




# HMS Group 1Q 2011 IFRS Results Presentation

June 2011



A solid red square.

## Disclaimer

A vertical strip of four images on the left side of the page. From top to bottom: 1. A large industrial storage tank or vessel. 2. A close-up of a mechanical component, possibly a valve or part of a pump. 3. A large industrial structure, possibly a crane or part of a refinery. 4. A view of an industrial facility with various pipes and structures.

The information contained herein has been prepared using information available to HMS Group (“HMS” or “Group” or “Company”) at the time of preparation of the presentation. External or other factors may have impacted on the business of HMS Group and the content of this presentation, since its preparation. In addition all relevant information about HMS Group may not be included in this presentation. No representation or warranty, expressed or implied, is made as to the accuracy, completeness or reliability of the information.

Any forward looking information herein has been prepared on the basis of a number of assumptions which may prove to be incorrect. Forward looking statements, by the nature, involve risk and uncertainty and HMS Group cautions that actual results may differ materially from those expressed or implied in such statements. Reference should be made to the most recent Annual Report for a description of the major risk factors. This presentation should not be relied upon as a recommendation or forecast by HMS Group, which does not undertake an obligation to release any revision to these statements.

This presentation does not constitute or form part of any advertisement of securities, any offer or invitation to sell or issue or any solicitation of any offer to purchase or subscribe for, any shares in HMS Group, nor shall it or any part of it nor the fact of its presentation or distribution form the basis of, or be relied on in connection with, any contract or investment decision.



# Speakers



**Kirill Molchanov**

First Deputy General Director, Co-founder



**Alexander Rybin**

Head of Capital Markets





# Agenda

<b>HMS GROUP AT A GLANCE</b>	<b>5</b>
HMS at a Glance	6
<b>FINANCIAL PERFORMANCE IN 1Q 2011</b>	<b>7</b>
Outstanding Performance in 1Q 2011	8
1Q 2011 Key Numbers	9
EBITDA Development	10
Revenue & EBITDA Contribution by Segments	11
CAPEX & Working Capital	12
<b>2011 &amp; 2012 BUSINESS UPDATE</b>	<b>13</b>
Backlog Analysis	14
Selected End-market Projects for Mid-term	15
<b>CONTACTS</b>	<b>16</b>
<b>APPENDIX</b>	<b>17</b>



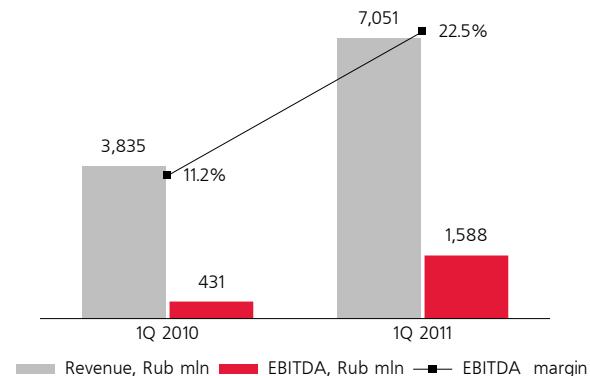
# HMS GROUP AT A GLANCE

# HMS at a Glance

## Key investment highlights

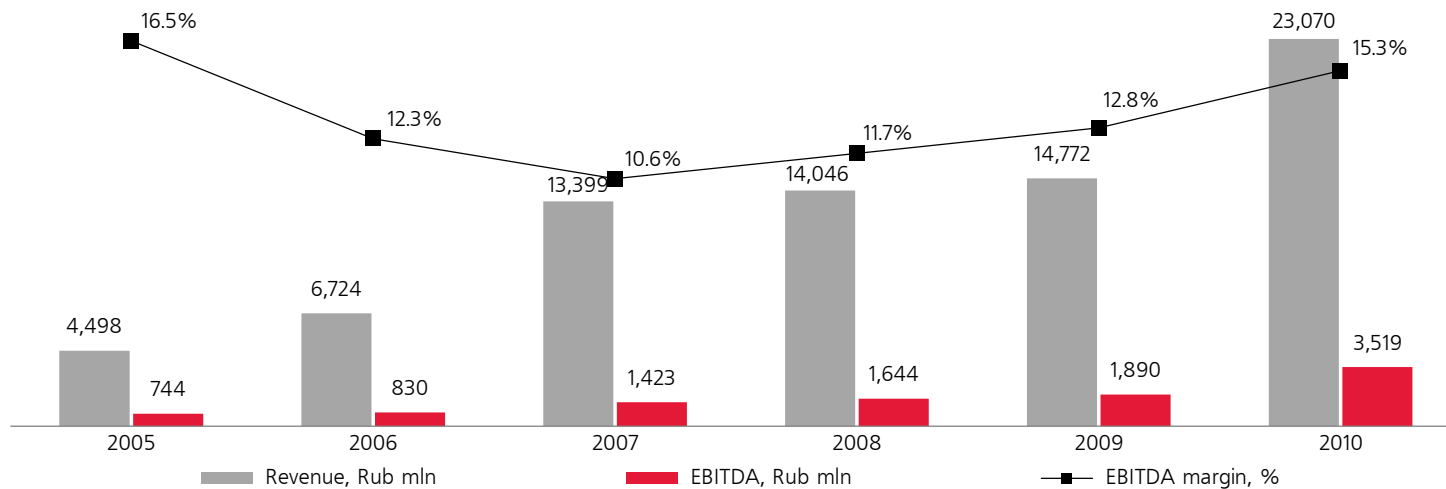
- Attractive industry fundamentals: impressive prospects of oil & gas, nuclear and thermal power and water sectors in Russia and the CIS
- The leading provider of flow control solutions in Russia and the CIS, including high-capacity pump systems up to 12 MW
- Advanced R&D capabilities: basis for high-margin & sustainable performance and growth
- Diversified and well-established customer base with more than 4,000 clients
- Operational and product quality excellence
- History of resilient financial growth and strong backlog
- Strong management team: company founders and top professionals

## Key financials in 1Q'10 vs 1Q'11



Source: Company data

## History of impressive and sustainable growth, 2005-2010



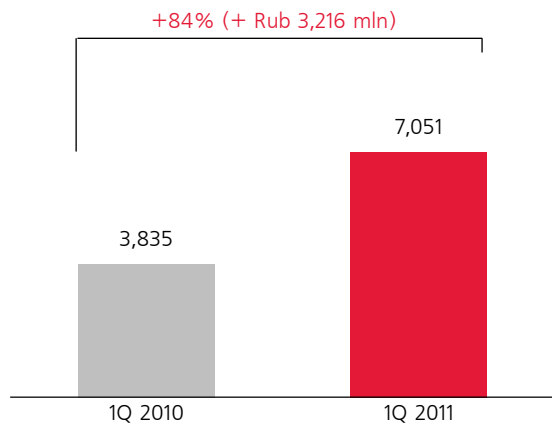
5 years – 5 times Revenue & EBITDA growth despite crisis

A vertical strip of four grayscale images on the left side of the page. From top to bottom: 1. Large industrial pipes or tanks on a structure. 2. A close-up of a mechanical component, possibly a valve or part of a pump. 3. A large industrial structure, possibly a bridge or a large crane, under construction or in operation. 4. An interior view of a factory or industrial plant with various pieces of equipment and machinery.

# FINANCIAL PERFORMANCE IN 1Q 2011

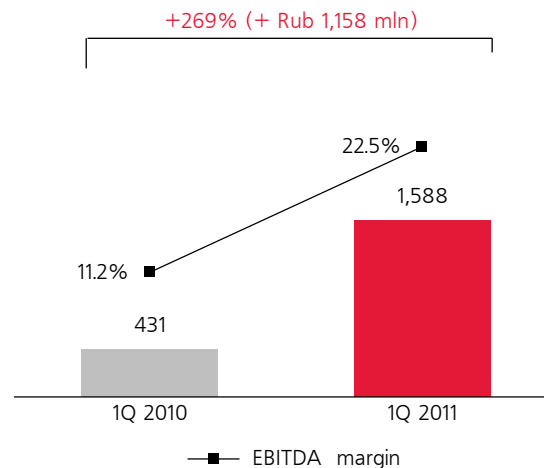
# Outstanding Performance in 1Q 2011

## Revenue in 1Q'10 vs 1Q'11



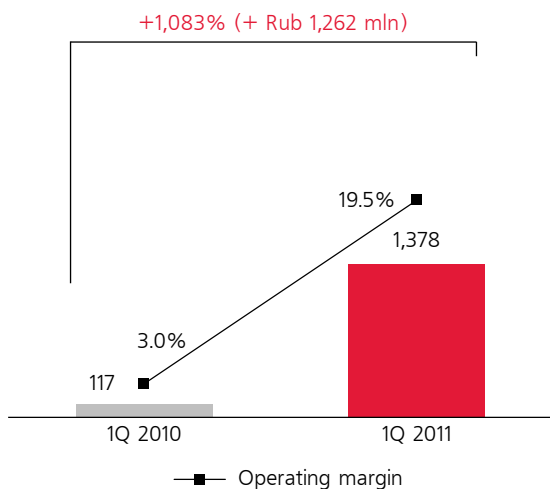
Source: Company data

## EBITDA and EBITDA margin in 1Q'10 vs 1Q'11



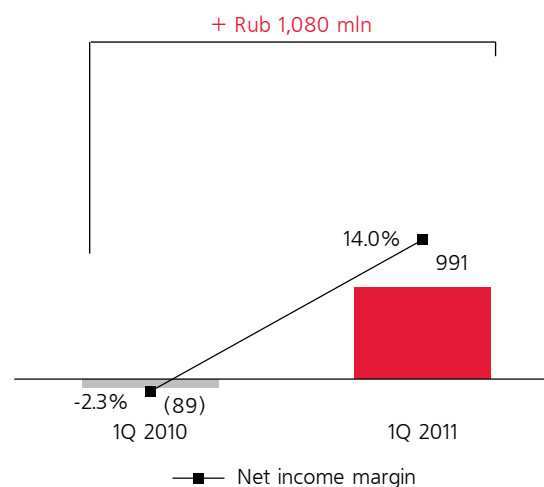
Source: Company data

## Operating profit in 1Q'10 vs 1Q'11



Source: Company data

## Net income in 1Q'10 vs 1Q'11



Source: Company data



# 1Q 2011 Key Numbers

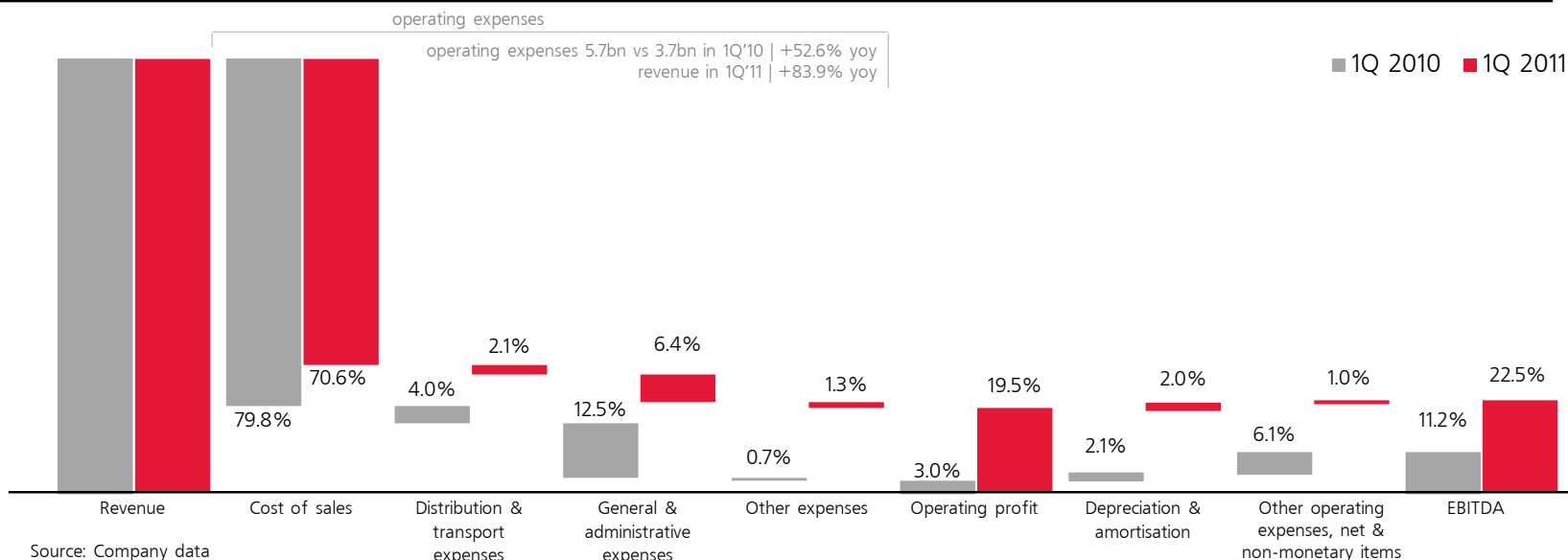
## Significant yoy & qoq growth

Rub, mln	1Q 2011	1Q 2010	chg, yoy	4Q 2010	chg, qoq
Revenue	7,051	3,835	+84%	6,912	+2%
Gross profit	2,072	774	+168%	1,845	+12%
EBITDA	1,588	431	+269%	1,268	+25%
Operating profit	1,378	117	+1,083%	883	+56%
Net income (loss)	991	(89)	n/a	492	+101%
Total debt	2,688	5,629	-52%	4,648	-42%
Gross margin	29%	20%	+919bps	27%	+270bps
EBITDA margin	23%	11%	+1,130bps	18%	+417bps
Operating margin	20%	3%	+1,651bps	13%	+676bps
Net income margin	14%	(2%)	+1,638bps	7%	+692bps

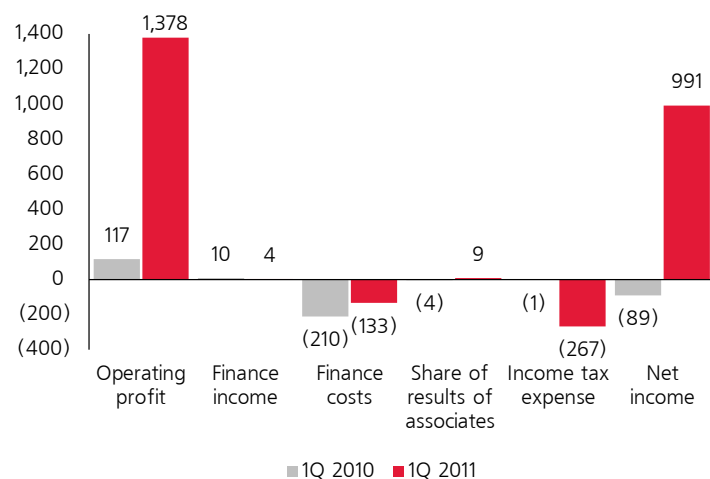
Source: Company data

# EBITDA Development

## Key EBITDA drivers in 1Q'10 vs 1Q'11, % of revenue



## Net income drivers in 1Q'10 vs 1Q'11, Rub mln



## Comments

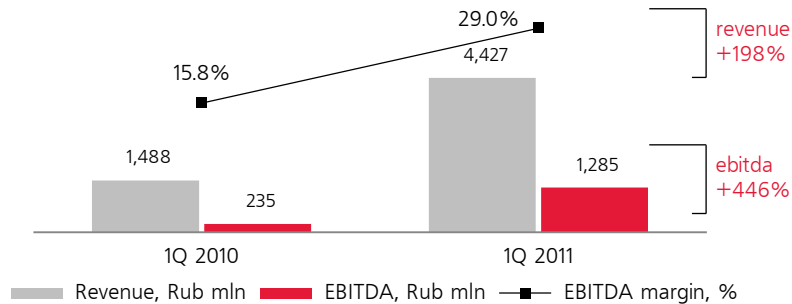
- EBITDA increased by 269% yoy to Rub 1,588 mln primarily due to:
  - ✓ Execution of large high-margin infrastructure contracts in oil transportation
  - ✓ Margins growth in other segments of a pump market
  - ✓ Consolidation of GTNG
  - ✓ Low EBITDA in 1Q 2010
  - ✓ Effective cost control by hedging of raw materials & supplies prices
  - ✓ Effective SG&A cost control and economy of scale
  - ✓ Higher-than-average profitability of construction contracts
- As a result, EBITDA margin increased to 22.5%
- Organic EBITDA, excluding consolidation of GTNG, grew by 244% yoy to Rub 1,481 mln
- Net income grew to Rub 991 mln in 1Q 2011 compared to a net loss of Rub 89 mln in 1Q 2010 due to the growth of operating profit and reduction of finance costs

# Revenue & EBITDA Contribution by Segments



## Highlights by core segments, Rub mln

### Industrial Pumps

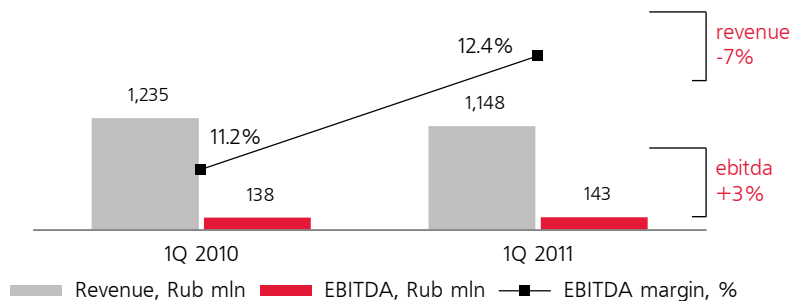


## Comments

### Industrial Pumps:

- Revenue increased by 198% yoy and amounted to Rub 4,427 mln, primarily due to the execution of large-scale projects for the delivery of integrated pumping systems as well as a stable order intake of regular contracts
- EBITDA up 446% yoy, mainly as a result of large high-margin contracts in oil transportation, growing profit margin for other types of pumping equipment, as well as a low EBITDA base in 1Q 2010
- EBITDA margin grew to 29.0%

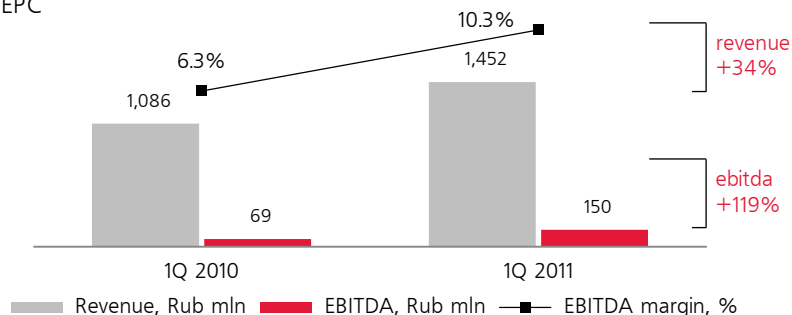
### Modular equipment



### Modular equipment:

- Revenue was down 7% yoy to Rub 1,148 mln, compared to Rub 1,235 mln in the corresponding quarter of 2010
- EBITDA increased by 3% yoy to Rub 143 mln in 1Q 2011, compared to Rub 138 mln in 1Q 2010
- EBITDA margin was up to 12.4%
- These changes reflect average quarterly fluctuations

### EPC

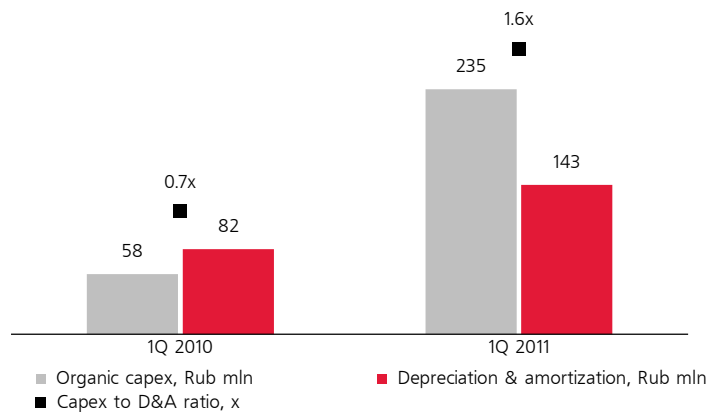


### EPC:

- Revenue grew by 34% yoy to Rub 1,452 mln, primarily due to the consolidation of GTNG
- EBITDA was up 119% yoy and totaled Rub 150 mln following the consolidation of GTNG
- EBITDA margin increased to 10.3%
- Organic revenue, excluding the impact of the GTNG acquisition, decreased by 15% yoy, and organic EBITDA was down by 37% yoy

# CAPEX & Working Capital

## Capital expenditures in 1Q'10 vs 1Q'11



Source: Company data

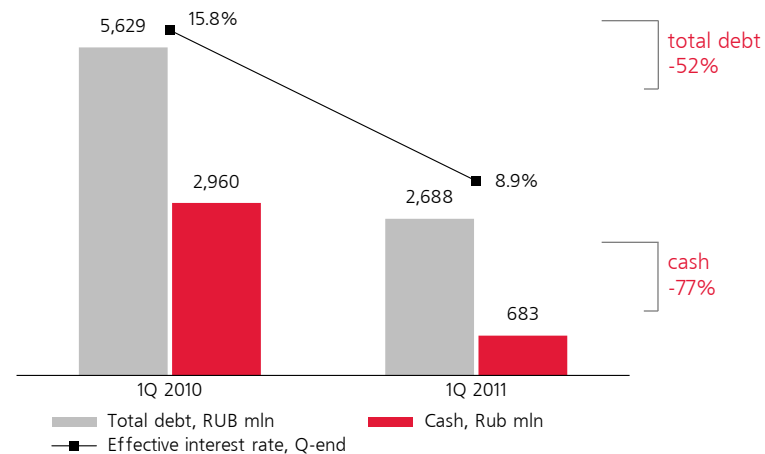
## Key highlights in 1Q'10 vs 1Q'11

Rub, mln	1Q 2011	1Q 2010	chg, %
Operating cash flow	(840)	1,986	-
Investment cash flow	(241)	(50)	-
Free cash flow	(1,081)	1,936	-
Financing cash flow	1,415	264	-
Long-term debt	2,132	3,698	(42%)
Short-term debt	556	1,930	(71%)
Net debt	2,005	2,669	(25%)
Total debt to Equity ratio	0.31	2.66	-
Total debt to EBITDA ratio	1.69	13.07	-

Source: Company data

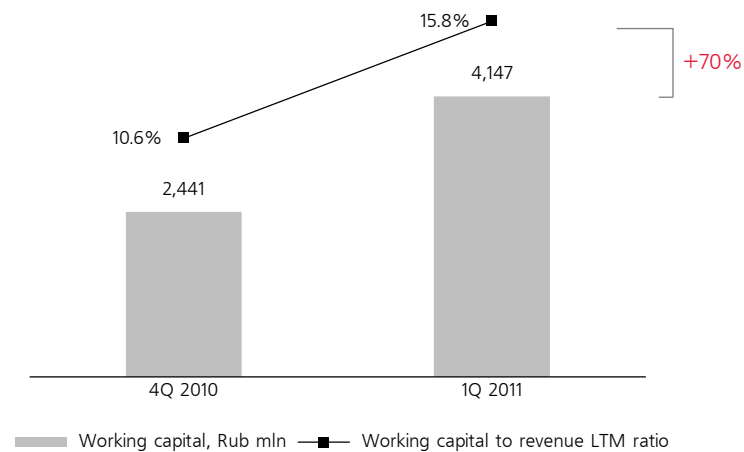
## Debt position in 1Q'10 vs 1Q'11

HMS' internal covenant for Net debt/ EBITDA is 2.5x



Source: Company data

## Working capital performance in 4Q'10 vs 1Q'11



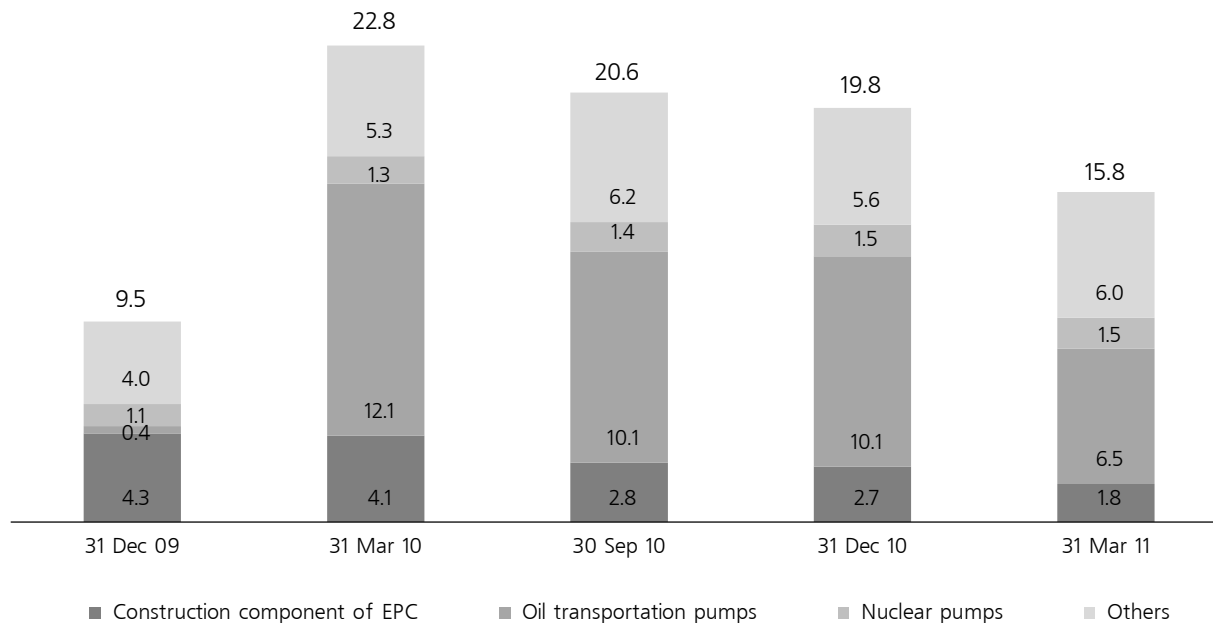
Source: Company data

# 2011 & 2012 BUSINESS UPDATE



# Backlog Analysis

## Backlog structure performance, Rub bn



Source: Company data

## Comments

- Backlog decreased to Rub 15.8 bn
- Backlog reduction is attributable to:
  - ESPO revenue recognition
  - Decline in low-margin construction component of EPC segment
- Oil transportation pumps backlog amounts to Rub 6.5 bn, the most part of revenue to be recognized in 2011
- Nuclear pumps backlog amounts to Rub 1.5 bn, the most part of revenue to be recognized in 2011
- Other products and services backlog remains stable
- Standard pumps and other equipment, sold from the Company's warehouses, bring up to Rub 2.5 bn of revenue. Usually these products are not considered in backlog calculation
- HMS Group expects backlog to grow by 4Q 2011

# Selected End-market Projects for Mid-term



## Increased number of HMS end-market projects

Project	Brief description	Completion	Key metrics	Comments
<b>Lukoil &amp; Bashneft JV</b>				
Trebs and Titov fields	Joint development of the fields, in stage of project development. Reserves 141 mt	by 2013	Capex US\$5-6 bn	HMS has good references for previous projects
<b>Rosneft</b>				
Vankor 2 stage Yurubcheno-Tokhomsk oilfield	Further development. Capex for 2011 US\$ 2.6 bn Development	next stage by 2014	Min capex Rub 480 bn	HMS participated in previous stages
Associated gas utilization program (Komsomolskoe, Priobskoe oilfields)	Achievement of 95% level of associated gas utilization			HMS participated in previous stages
<b>Transneft</b>				
ESPO expansion	9 oil-pumping stations to be constructed to deliver oil to Khabarovsk and Komsomolsk refineries by 2015	9 OPS by 2015		HMS participated in previous stages
Zapolyarye – Pur-pe pipeline	Oil transportation from YANAO and Northern Krasnoyarsk region oilfields	4 OPS by 2015	Capex Rub 120 bn	HMS participates in a project design
ESPO expansion	4 OPSs to be constructed to deliver oil to Primorsk refinery by 2017	4 OPS by 2017		HMS participated in previous stages
Pur-pe – Samotlor expansion	Construction of 2 OPS. Total capex in 2011 Rub 77 bn	2 OPS by 2017		HMS participated in previous stages
<b>TNK-BP</b>				
Russkoe oilfield	Giant oilfield in YANAO with specific oil. Project production 20 mtpa		Capex US\$ 4.5 bn	HMS participates in a project design
Samotlor Uvat	Further development of an active oilfield in Nizhnevartovsk. 21 oilfields in Tyumen region	by 2014	Capex US\$ 4.6 bn	HMS participated in previous stages HMS participated in previous stages
East- and Novo- Urengoy gas & condensate fields	Planned production for 2011 is 3.2bcm, up 17% on 2010			HMS participates in a project design
Verkhnechonsk oilfield	Oilfield located in the Eastern Siberia, Irkutsk region. Development was stimulated by close proximity of ESPO pipeline.	Peak production by 2014	Additional US\$3-4 bn	HMS participated in previous stages
<b>Gazprom</b>				
Shtokman gas and condensate field	The field will become a resource base for Russian pipeline gas and liquefied natural gas (LNG) exports to the Atlantic Basin markets			HMS produces units for complex gas preparation
<b>Gazprom Neft</b>				
Priobskoe oilfield	Western Siberia. Recoverable reserves ~600 mt			HMS participates in a project design
Urmanskoe and Shinginskoe oilfields	Eastern Siberia			
<b>Sberbank Capital</b>				
Dulisma oilfield	Irkutsk region. Further development. 3 <sup>rd</sup> resource base for ESPO		Total reserves 15 mt	HMS participated in previous stages
Taas-yuriah oilfield	Sakha region. Further development. Total reserves ~130 mt		Capex Rub 15-30 bn	
<b>Iraq</b>				
Rumaila brownfield	Consortium headed by BP		Capex US\$ 15 bn	HMS already submitted technical survey
Az Zubair	Consortium headed by Eni		Capex US\$ 20 bn	HMS participates in a tender
<b>Rosatom</b>				
Belene (Bulgaria)	Unit 1	by 2017-18	Capex € 5-6.3 bn	
<b>Municipal water</b>				
Central Asia	Irrigation stations for Uzbekistan and Turkmenia			HMS has good references from previous projects
Grozvodokanal	Modernization and reconstruction of water utilities in Chechnya		Capex about Rub 100 bn	HMS participated in previous stages

Source: Public information, Company data

## General Inquiries

[ir@hms.ru](mailto:ir@hms.ru)

Alexander Rybin  
Head of Capital Markets  
Tel: +7 (495) 730-66-12  
[ir@hms.ru](mailto:ir@hms.ru)

Inna Kelekhsaeva  
IR Officer  
Tel: +7 (495) 730-66-01  
[kelekhsaeva@hms.ru](mailto:kelekhsaeva@hms.ru)

[www.grouphms.com](http://www.grouphms.com)

7 Chayanova Str.  
Moscow 125047  
Russia





# APPENDIX

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

---

- All numbers 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 income/expenses, depreciation and amortization, impairment of assets, provision for obsolete inventory, provision for impairment of accounts receivable, unused vacation allowance, defined benefits scheme expense, warranty provision, provision for legal claims, provision for VAT and other taxes receivable, other provisions, excess of fair value of net assets acquired over the cost of acquisition. This measurement basis excludes the effects of non-recurring income and expenses on the results of the operating segments
- EBIT is calculated as Gross margin minus D&T and SG&A expenses
- Total debt is calculated as Long-term borrowings plus Long-term financial lease liabilities plus Short-term borrowings plus Short-term financial lease liabilities
- Net debt is calculated as Long-term borrowings plus Long-term financial lease liabilities plus Short-term borrowings plus Short-term financial lease liabilities minus Cash & cash equivalents
- ROCE is calculated as EBIT divided average Debt plus Equity
- Working capital is calculated as Inventories plus Trade and other receivables minus Trade and other payables
- 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

# Statement of Financial Position



Rub, '000	31 March 2011	31 December 2010
<b>ASSETS</b>		
<b>Non-current assets:</b>		
Property, plant and equipment	5,980,920	5,948,674
Other intangible assets	285,890	310,156
Goodwill	1,783,915	1,783,915
Investments in associates	510,712	507,141
Deferred income tax assets	135,372	130,779
Other long-term receivables	26,597	27,123
<b>Total non-current assets</b>	<b>8,723,406</b>	<b>8,707,788</b>
<b>Current assets:</b>		
Inventories	3,363,911	2,840,745
Trade and other receivables and other financial assets	8,572,511	10,399,853
Current income tax receivable	62,323	38,086
Prepaid expenses	28,875	39,361
Cash and cash equivalents	683,252	351,086
Restricted cash	5,829	4,978
	<b>12,716,701</b>	<b>13,674,109</b>
Non-current assets held for sale	96,095	96,095
<b>Total current assets</b>	<b>12,812,796</b>	<b>13,770,204</b>
<b>TOTAL ASSETS</b>	<b>21,536,202</b>	<b>22,477,992</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	48,329	42,510
Share premium	3,523,535	210,862
Currency translation reserve	(471,187)	(234,785)
Retained earnings	3,891,200	2,897,296
Other reserves	122,852	38,987
<b>Equity attributable to the shareholders of the Company</b>	<b>7,114,729</b>	<b>2,954,870</b>
<b>Non-controlling interest</b>	<b>1,453,681</b>	<b>1,508,263</b>
<b>TOTAL EQUITY</b>	<b>8,568,410</b>	<b>4,463,133</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities:</b>		
Long-term borrowings	2,132,174	3,864,176
Finance lease liability	-	9
Deferred income tax liability	950,249	745,762
Pension liability	267,648	262,525
Provisions for liabilities and charges	52,787	35,691
<b>Total non-current liabilities</b>	<b>3,402,858</b>	<b>4,908,163</b>
<b>Current liabilities:</b>		
Trade and other payables	7,789,261	10,799,358
Short-term borrowings	550,418	775,242
Provisions for liabilities and charges	268,106	312,213
Finance lease liability	5,247	8,446
Pension liability	25,219	24,736
Current income tax payable	21,341	115,340
Other taxes payable	905,342	1,071,361
<b>Total current liabilities</b>	<b>9,564,934</b>	<b>13,106,696</b>
<b>TOTAL LIABILITIES</b>	<b>12,967,792</b>	<b>18,014,859</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>21,536,202</b>	<b>22,477,992</b>

Source: Company data

# Statement of Comprehensive Income

RUB,'000	Three months ended 31 March 2011	Three months ended 31 March 2010
Revenue	7,051,377	3,834,974
Cost of sales	(4,979,520)	(3,060,568)
<b>Gross profit</b>	<b>2,071,857</b>	<b>774,406</b>
Distribution and transportation expenses	(150,620)	(152,313)
General and administrative expenses	(450,891)	(480,540)
Other operating expenses, net	(92,228)	(25,028)
<b>Operating profit</b>	<b>1,378,118</b>	<b>116,525</b>
Finance income	3,778	9,719
Finance costs	(133,292)	(209,948)
Share of results of associates	9,196	(4,221)
<b>Profit/(loss) before income tax</b>	<b>1,257,800</b>	<b>(87,925)</b>
Income tax expense	(267,293)	(1,395)
<b>Profit/(loss) for the period</b>	<b>990,507</b>	<b>(89,320)</b>
<b>Profit/(loss) attributable to:</b>		
Shareholders of the Company	996,562	(96,503)
Non-controlling interest	(6,055)	7,183
<b>Profit/(loss) for the period</b>	<b>990,507</b>	<b>(89,320)</b>
Currency translation differences	(289,207)	(33,607)
Currency translation differences of associates	1,540	392
<b>Other comprehensive loss for the period</b>	<b>(287,667)</b>	<b>(33,215)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>702,840</b>	<b>(122,535)</b>
<b>Total comprehensive income/(loss) attributable to:</b>		
Shareholders of the Company	760,160	(120,628)
Non-controlling interest	(57,320)	(1,907)
<b>Total comprehensive income/(loss) for the period</b>	<b>702,840</b>	<b>(122,535)</b>
<b>Basic and diluted earnings per ordinary share for profit/(loss) attributable to the ordinary shareholders (expressed in Rub per share)</b>	<b>8.98</b>	<b>(0.94)</b>

# Cash Flow Statement

RUB,'000	Three months ended 31 March 2011	Three months ended 31 March 2010
<b>Cash flows from operating activities</b>		
Profit/(loss) before income tax	1,257,800	(87,925)
Adjustments for:		
Depreciation and amortisation	143,229	81,510
Loss/(gain) from disposal of property, plant and equipment and intangible assets	1,688	(6,221)
Finance income	(3,778)	(9,719)
Finance costs	121,082	208,528
Pension expenses	10,112	38,305
Warranty provision	(28,958)	(11,857)
Write-off of receivables	10,984	-
Interest expense related to construction contracts	(1,632)	(7,787)
Provision for impairment of accounts receivable	(34,513)	47,634
Investments impairment provision	343	-
Provision for obsolete inventories	31,435	89,595
Foreign exchange translation differences	12,210	1,420
Provision for VAT receivable	(5,819)	-
Provisions for legal claims	(69,111)	13,209
Share of results of associates	(9,196)	4,221
Other non-cash items	(179)	(2)
<b>Operating cash flows before working capital changes</b>	<b>1,435,697</b>	<b>360,911</b>
Increase in inventories	(607,855)	(138,274)
Decrease/(increase) in trade and other receivables	1,716,233	(1,584,048)
(Decrease)/increase in other taxes payable	(141,583)	424,768
(Decrease)/increase in accounts payable and accrued liabilities	(2,941,933)	3,182,260
Restricted cash	(851)	(298)
<b>Cash (used in)/generated from operations</b>	<b>(540,292)</b>	<b>2,245,319</b>
Income tax paid	(177,300)	(56,899)
Interest paid	(122,528)	(202,857)
<b>Net cash (used in)/from operating activities</b>	<b>(840,120)</b>	<b>1,985,563</b>
<b>Cash flows from investing activities</b>		
Repayment of loans advanced	453	53
Loans advanced	-	4,066
Proceeds from sale of property, plant and equipment and intangible assets	2,226	373
Interest received	-	3,323
Purchase of property, plant and equipment	(235,326)	(57,622)
Acquisition of intangible assets	(7,948)	-
<b>Net cash used in investing activities</b>	<b>(240,595)</b>	<b>(49,807)</b>
<b>Cash flows from financing activities</b>		
Repayments of borrowings	(4,176,052)	(1,131,519)
Proceeds from borrowings	2,218,829	1,431,873
Payment for finance lease	(3,208)	(3,538)
Acquisition of non-controlling interest in subsidiaries	-	(32,362)
Cash received from additional share issue of subsidiary	80	-
Proceeds from share issue, net of issue costs	3,375,240	-
<b>Net cash from financing activities</b>	<b>1,414,889</b>	<b>264,454</b>
<b>Net increase in cash and cash equivalents</b>	<b>334,174</b>	<b>2,200,210</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(2,008)</b>	<b>1,726</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>351,086</b>	<b>758,127</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>683,252</b>	<b>2,960,063</b>

Source: Company data