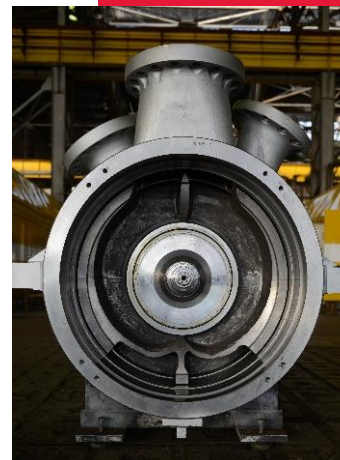




Capital Markets

# FY 2020 IFRS results

Investor presentation



April 28, 2021

# Financial results for FY 2020

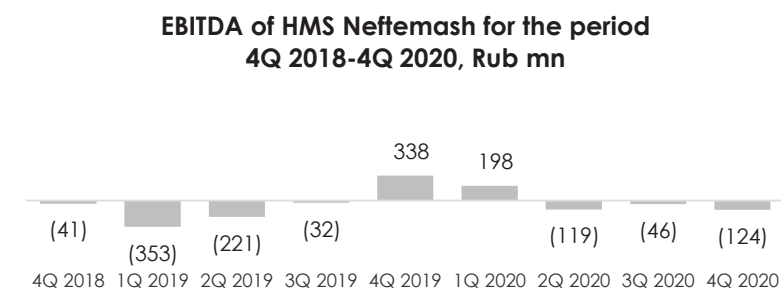
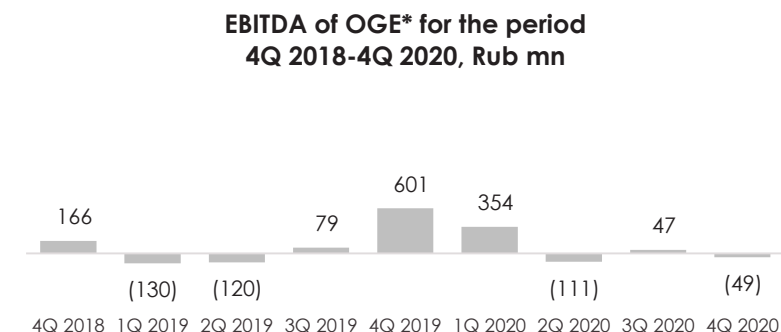
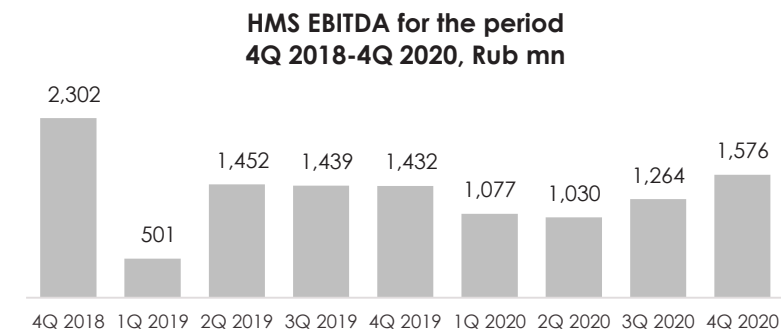


# 2020 EBITDA margin is higher than in 2019, due to HMS flexibility in optimization policies on cost-cutting



Revenue was down in 2020 due to absence of large profitable contracts in HMS Neftemash's portfolio on the back of the COVID-19

Rub mn	2020	2019	Chg, yoy	4Q 2020	4Q 2019	Chg, yoy
Revenue	46,476	51,413	-10%	15,000	14,732	2%
EBITDA	4,947	4,824	3%	1,576	1,432	10%
Gross profit	9,405	9,609	-2%	3,094	2,555	21%
Operating profit	1,338	2,057	-35%	123	475	-74%
(Loss)/Profit for the period, adj.	(265)	151	na	(41)	(40)	na
Impairment of goodwill (Note 9)	(426)	-		(426)	-	
Impairment of previously recognised deferred tax assets (Note. 22)	(126)	-		(126)	-	
(Loss)/Profit for the period	(816)	151	na	(593)	(40)	na
EBITDA margin	10.6%	9.4%	126 bps	10.5%	9.7%	79 bps
Gross margin	20.2%	18.7%	155 bps	20.6%	17.3%	329 bps
Operating margin	2.9%	4.0%	-112 bps	0.8%	3.2%	-240 bps
Profit for the period margin	-1.8%	0.3%	-205 bps	-4.0%	-0.3%	-368 bps
Total debt	22,175	24,321	-9%	22,175	24,321	-9%
Net debt	11,814	14,369	-18%	11,814	14,369	-18%
EBITDA LTM	4,947	4,824	3%	4,947	4,824	3%
Net debt to EBITDA LTM	2.39	2.98		2.39	2.98	



Source: Company data, IFRS

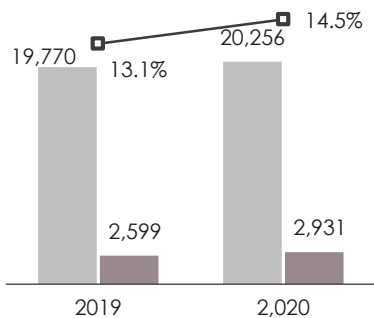
Note: (Loss)/Profit for the period, adj. – is the reported (Loss)/Profit for the period, excluding the effects of goodwill impairment and impairment of previously recognized deferred tax assets

\* OGE – oil & gas equipment and project business segment

# Segments overview



## Pumps

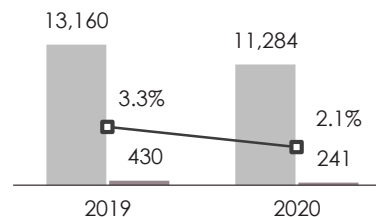


Revenue\*, Rub mn  
EBITDA, Rub mn  
EBITDA margin, %

**Revenue +2% yoy**  
**EBITDA +13% yoy**

- Revenue grew 2% to Rub 20.3 bn and EBITDA was up 13% to Rub 2.9 bn
- EBITDA margin grew to 14.5%

## Oil & gas equipment and projects

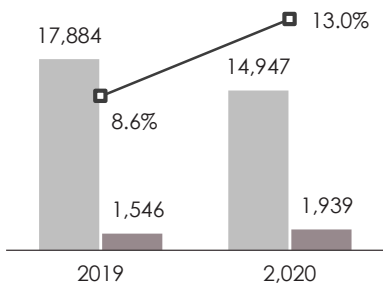


Revenue\*, Rub mn  
EBITDA, Rub mn  
EBITDA margin, %

**Revenue -14% yoy**  
**EBITDA -44% yoy**

- Revenue and EBITDA were down due to the coincidence of several factors:
  - the COVID-19 and postponement of projects from 1H2020 to 2H2020 and 2021
  - Slump of vertically integrated oil companies
- in 1Q2021, HMS Neftemash signed Rub 7.5 bn contract (excl. VAT), which will have a significant impact on financial results of the production facility in 2021

## Compressors

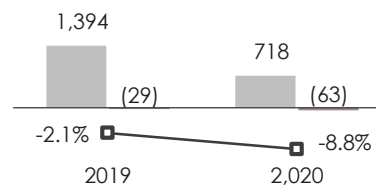


Revenue\*, Rub mn  
EBITDA, Rub mn  
EBITDA margin, %

**Revenue -16% yoy**  
**EBITDA +25% yoy**

- Revenue decreased to Rub 14.9 bn, mainly due to less recognition of revenue from large contracts, compared with 2019
- EBITDA was up to Rub 1.9 bn (+25%) due to higher profitability of large contracts executed in 2020, compared with 2019
- EBITDA margin grew to 13.0%

## Construction (TGS)



Revenue\*, Rub mn  
EBITDA, Rub mn  
EBITDA margin, %

**Revenue -49% yoy**  
**EBITDA n/a**

- Expected reduction in revenue and EBITDA

# HMS costs & expenses structure



## Cost of sales\* was down 11% yoy

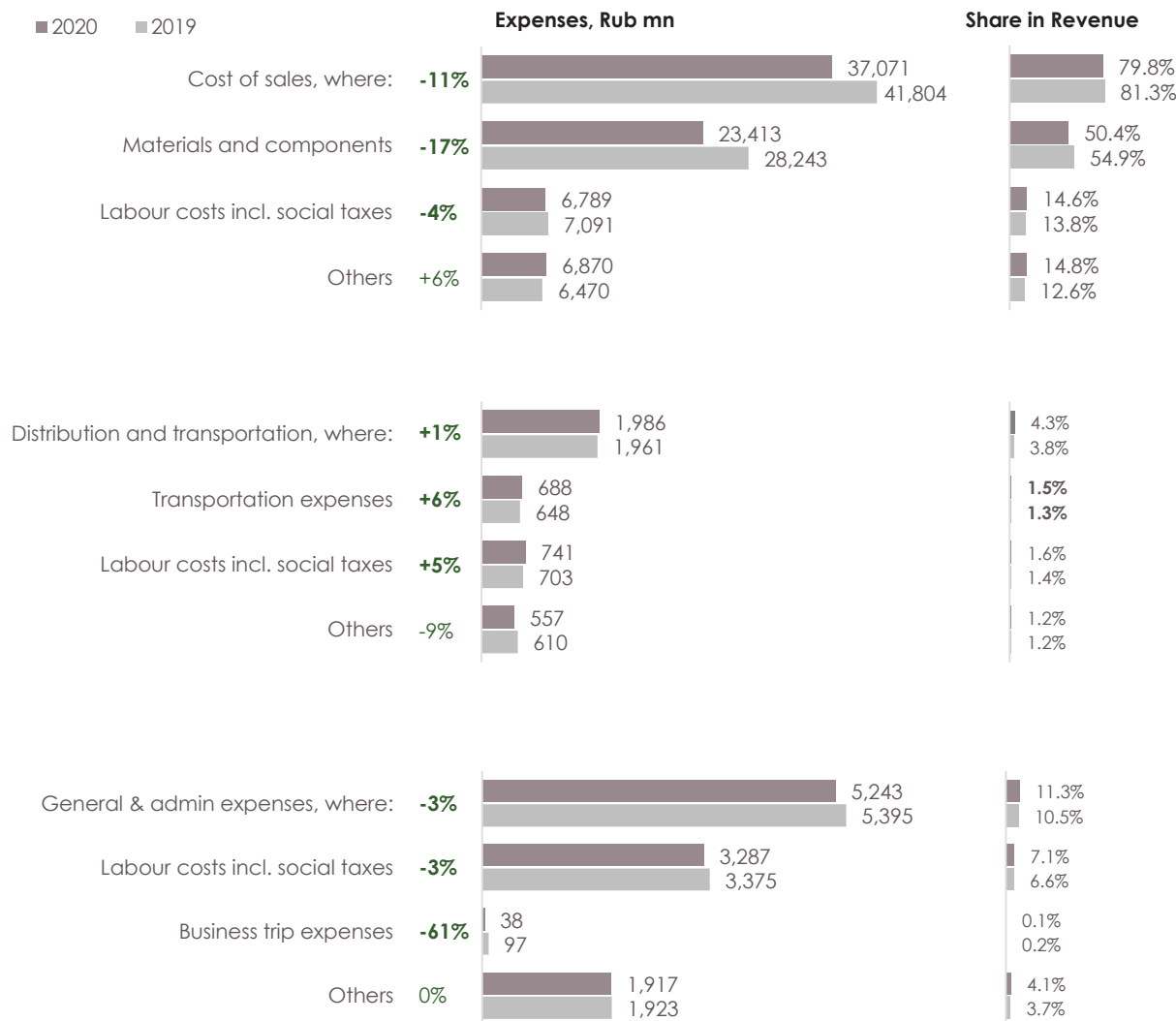
- Cost of sales was down due to lower Materials and components (-17% yoy), and labour costs as well (-4% yoy)

## Distribution and transportation expenses grew 1% yoy due to growth in transport and labour costs

- As a share of revenue, distribution and transportation expenses were up to 4.3%

## General & administrative expenses were down 3% yoy

- General & administrative expenses were down mainly due to decrease in labour costs, incl. social taxes (-3% yoy)
- Business trip expense down 61% yoy due to the COVID-19 restrictions



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

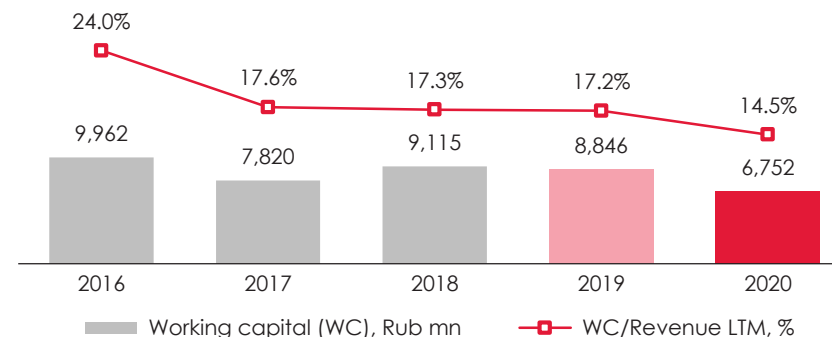
# Cash flow analysis



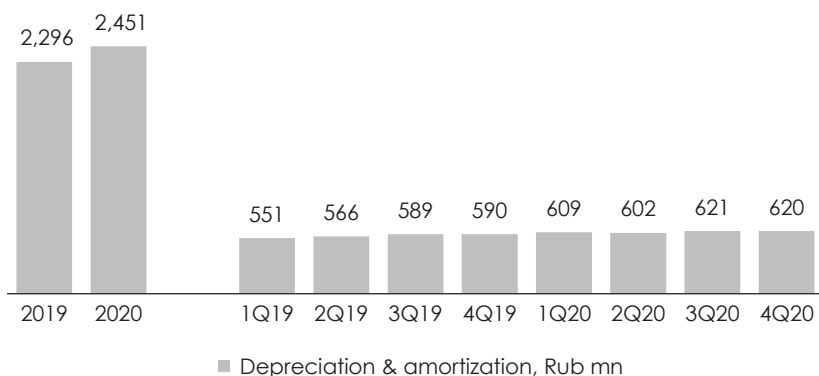
## Free cash flow grew due to working capital optimization

Cash flows performance, Rub mn	2019	2020
Operating cash flow	2,163	4,340 <span style="color: green;">▲</span>
Investing cash flow, where:	(2,140)	(1,382) <span style="color: red;">▼</span>
Acquisitions (M&A)	(670)	0
<b>Free cash flow*</b>	<b>23</b>	<b>2,958 <span style="color: green;">▲</span></b>
Dividends	(1,165)	(447)

## Working capital declined 24% yoy

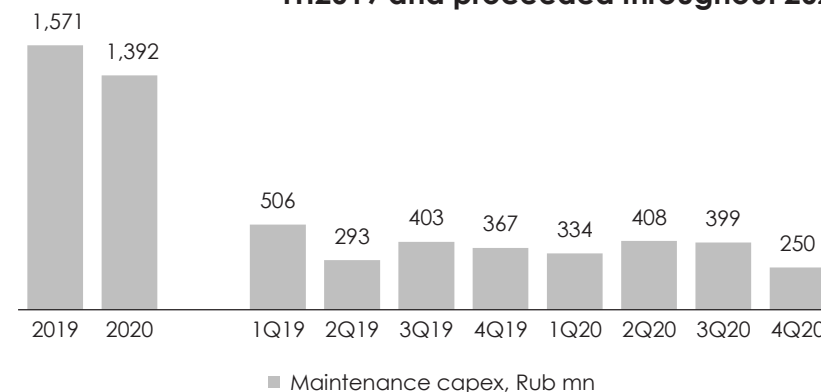


## Depreciation & amortization grew 7% yoy due to both acquisitions in 4Q2019-1Q2020 and investments in capital



## Capex declined 11% yoy to Rub 1.4 bn

Maintenance capex continued to decline due to the optimization program, implemented in 1H2019 and proceeded throughout 2020



Source: Company data, IFRS

Note 1: (\*) Free cash flow before dividends

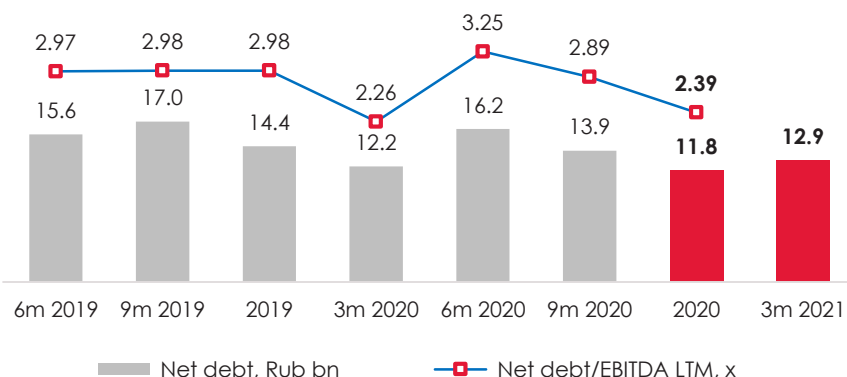
Note 2: Differences in calculations can occur due to the rounding-off rule

# Net debt of HMS Group at Rub 12.9 bn as of 01.04.2021

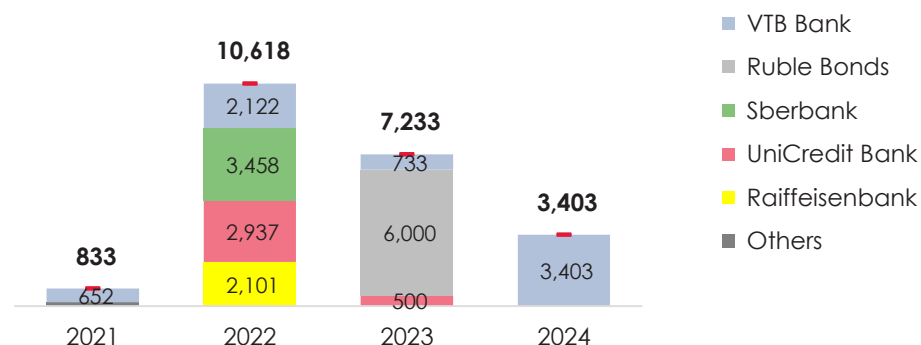


## 2020 Net debt/EBITDA 2.39x

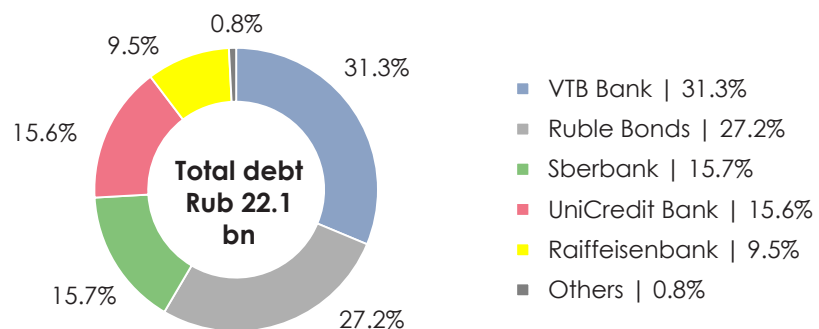
HMS Net debt fluctuates in the range Rub 12 -17 bn



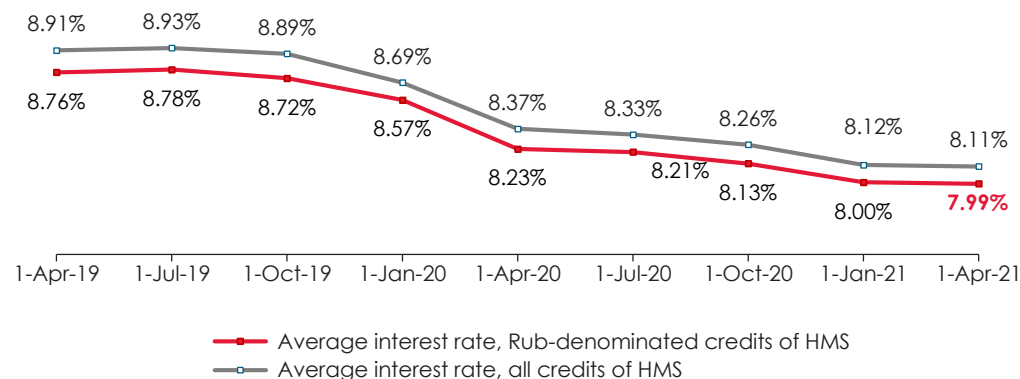
## Debt repayment schedule as of April-end, Rub mn



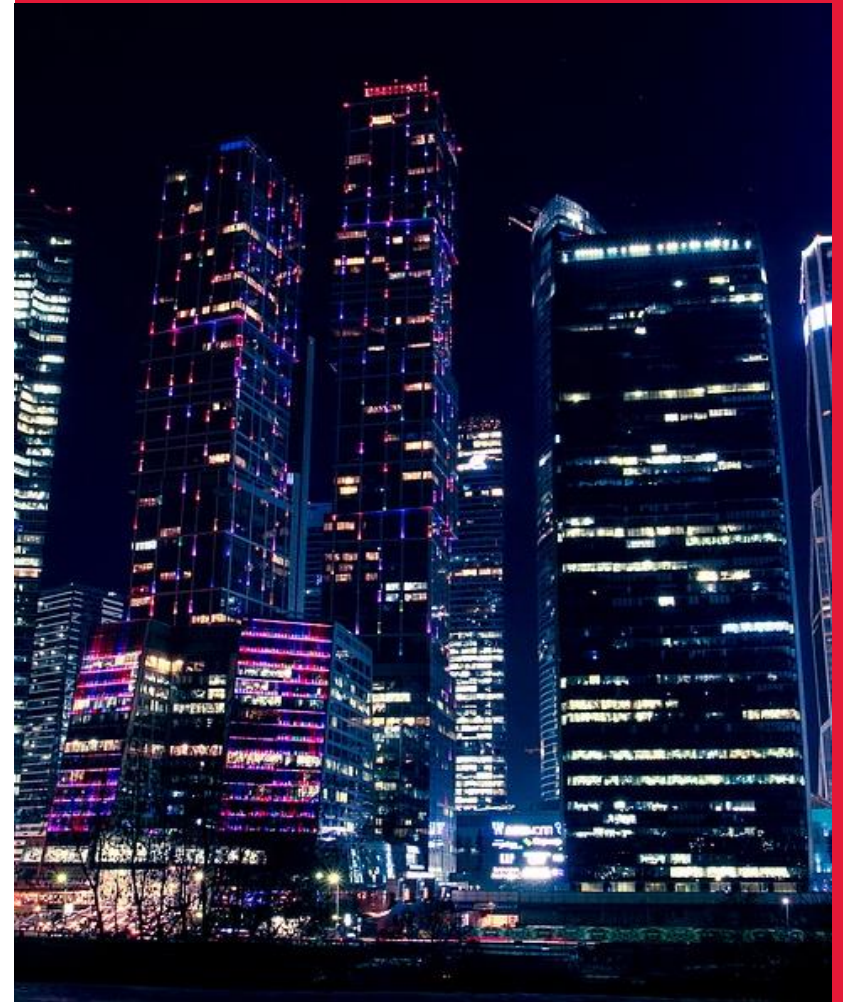
## Structure of HMS creditors as of today



## Average interest rate was decreased to 7.99% pa



# Business & Outlook

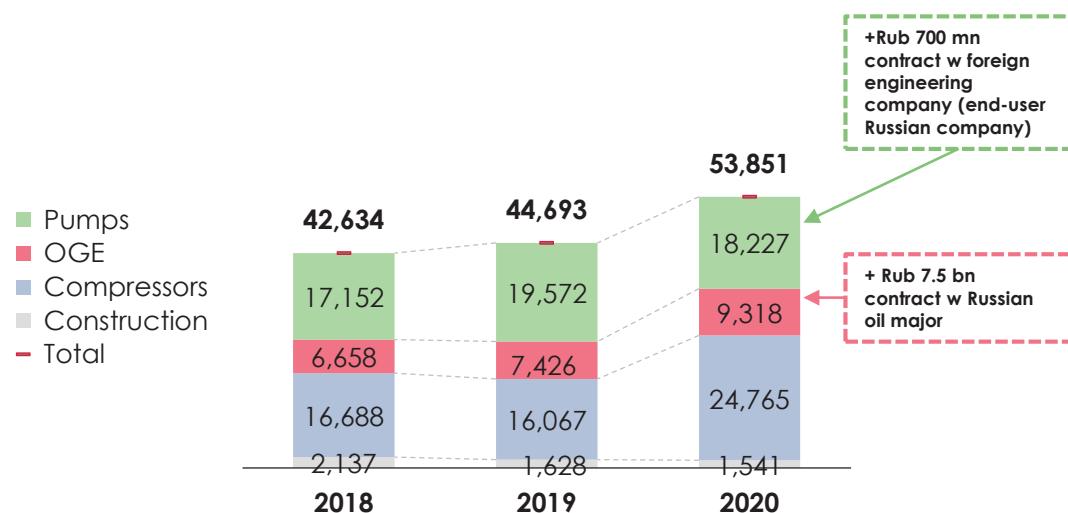




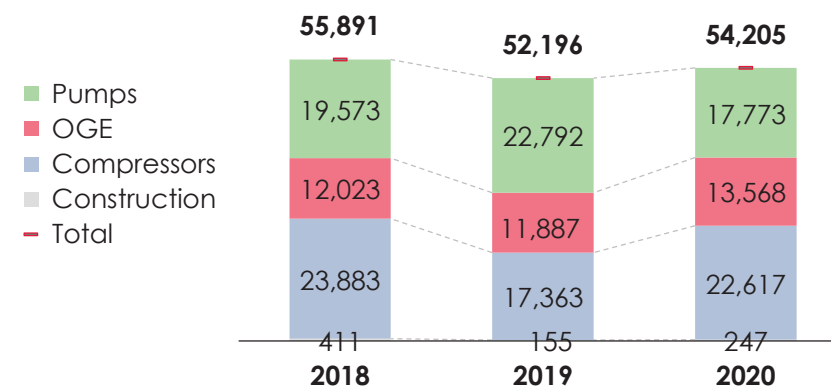
# Backlog allows to forecast growth of revenue in 2021-2022

Quickly implemented cost-cutting program partly compensated negative effects and risk of the COVID-19 and oil price decrease

— Backlog (Portfolio of orders under execution) grew to Rub 53.9 bn



— Growth of order intake<sup>1)</sup>, which forms revenue of 2021-2022



- In 1Q 2021, HMS signed Rub 7.5 bn large contract (VAT excl.), which will have significant impact on HMS Neftemash financial results in 2021. Also, Apollo signed Eur 8 mn (c. Rub 700 mn) contract to manufacture process pumps for a foreign engineering company with a Russian client as the end-user
- Termination of the Obskiy LNG contract between KKM and Novatek, because the client changed its plan for the project construction, won't have had any impact on the 2021 year financial results of HMS Group as well as KKM, in particular, as long as the contract wasn't factored in the 2021 budget
- In 2Q and 3Q 2021, HMS will participate in several large tenders

Source: Company data, management accounts

Note: Portfolios are the Obskiy LNG contract adjusted

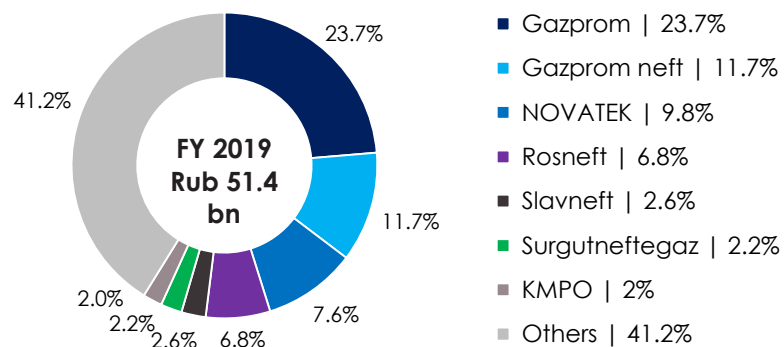
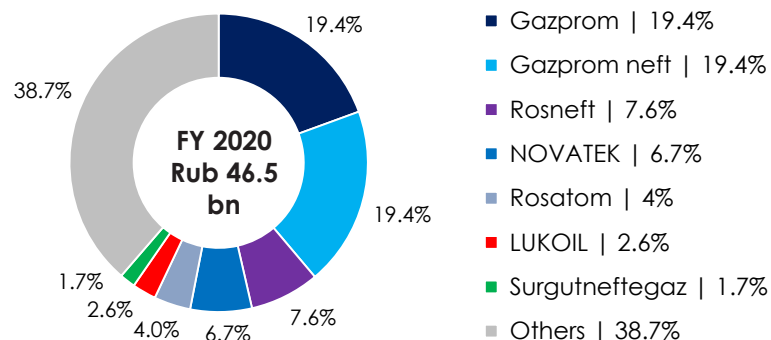
1) Order intake – Portfolio of orders and contracts, signed within a period

# Revenue structure by clients and contracts type



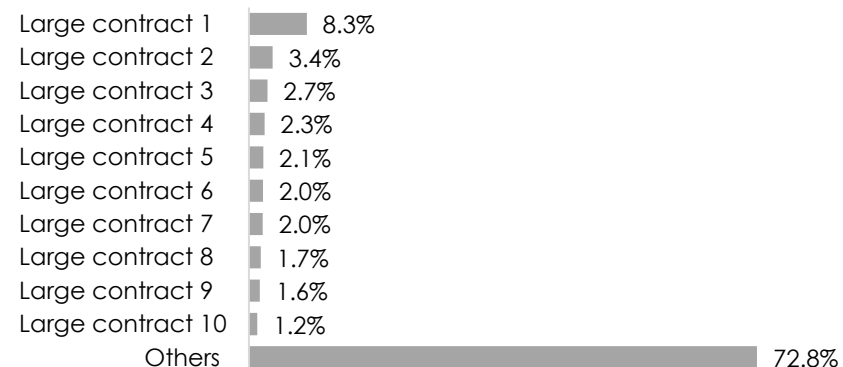
Share of revenue generated by Top-7 clients was up to 61%, compared with 59% in 2019

Other clients' share decreased to 39% from 41%

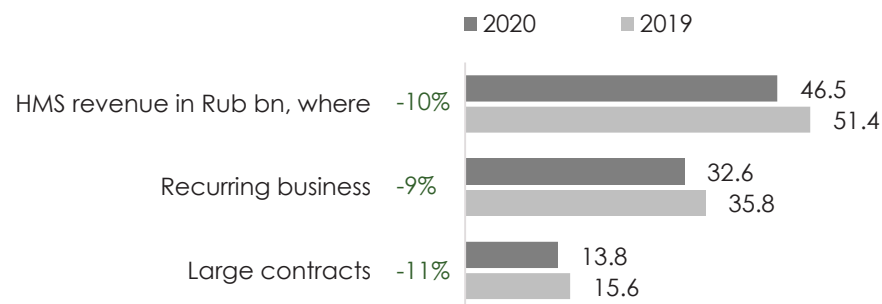


The largest share of revenue, generated by a large contract, does not exceed 10%

10 largest projects generated 27% of FY2020 revenue, thus HMS Group doesn't depend on the one only contract



HMS revenue was down due to both recurring business and large contracts



# Consolidated statements FY 2020

## Consolidated Statement of Financial Position at 31 December 2020



<i>(in thousands of Russian Roubles, unless otherwise stated)</i>	31 December 2020	31 December 2019
<b>ASSETS</b>		
<b>Non-current assets:</b>		
Property, plant and equipment	14,684,279	15,532,576
Other intangible assets	1,743,399	2,001,646
Goodwill	3,255,984	3,370,275
Right-of-use assets	183,211	174,614
Investments in associates	94,307	94,489
Deferred income tax assets	786,455	631,428
Other long-term assets	42,252	42,316
Investment property	176,833	186,632
<b>Total non-current assets</b>	<b>20,966,720</b>	<b>22,033,976</b>
<b>Current assets:</b>		
Inventories	8,847,749	7,859,051
Trade and other receivables and other financial assets	15,598,766	18,051,909
Contract assets	6,201,354	8,058,877
Current income tax receivable	94,972	227,917
Cash and cash equivalents	10,360,588	9,952,118
<b>Total current assets</b>	<b>41,103,429</b>	<b>44,149,872</b>
<b>TOTAL ASSETS</b>	<b>62,070,149</b>	<b>66,183,848</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	48,329	48,329
Share premium	3,523,535	3,523,535
Treasury shares	(33,055)	(319,475)
Other reserves	129,392	62,716
Currency translation reserve	646,427	(44,878)
Retained earnings	5,510,974	7,029,094
	<b>9,825,602</b>	<b>10,299,321</b>
<b>Equity attributable to the shareholders of the Company</b>		
<b>Non-controlling interests</b>	<b>3,518,674</b>	<b>3,569,953</b>
<b>TOTAL EQUITY</b>	<b>13,344,276</b>	<b>13,869,274</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities:</b>		
Long-term borrowings	20,452,736	20,582,061
Deferred income tax liability	1,421,489	1,620,211
Retirement benefit obligations	646,213	597,238
Provisions for liabilities and charges	228,199	154,809
Lease liabilities	153,048	139,272
Other long-term payables	230,581	240,172
<b>Total non-current liabilities</b>	<b>23,132,266</b>	<b>23,333,763</b>
<b>Current liabilities:</b>		
Trade and other payables	17,969,950	20,658,429
Contract liabilities	4,304,845	2,248,029
Short-term borrowings	1,548,574	3,578,390
Provisions for liabilities and charges	589,762	550,050
Retirement benefit obligations	77,859	76,904
Lease liabilities	20,440	21,329
Current income tax payable	134,080	218,974
Other taxes payable	948,097	1,628,706
<b>Total current liabilities</b>	<b>25,593,607</b>	<b>28,980,811</b>
<b>TOTAL LIABILITIES</b>	<b>48,725,873</b>	<b>52,314,574</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>62,070,149</b>	<b>66,183,848</b>

# Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020

<i>(in thousands of Russian Roubles, unless otherwise stated)</i>	<b>2020</b>	<b>2019</b>
Revenue	46,476,487	51,412,961
Cost of sales	(37,071,430)	(41,803,705)
<b>Gross profit</b>	<b>9,405,057</b>	<b>9,609,256</b>
Distribution and transportation expenses	(1,985,928)	(1,961,331)
General and administrative expenses	(5,242,566)	(5,395,083)
Other operating expenses, net	(412,472)	(195,595)
Impairment of goodwill	(425,668)	-
<b>Operating profit</b>	<b>1,338,423</b>	<b>2,057,247</b>
Finance income	251,571	172,302
Finance costs	(1,926,310)	(1,784,607)
Share of results of associates	(161)	(632)
<b>(Loss)/profit before income tax</b>	<b>(336,477)</b>	<b>444,310</b>
Income tax expense	(479,814)	(293,680)
<b>(Loss)/profit for the year</b>	<b>(816,291)</b>	<b>150,630</b>
<b>(Loss)/profit attributable to:</b>		
Shareholders of the Company	(971,996)	(93,932)
Non-controlling interests	155,705	244,562
<b>(Loss)/profit for the year</b>	<b>(816,291)</b>	<b>150,630</b>
<b>Other comprehensive income/(loss):</b>		
<i>Items that will not be subsequently reclassified to profit or loss</i>		
Remeasurement of post-employment benefit obligations	(5,321)	(64,673)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	693,105	(141,369)
Currency translation differences of associates	(21)	1,856
<b>Other comprehensive income/(loss) for the year</b>	<b>687,763</b>	<b>(204,186)</b>
<b>Total comprehensive loss for the year</b>	<b>(128,528)</b>	<b>(53,556)</b>
<b>Total comprehensive loss attributable to:</b>		
Shareholders of the Company	(288,238)	(300,891)
Non-controlling interests	159,710	247,335
<b>Total comprehensive loss for the year</b>	<b>(128,528)</b>	<b>(53,556)</b>
<b>Basic and diluted loss per ordinary share for profit attributable to the ordinary shareholders (RR per share)</b>	<b>(8.50)</b>	<b>(0.84)</b>

# Consolidated Statement of Cash Flows for the year ended 31 December 2020



<i>(in thousands of Russian Roubles, unless otherwise stated)</i>	2020	2019
<b>Cash flows from operating activities</b>		
(Loss)/profit before income tax	(336,477)	444,310
Adjustments for:		
Depreciation and amortisation	2,451,191	2,295,572
Gain from disposal of property, plant and equipment and intangible assets	(1,821)	(50,312)
Finance income	(251,571)	(172,302)
Finance costs	1,926,310	1,784,607
Change in retirement benefits obligations	82,075	95,974
Change in warranty provision	136,752	6,392
Change in expected credit losses allowance for trade and other receivables and other financial assets and allowance for impairment of non-financial assets	72,152	116,303
Change in expected credit losses allowance for cash and cash equivalents	31,850	-
Change in allowance for obsolete inventories	10,598	118,515
Change in provision for legal claims	83,987	(32,866)
Share-based compensation	58,921	118,544
Foreign exchange loss, net	73,534	80,332
Gain on remeasurement of contingent consideration liability	-	(58,890)
Amortisation of government grants	(36,048)	(32,411)
Impairment of taxes	10,418	-
Impairment of goodwill	425,668	-
Impairment of property, plant and equipment	13,936	-
Change in provision for tax risks, other than income tax	9,898	-
Share of results of associates	161	632
<b>Operating cash flows before working capital changes</b>	<b>4,761,534</b>	<b>4,714,400</b>
(Increase)/decrease in inventories	(869,830)	1,142,258
Decrease/(increase) in trade and other receivables	2,967,766	(5,825,144)
Decrease/(increase) in contract assets	1,916,049	(3,493,520)
Decrease in current income tax receivable	132,920	29,492
(Decrease)/increase in accounts payable and accrued liabilities	(3,361,448)	6,830,995
Increase in contract liabilities	2,056,816	404,649
(Decrease)/increase in taxes payable	(829,967)	354,446
<b>Cash from operations</b>	<b>6,773,840</b>	<b>4,157,576</b>
Income tax paid	(806,031)	(366,040)
Interest paid	(1,887,821)	(1,793,240)
Interest received	259,533	164,692
<b>Net cash from operating activities</b>	<b>4,339,521</b>	<b>2,162,988</b>
<b>Cash flows from investing activities</b>		
Repayment of loans advanced	6,953	10,378
Loans advanced	(20,203)	(30,588)
Proceeds from sale of property, plant and equipment and intangible assets, net	55,948	120,539
Interest received	-	175
Purchase of property, plant and equipment, net of VAT	(937,132)	(996,241)
Acquisition of intangible assets, net of VAT	(454,417)	(574,322)
Acquisition of subsidiaries, net of cash acquired	-	(670,141)
Repayment of contingent consideration liability	(33,000)	-
<b>Net cash used in investing activities</b>	<b>(1,381,851)</b>	<b>(2,140,200)</b>
<b>Cash flows from financing activities</b>		
Repayments of borrowings	(11,478,749)	(9,488,918)
Proceeds from borrowings	9,127,605	14,364,549
Proceeds from government grant	28,092	40,000
Repayment of the lease liabilities principal	(35,905)	(27,234)
Buy back of issued shares	(1,705)	(25,649)
Dividends related to Long-term Incentive Program	(5,660)	(42,964)
Dividends paid to non-controlling shareholders of subsidiaries	(55,162)	(60,950)
Dividends paid to the shareholders of the Company	(391,942)	(1,103,859)
<b>Net cash (used in)/from financing activities</b>	<b>(2,813,426)</b>	<b>3,654,975</b>
<b>Net increase in cash and cash equivalents</b>	<b>144,244</b>	<b>3,677,763</b>
Effect of exchange rate changes on cash and cash equivalents and effect of translation to presentation currency	296,076	(20,804)
<b>Effect of changes in expected credit losses allowance for cash and cash equivalents</b>	<b>(31,850)</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>9,952,118</b>	<b>6,295,159</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>10,360,588</b>	<b>9,952,118</b>



HMS Hydraulic Machines & Systems Group Plc is listed on the London Stock Exchange (Main market, IOB)

Number of shares outstanding: 117,163,427

ISIN            RegS: US40425X4079

                  144A: US40425X3089

Ratio          1 GDR : 5 Shares

Ticker         HMSG

Bloomberg    HMSG LI

Reuters       HMSGq.L

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### Capital markets

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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