



Capital Markets

3m 2020 IFRS results

Investor presentation



June 8, 2020

Financial results for 3 months 2020



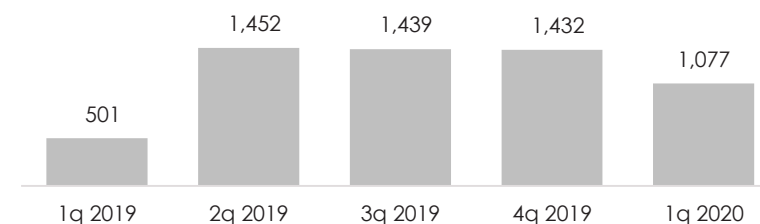
In 1Q 2020 HMS Group returns to its normal financial results



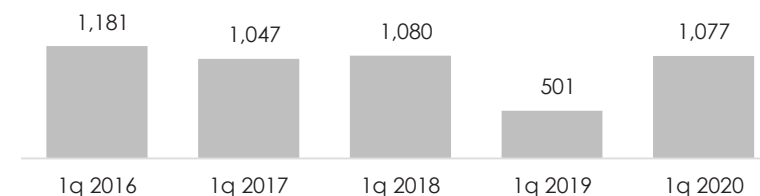
EBITDA for 1Q 2020 was Rub 1.1 bn due to recovery of Oil & gas equipment and projects

Rub mn	1q 2020	1q 2019	Chg, yoy	1q 2020	4q 2019	Chg, qoq
Revenue	9,115	8,854	3%	9,115	14,732	-38%
EBITDA	1,077	501	115%	1,077	1,432	-25%
Gross profit	1,988	1,586	25%	1,988	2,548	-22%
Operating profit/loss	265	(242)	na	265	467	-43%
Loss for the period	(153)	(498)	na	(153)	(45)	na
EBITDA margin	11.8%	5.7%	615 bps	11.8%	9.7%	210 bps
Gross margin	21.8%	17.9%	389 bps	21.8%	17.3%	451 bps
Operating margin	2.9%	-2.7%	564 bps	2.9%	3.2%	-26 bps
Loss for the period margin	-1.7%	-5.6%	394 bps	-1.7%	-0.3%	-137 bps
Total debt	21,501	18,845	14%	21,501	24,321	-12%
Net debt	12,228	14,650	-17%	12,228	14,369	-15%
EBITDA LTM	5,400	6,042	-11%	5,400	4,824	12%
Net debt/EBITDA LTM	2.26	2.42		2.26	2.98	

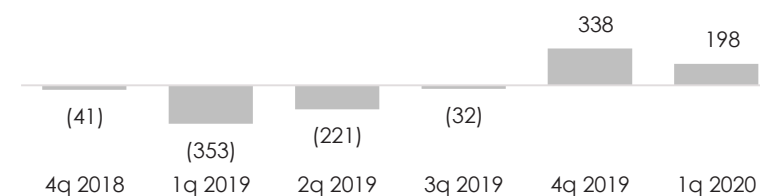
HMS EBITDA by quarters for the period 1q 2019-1q 2020, Rub mn



HMS EBITDA dynamics by 1st quarters of 2016-2020, Rub mn



EBITDA of HMS Neftemash by quarters for the period 4q 2018-1q 2020, Rub mn (*)



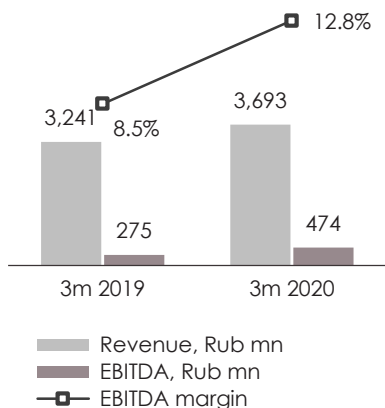
Source: Company data according to IFRS

(*) HMS Neftemash is the main production facility of the oil & gas equipment and projects business segment, and particularly its poor performance was the reason of the weak performance of the whole business segment in 2019

Segments review



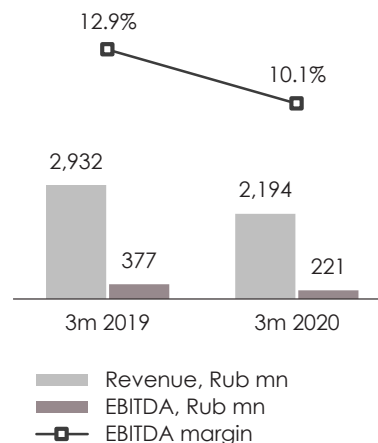
Pumps



Revenue +14% yoy
EBITDA +72% yoy

- Revenue up by 14% to Rub 3.7 bn and EBITDA up by 72% to Rub 474 mn
- EBITDA margin grew to 12.8%

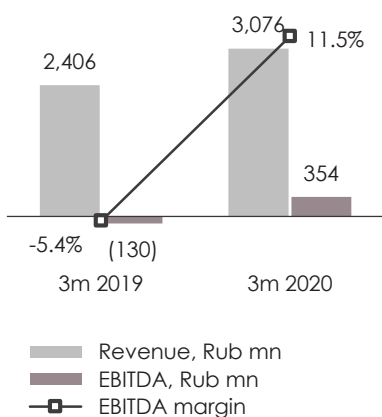
Compressors



Revenue -25% yoy
EBITDA -41% yoy

- Revenue down to Rub 2.2 bn, and EBITDA declined to Rub 221 mn, due to less revenue recognized for large contracts, compared with 3m 2019
- EBITDA margin was 10.1%

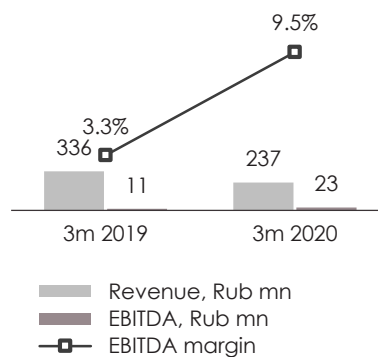
Oil & gas equipment and projects



Revenue +28% yoy
EBITDA na

- Revenue up by 28% and EBITDA reached Rub 354 mn, compared with negative EBITDA of Rub 130 mn for 3m 2019 due to the recovery of the segment's financial results

Construction



Revenue -29% yoy
EBITDA +103% yoy

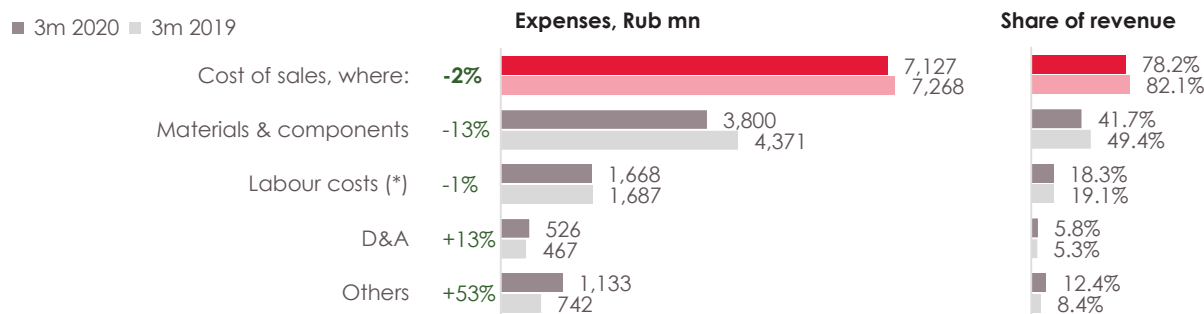
- Revenue was down by 29%
- EBITDA grew twofold to Rub 23 mn

HMS costs & expenses structure



Cost of sales down by 2% yoy

- Cost of sales declined mainly because of the decrease in materials and components (-13% yoy) because of a less share of large contracts under execution in the reporting period
- Labour costs was down by 1% and as a share of revenue equaled 18.3%, compared with 19.1% for 3m 2019



Distribution & transportation up by 13% yoy due to transportation expenses

- Growth of transportation expenses at 53% yoy was the main reason of the increase in distribution & transportation expenses, due to delivery of produced equipment to the remoted destinations under execution of large compressor contracts
- Labour costs decreased by 0.3% yoy

General & administrative was down by 7% yoy

- General & administrative expenses decreased by 7% yoy, mainly due to lower labour costs (-8% yoy)

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

(*) Herein, labour costs includes social taxes

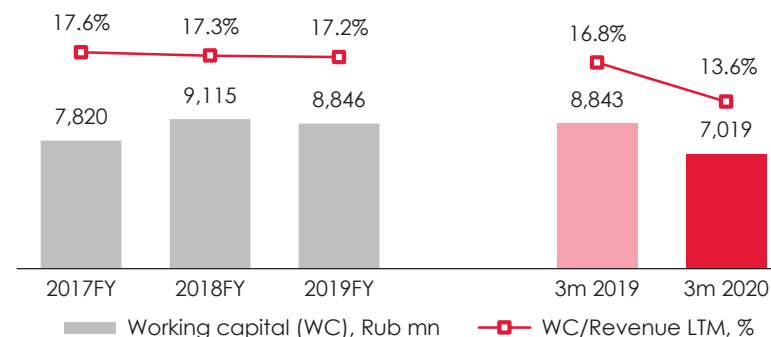
Cash flow analysis



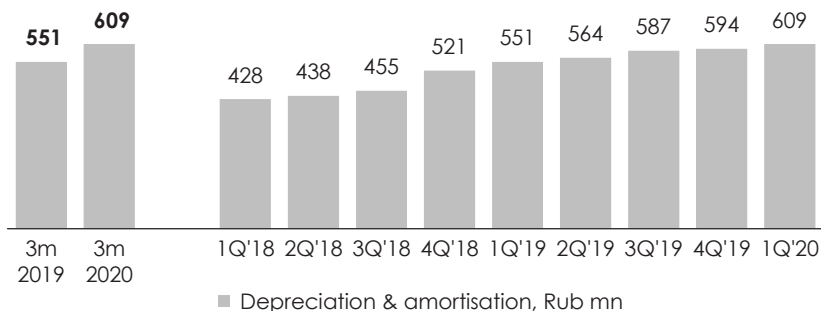
Free cash flow reached Rub 2.1 bn due to lower working capital, capex and absence of acquisitions in the reporting period

Cash flow performance, Rub mn	3m 2020	3m 2019
Operating CF	2,435	(68)
Investing CF	(344)	(1,160)
Acquisition	-	(670)
Free CF	2,091	(1,229)
Dividends	-	428

Working capital declined by 21% yoy, and equaled 13.6% as a share of revenue LTM

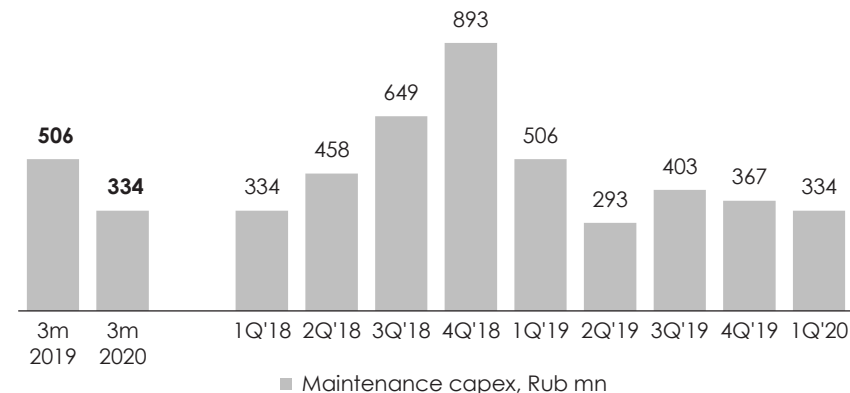


Depreciation & amortization was up 11% yoy due to business combinations in 4Q'19-1Q'20 as well as investments in capital



Capex down 34% yoy to Rub 334 mn

Capex down due to the cost-optimization program, implemented in 1H 2019 and continued in 2020



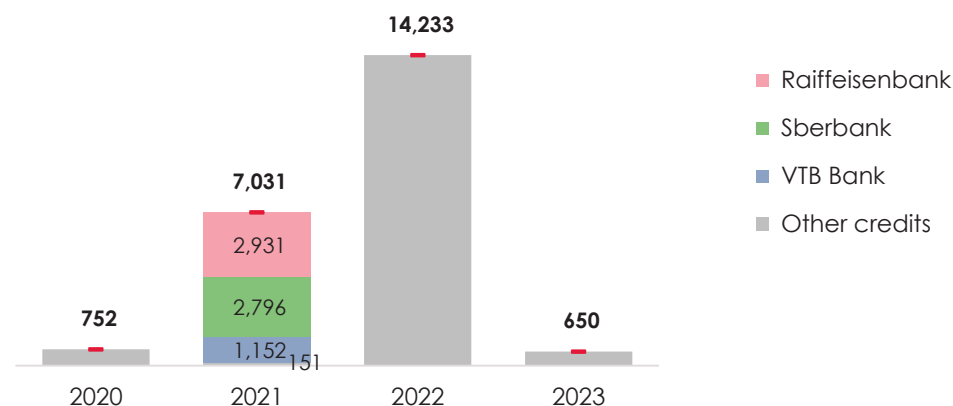
Adequate level of liquidity



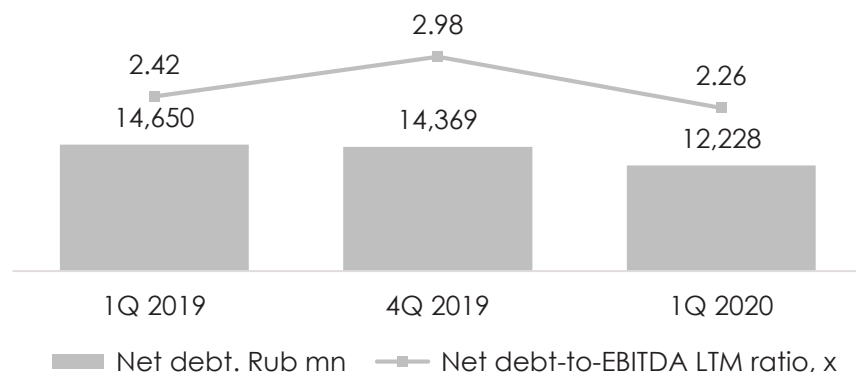
Liquidity position as of 1 May 2020 (*)

- Total debt Rub 22.67 bn
- Net debt Rub 14.51 bn
- In April, HMS attracted Rub 1.5 bn credit from VTB Bank to improve the company's liquidity cushion, that increased total debt level, compared with 1 April 2020

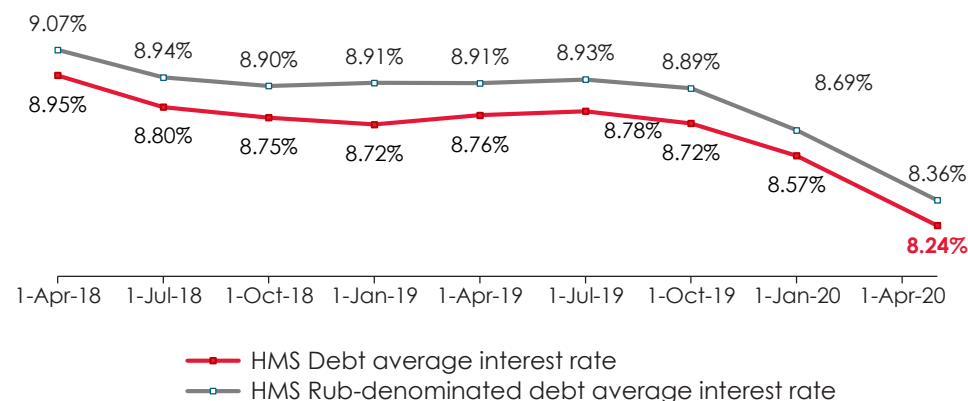
Debt repayment schedule on 1 May 2020, Rub mn



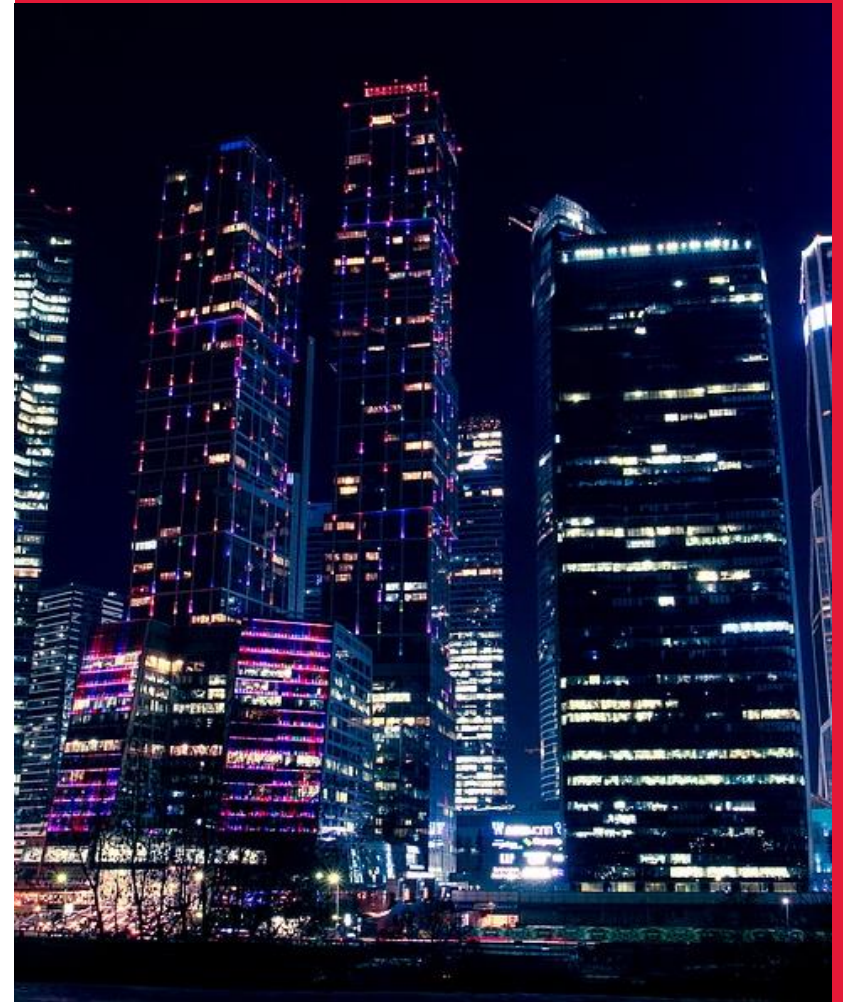
Net debt and Net debt/EBITDA LTM historical records



8.24% average interest rate on 1 May 2020



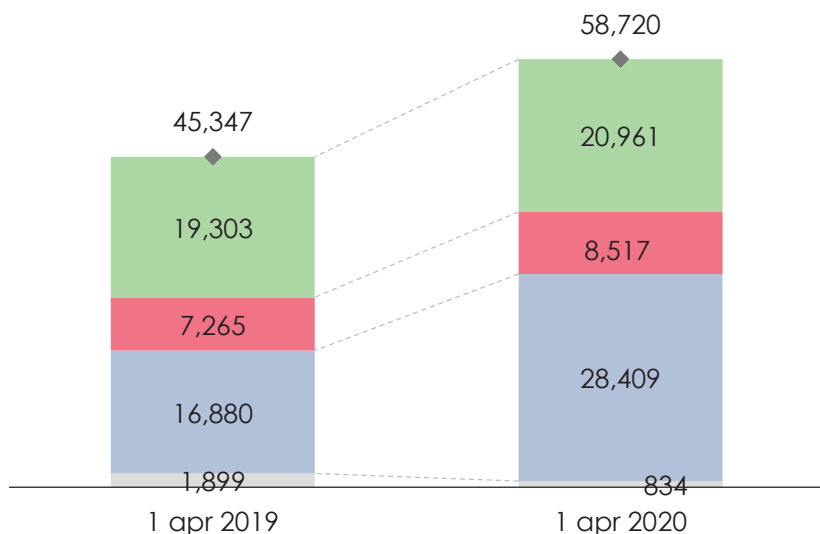
Business & Outlook



Backlog was up by 29% yoy, and order intake grew twofold

Backlog grew by 29% to Rub 58.7 bn, mainly thanks to the compressors

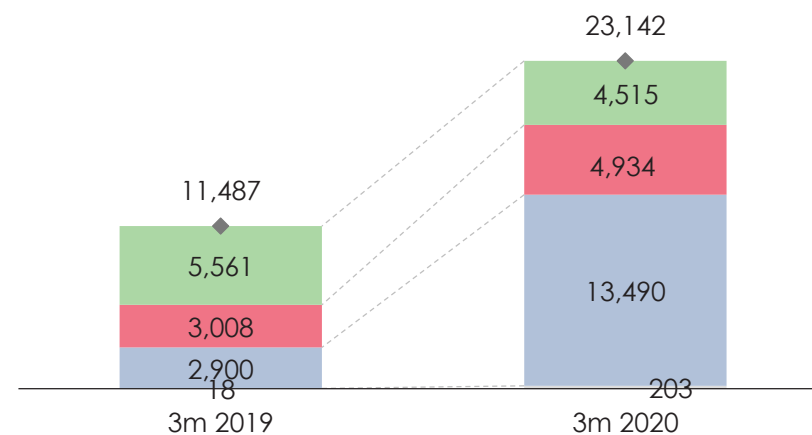
- Pumps
- Oil & gas equipment and projects
- Compressors
- Construction



	1 apr 2019	Chg, yoy	1 apr 2020
Total in Rub bn, where:	45.3	29%	58.7
Large projects	15.0	80%	27.0
Recurring business	30.3	4%	31.7

Order intake grew twofold to Rub 23.1 bn due to a large compressor contract

- Pumps
- Oil & gas equipment and projects
- Compressors
- Construction



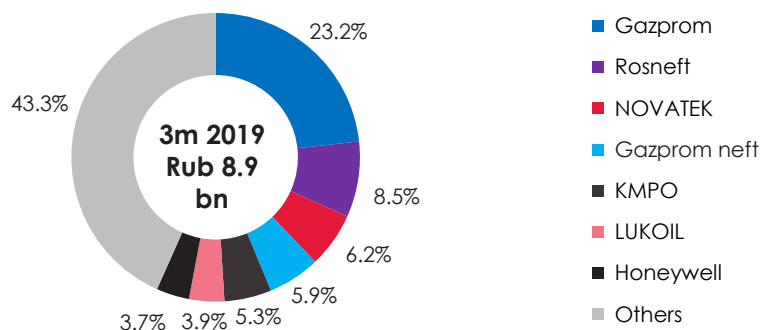
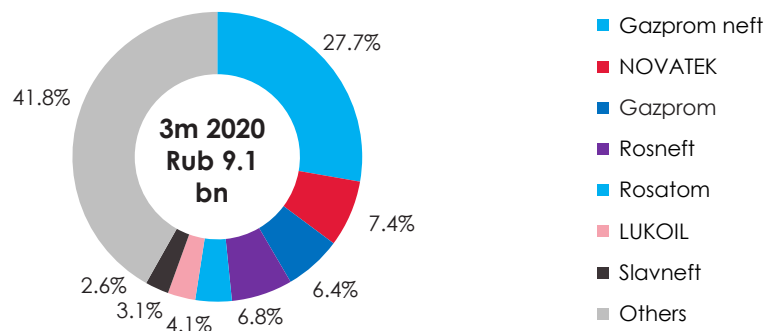
	3m 2019	Chg, yoy	3m 2020
Total in Rub bn, where:	11.5	101%	23.1
Large projects	2.3	399%	11.5
Recurring business	9.2	27%	11.6

Revenue structure by clients and contracts type



NOVATEK share grew to 7.4%

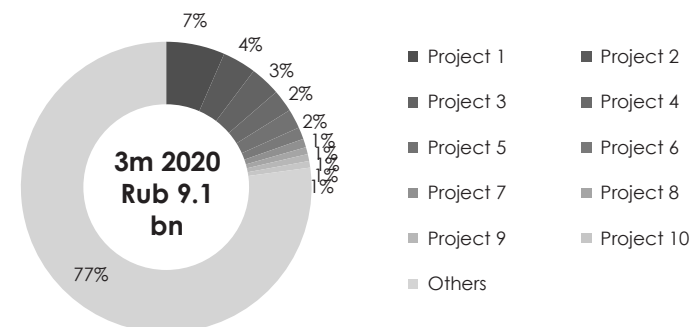
HMS widened its base of the largest clients



Share of revenue, generated by the largest contract, does not exceed 10%

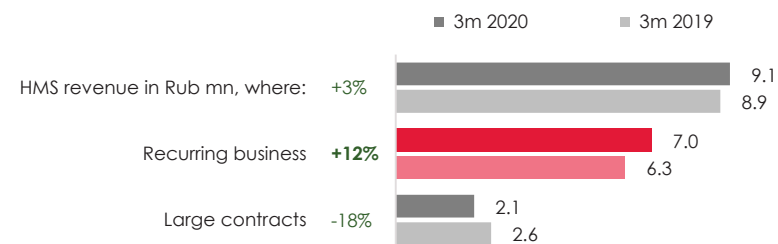
HMS Group doesn't depend on the one only contract:

10 largest projects generated only 23% of 3m 2020 revenue



Recurring business generated more than 2/3rds of HMS revenue

Revenue from recurring business grew by 12% to Rub 7 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