <sup>iv</sup> The construction provides construction works for projects for customers in the oil upstream and midstream, gas upstream.