



Capital Markets

6 months 2019 IFRS results

Webcast presentation



Financial results 6 months 2019



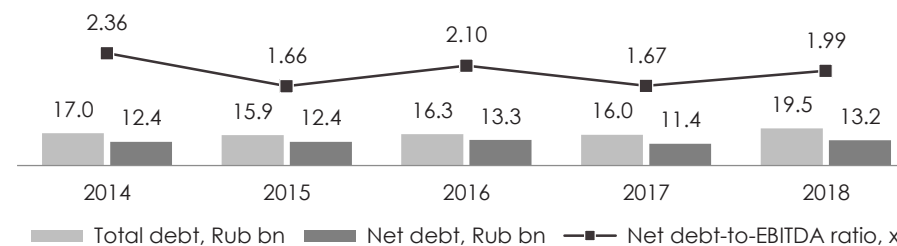
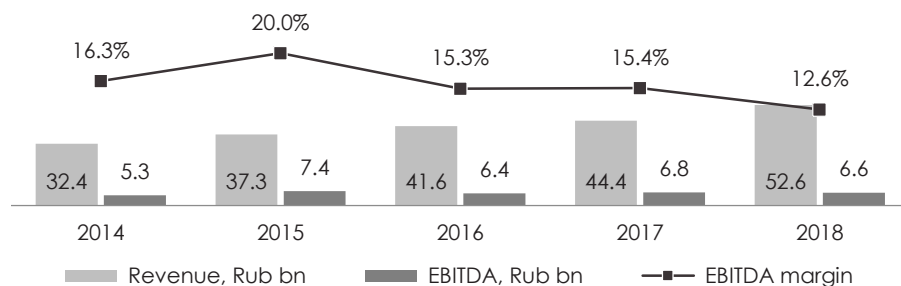
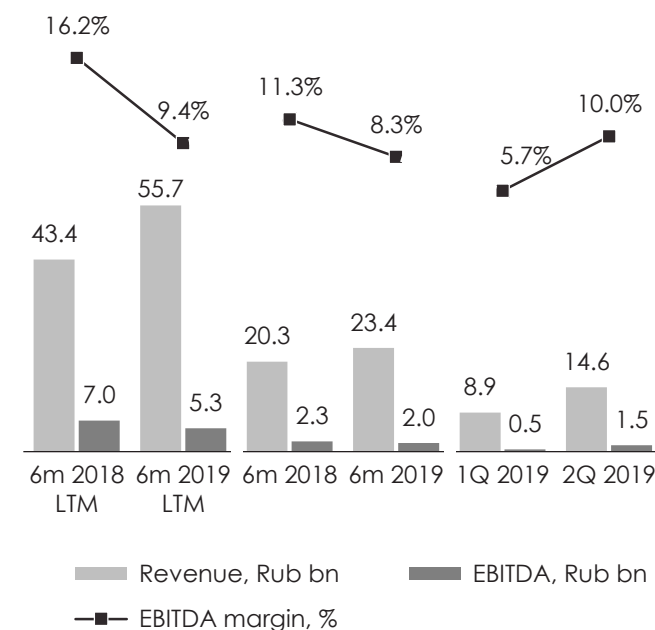
Financial highlights



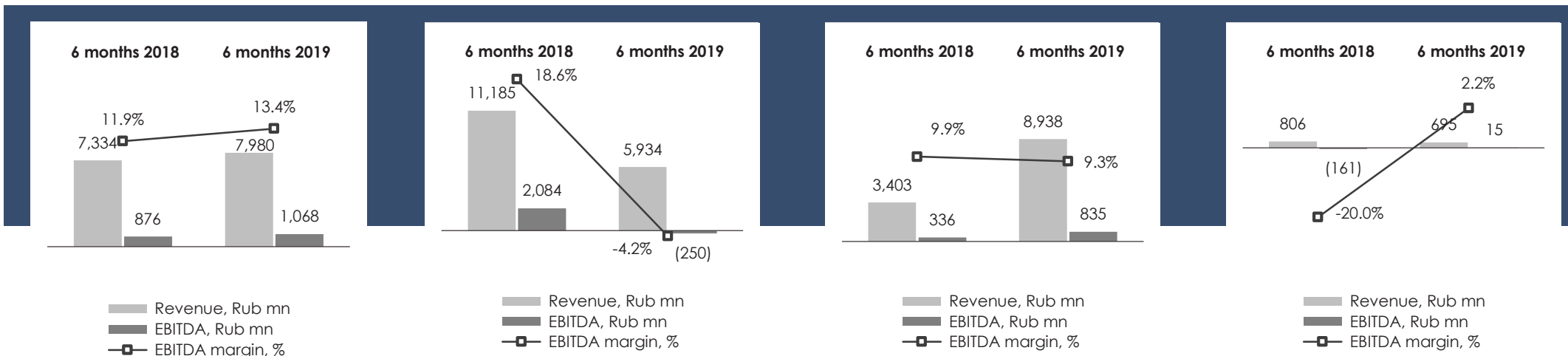
Profit for 2Q 2019 at Rub 321 million

in millions of Rub	6M 2019	6M 2018	chg, yoy	2Q 2019	1Q 2019	chg, qoq
Revenue	23,419	20,343	15%	14,565	8,854	65%
EBITDA	1,953	3,319	-41%	1,452	501	190%
Gross profit	4,434	5,679	-22%	2,845	1,589	79%
Operating profit	607	2,056	-70%	846	(238)	na
Profit for the period	(173)	961	na	321	(494)	na
EBITDA margin	8.3%	16.3%		10.0%	5.7%	
Gross margin	18.9%	27.9%		19.5%	17.9%	
Operating margin	2.6%	10.1%		5.8%	-2.7%	
Net income margin	-0.7%	4.7%		2.2%	-5.6%	
Total debt	19,988	18,462	8%	19,988	18,933	6%
Net debt	15,628	13,549	15%	15,628	14,738	6%
EBITDA LTM	5,255	7,020	-25%	5,255	6,042	-13%
Net debt to EBITDA LTM	2.97	1.93		2.97	2.44	

Revenue & EBITDA performance



Segments overview



Pumps grew 9% to Rub 8 bn

Revenue +9% yoy
EBITDA +22% yoy

- Revenue up 9% yoy to Rub 8.0 bn mainly due to increase in recurring business
- EBITDA increased by 22% and EBITDA margin recovered to 13.4% due to a larger share of large contracts in the reporting period

Oil & gas equipment down 47%

Revenue -47% yoy
EBITDA -112% yoy

- Revenue and EBITDA down due to unfavorable combination of two factors: the lack of large contracts under execution and a mix of recurring contracts with low margins

Compressors up 163% to Rub 8.9 bn

Revenue +163% yoy
EBITDA +148% yoy

- Revenue up 163% yoy to Rub 8.9 bn due to growth both in recurring business and large contracts
- EBITDA grew 148% yoy to Rub 835 mn
- EBITDA margin was 9.3% vs. 9.9% for the compared period, due to higher pace of revenue growth

Construction is above breakeven

Revenue -14% yoy
EBITDA na

- Revenue down 14% yoy and EBITDA turned positive

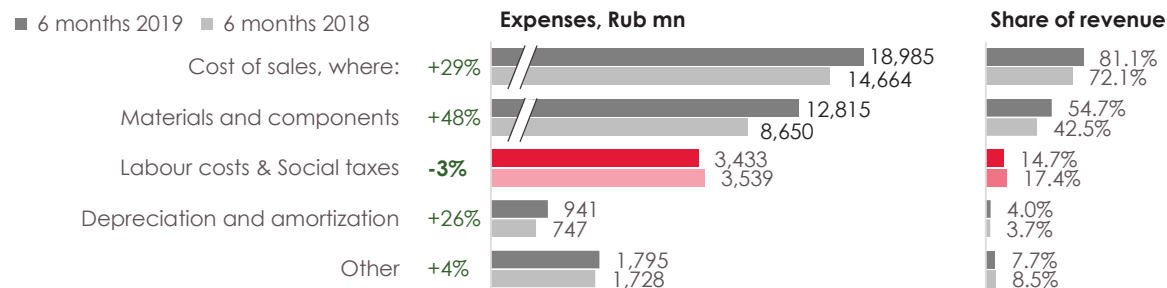
HMS costs & expenses structure



Cost of sales up by 29% yoy

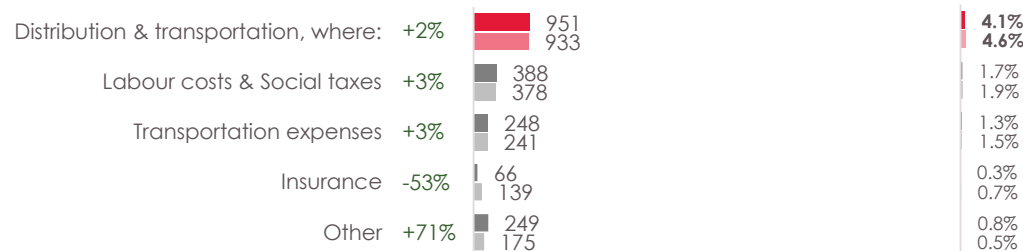
Cost of sales increased due to two factors:

- current contracts portfolio consists of less profitable contracts, and
- large compressor contracts have a higher share of outsourced components in their cost of sales



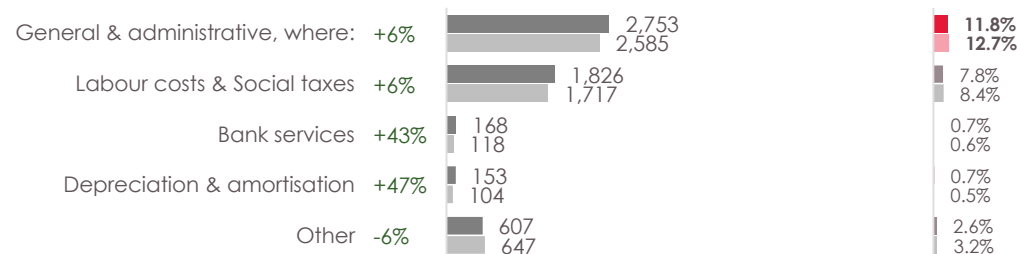
Distribution & transportation expenses decreased as a share of revenue to 4.1%

- As a share of revenue, distribution & transportation decreased to 4.1%
- In absolute numbers, distribution and transportation expenses grew by a minor 2% yoy



General & administrative costs decreased as a share of revenue to 11.8%

- GA costs decreased as a share of revenue to 11.8% from 12.7% though in absolute numbers grew by 6% yoy to Rub 2.8 bn
- Two main factors influenced general & administrative costs: growth of labor costs & social taxes (+6% yoy) and depreciation & amortization (+47% yoy)



Source: company data, IFRS accounts

Note: Herein, 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

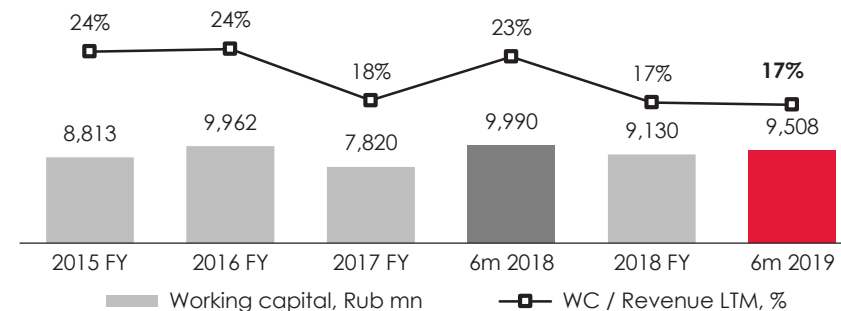
Cash flow analysis



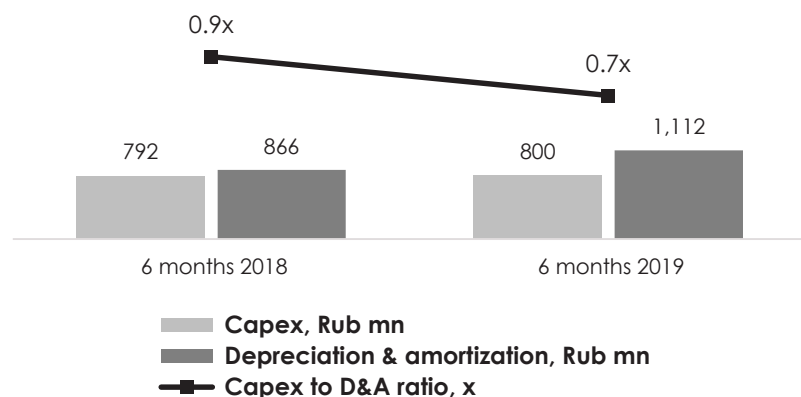
Operating CF grew despite worse financial results and Free CF down due to acquisition in Feb 2019

Cash flow performance, Rub mn	6 months 2018	6 months 2019
Operating CF	(749)	(470)
Investing CF	(735)	(1,448)
Acquisition	-	(670)
Free CF	(1,483)	(1,918)
Dividends	(618)	(457)

Working capital down 5% yoy due to its optimization



Capex was up 1% to Rub 800 mn, and D&A ratio decreased to 0.7x



Comments

- In February 2019, HMS Neftemash JSC, acquired a group of companies engaged in manufacturing of oil and gas equipment, located in Tumen, for a total consideration of Rub 700 mn, paid by cash. Outflow of cash and cash equivalents on acquisition was Rub 670 mn
- Depreciation and amortization grew 28% yoy to Rub 1.1 bn due to acquired assets

As a reaction to decline in EBITDA and net debt growth, HMS launched aggressive cost-cutting program

— In 2019, HMS Group has faced:

- Weak demand
- Postponement by clients of a number of target projects to next years
- Lower than forecasted growth of sales of the Localization project

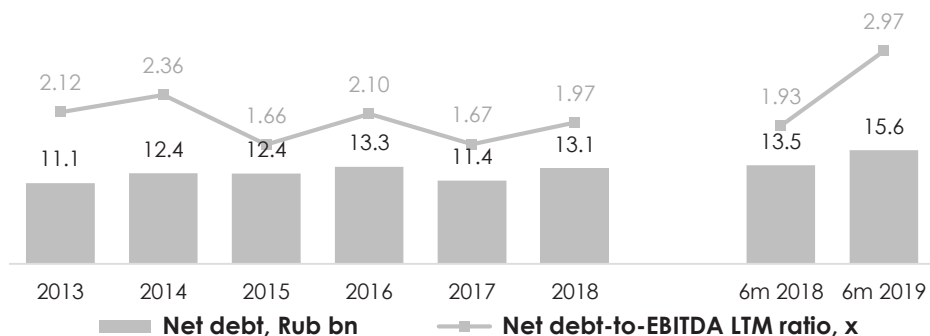
— HMS Group has put in place the following measures:

- Cost optimization program, that targets to positively influence financial results of 2H 2019
- Capex reduction
- Introduction of personnel optimization program in 2020

Debt analysis

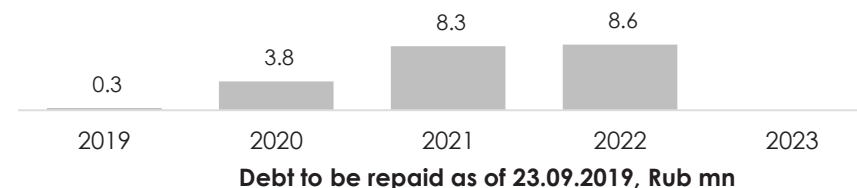


Net debt-to-EBITDA ratio at 2.97x



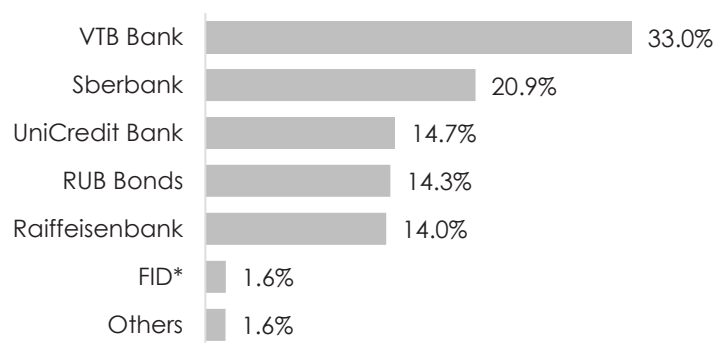
Source: Company data, IFRS accounts

Debt repayment in 2020 includes Rub 3 bn bonds with maturity falling due in Feb-2020



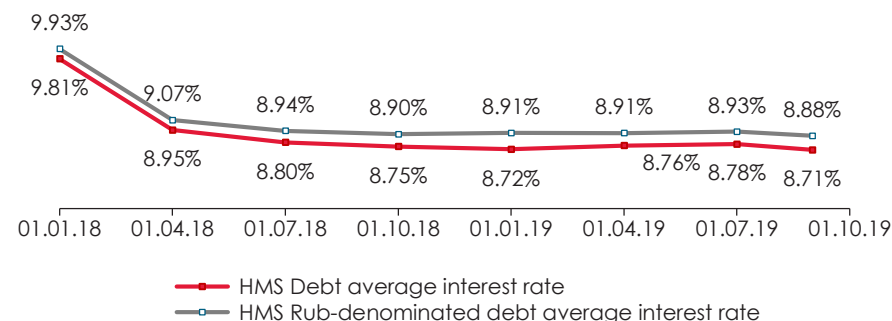
Source: Company data, management accounts

HMS has well-balanced credit portfolio



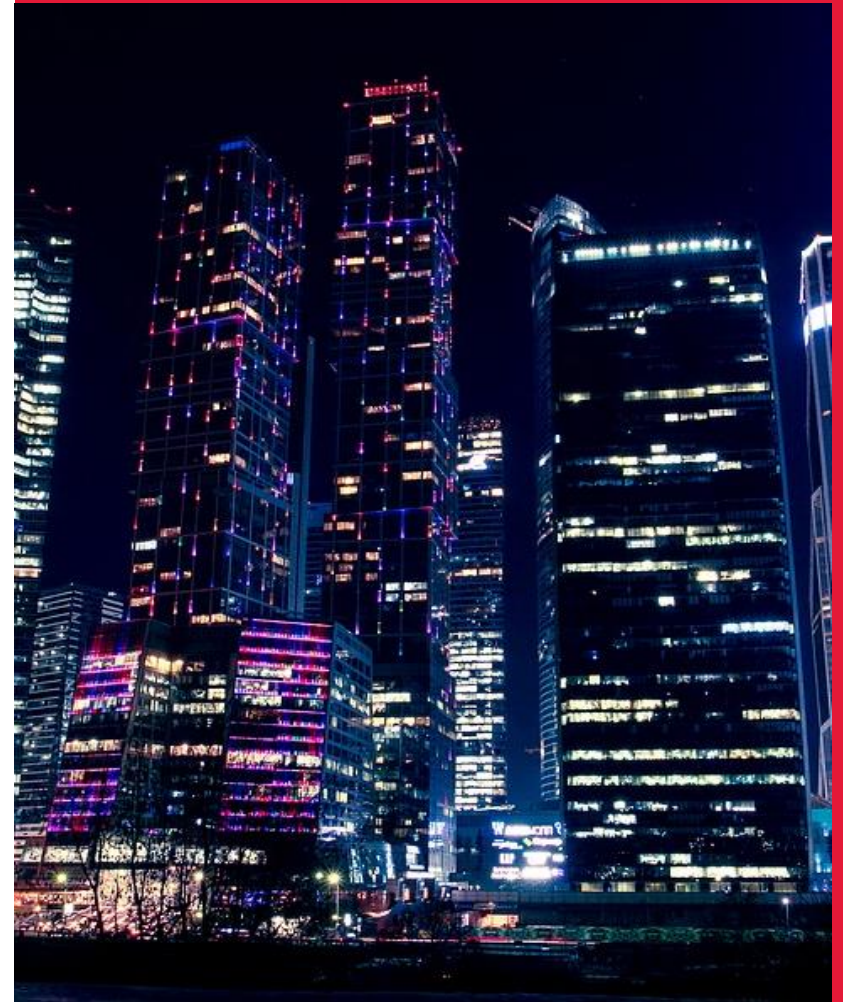
Source: Company data, management accounts as of 23.09.2019
* FID – Fund of Industrial development of the Russian Federation, the

Average interest rate at 8.71%



Source: Company data, management accounts as of 23.09.2019

Business & Outlook

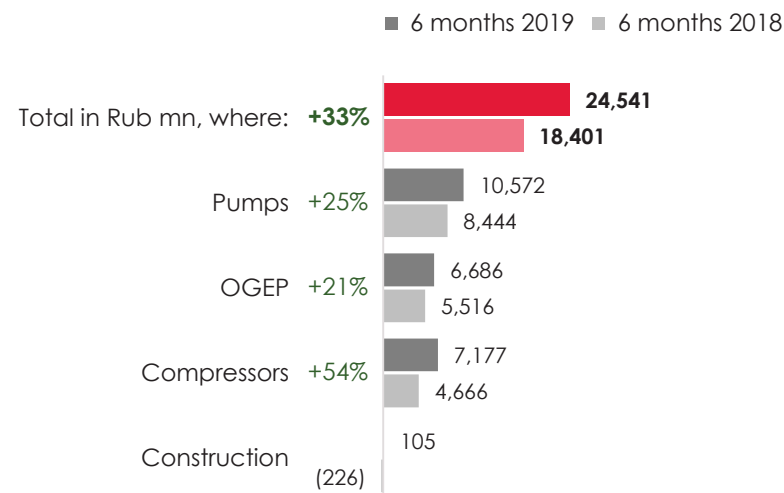
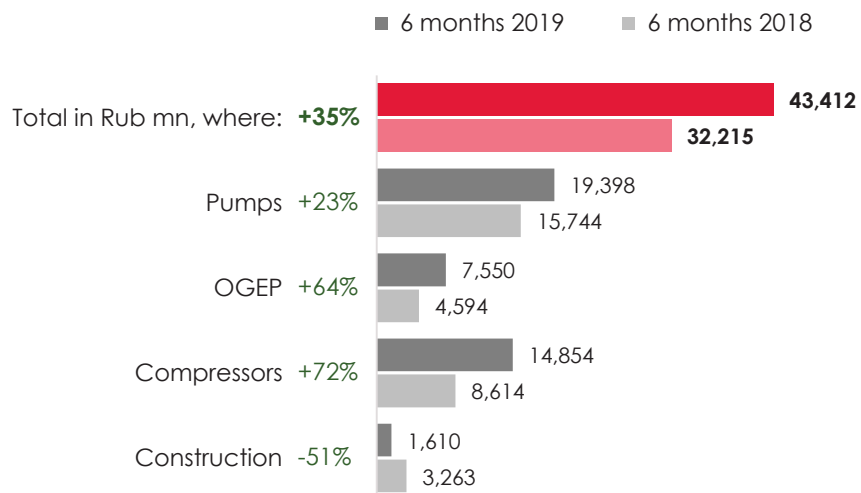


Backlog and Order intake



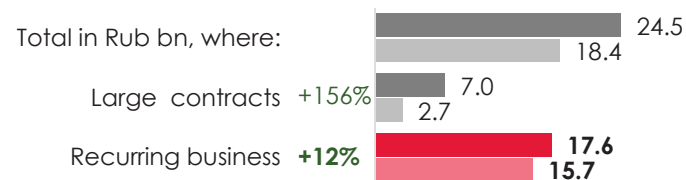
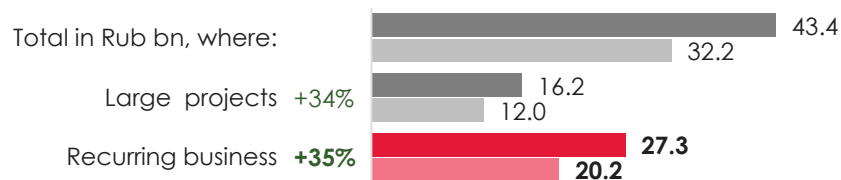
Backlog grew 35% yoy to Rub 43.4 bn based on all main business segments

Order intake grew 33% to Rub 24.5 bn because of increase in all business segments



Recurring business backlog demonstrated 35% yoy growth to Rub 27.3 bn

Recurring business order intake grew 12% yoy to Rub 17.6 bn

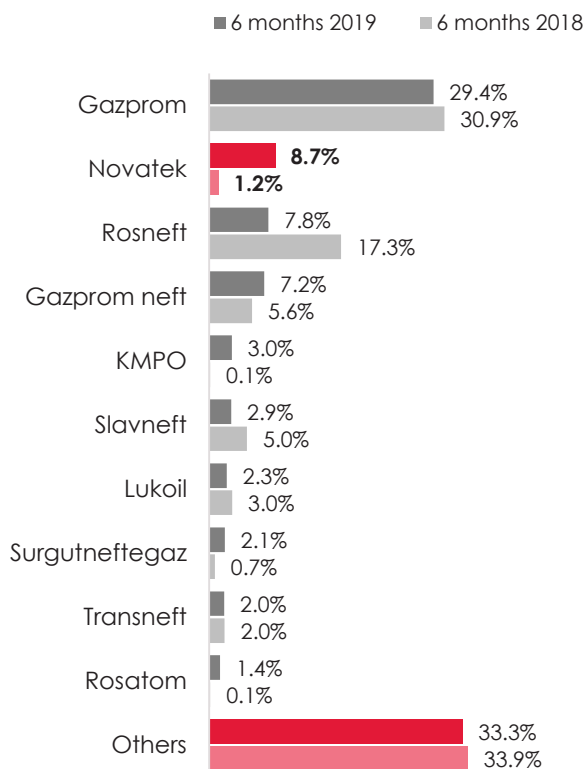


Revenue structure by clients and contracts type



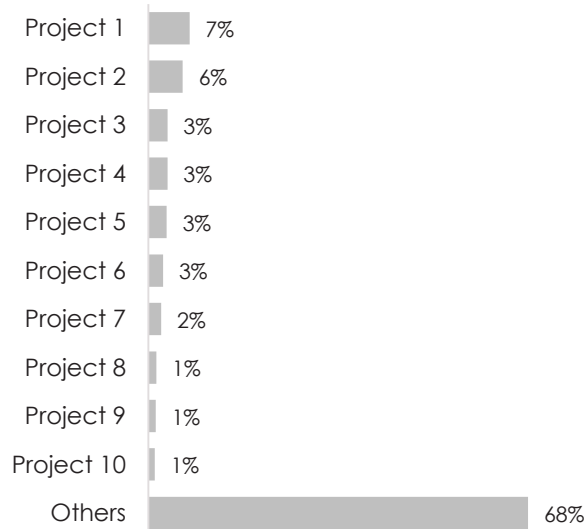
NOVATEK share grew to 8.7% from 1.2% last year, and it became the second largest HMS client

HMS widened its base of the largest clients



Share of revenue, generated by the largest contract in 1H 2019, does not exceed 10%

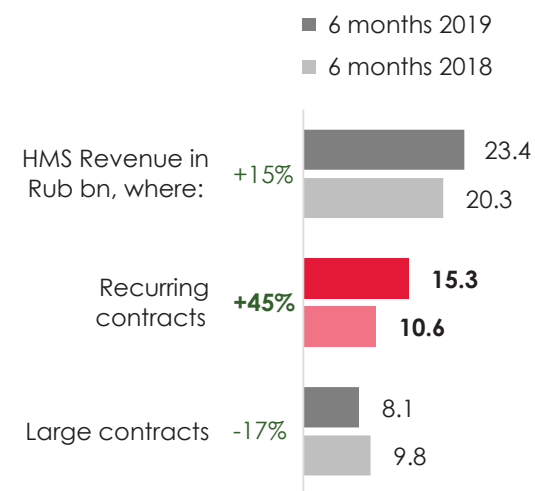
HMS Group doesn't depend on the one only contract



Recurring business generates the most of HMS revenue

- HMS revenue increased on recurring business that grew by 45% yoy to Rub 15.3 bn
- Large contracts declined 17% yoy to Rub 8.1 bn

Revenue from machine-building recurring business grew 45% yoy to Rub 15.3 bn





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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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