



HMS Group
FY 2011 IFRS Results
Conference call presentation

25 April 2012



A vertical strip of four grayscale images on the left side of the slide. 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 machine. 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 facility with various equipment and structures.

Business Strategy

Strategic Goals

Strategic Targets (set in 2010)

2011 Developments

Focus on high value-added products

- Higher margin than stand-alone products and services
- HMS Group's largest customers more often prefer to work with manufacturers that can offer integrated and customized solutions
- Creates strong ties with customers, pull-through demand for aftermarket services

- ✓ 2011 EBITDA margin 20% vs. 15.3% last year
- ✓ New large clients, including Taas-Yuryakh, BP Iraq (renovation of a water cleaning station), etc.
- ✓ Vankor-2, Turkmenia-2

Strengthen position in core markets including aftermarket and export

- Take advantage of positive market trends in existing core markets
- Organic expansion into attractive market segments
- Increase of aftermarket services component to generate higher-margin and regular cash flows
- Core export opportunities: water projects in Central Asia, Rosatom nuclear contracts, O&G in Kazakhstan and Iraq

- ✓ Organic 2011 revenue growth 16.0%
- ✓ Entrance into gas condensate and associated petroleum gas markets thanks to GTNG
- ✓ Aftermarket contract for Vankor
- ✓ Won a tender for 3 water stations in Turkmenia, and first tender won in Iraq for renovation of a water cleaning station

Expand R&D capabilities

- Leverage leading R&D capabilities in order to develop next-generation customized pumps, technological upgrades and integrated pump systems
- Work closely with customers to develop technical policies and standards

- ✓ The largest and modest testing facility in Russia and the CIS, launched in autumn 2011
- ✓ Testing of new oil pumping stations for the ESPO pipeline

Improve operational efficiency

- Commitment to integration and optimization of current production assets and commitment to increase synergies between acquired businesses
- Standardization and continuous improvement of operations and business processes (e.g. ERP, budgeting and reporting methodology and software development, etc.)

- ✓ GTNG brought new contracts, incl. Vankor-2 and Taas-Yuryakh; single procurement centers were implemented
- ✓ In 2011:
 - ✓ SpaixV3 sales solution system purchased;
 - ✓ Oracle HFM implementation launched;
 - ✓ Infor LN (ERP) installation started

Pursue selective and value enhancing acquisitions

- Our targets are technology and R&D facilities
- Pursue acquisition opportunities in high-growth sectors where HMS has limited presence
- Search for cost and revenue synergies

- ✓ In 2011, acquisitions of Bobruisk Machine Building Plant, Sibneftemash, Dimitrovgradkhimmash
- ✓ See slide 11

Financial Performance



HMS Group Financial Highlights

Financial highlights

4Q'11	3Q'11	chg, qoq	Rub, mn	2011	2010	chg, yoy
6,935	6,703	+3%	Revenue	27,496	23,070	+19%
2,026	2,056	-1%	Gross profit	8,375	5,573	+50%
1,111	1,265	-12%	EBITDA ¹	5,509	3,519	+57%
636	1,169	-46%	Operating profit	4,547	2,915	+56%
405	890	-55%	Net income (loss) ¹	3,377	1,581	+114%
6,408	5,689	+13%	Total debt	6,408	4,639	+38%
4,784	4,875	-2%	Net debt ²	4,784	4,283	+12%
0.9	0.9		Net debt to EBITDA LTM	0.9	1.2	
29.2%	30.7%	-146 bps	Gross margin	30.5%	24.2%	+630 bps
16.0%	18.9%	-285 bps	EBITDA margin ¹	20.0%	15.3%	+478 bps
9.2%	17.4%	-828 bps	Operating margin	16.5%	12.6%	+390 bps
5.8%	13.3%	-744 bps	Net income margin	12.3%	6.9%	+543 bps
			ROCE ³	34.8%	36.3%	
			ROE ⁴	40.9%	46.9%	

Source: Company data

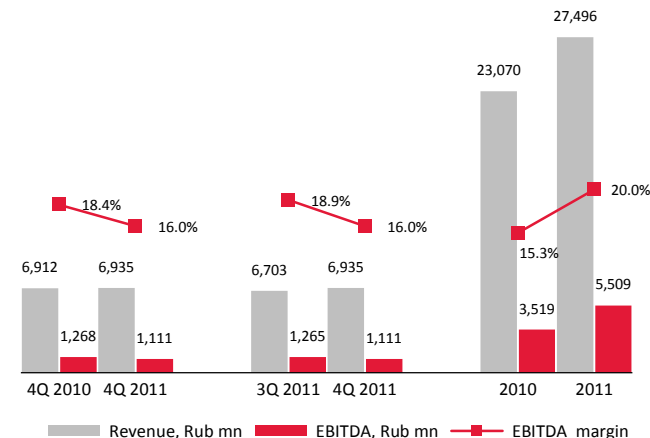
¹ Hereinafter, read EBITDA as EBITDA adjusted, Net income as Profit for the period / year, EBITDA margin as EBITDA adjusted margin

² Net debt = total debt – (cash + restricted cash)

³ ROCE = EBIT LTM / average capital employed

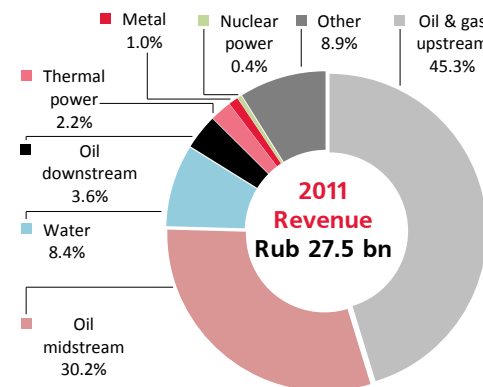
⁴ ROE = total equity period average / profit for the year

Key financials comparison



Source: Company data

Revenue breakdown by segments, 2011

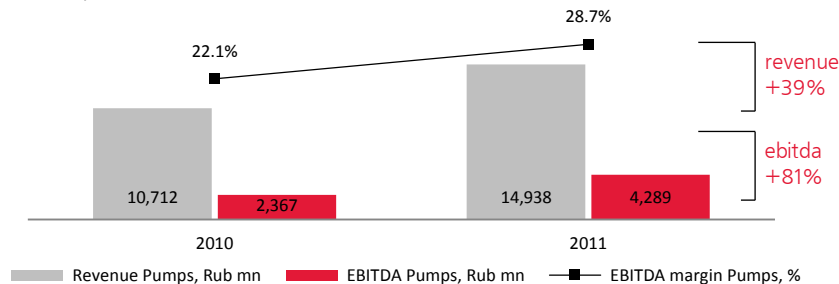


Source: Company data

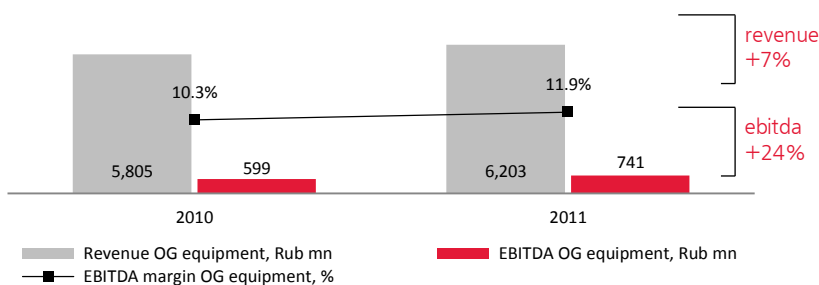
Revenue & EBITDA Contribution by Segments

Highlights by core segments, 2010 vs 2011

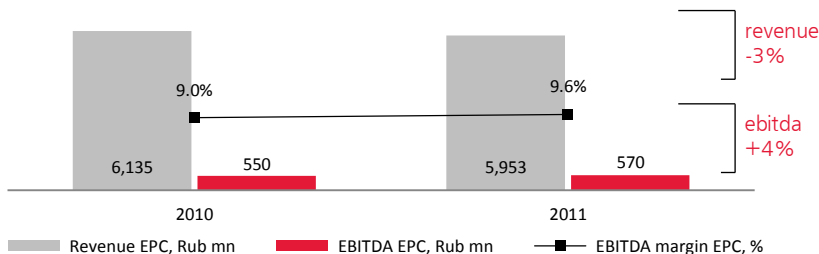
■ Pumps



■ Oil & gas equipment



■ EPC



Comments

Pumps:

- Pumps demonstrated 39% yoy revenue growth, generating Rub 14,938 mn, because of a number of large-scale projects with major customers mainly the oil transportation, oil refining and upstream segments
- 2011 EBITDA increased by 81% yoy to Rub 4,289 mn, as a result of an impact of high-margin contracts as well as improved operational performance and a generally solid market
- 2011 EBITDA margin increased to 28.7% from 22.1% in 2010

Oil & gas equipment:

- 2011 Revenue was up 7% yoy and totaled Rub 6,203 mn, compared to Rub 5,805 mn in 2010, primarily thanks to the acquisition of Sibneftemash and ongoing demand to equip new oil fields and modernize the existing ones
- 2011 EBITDA increased by 24% yoy to Rub 741 mn
- 2011 EBITDA margin was 11.9%, slightly up from 10.3% in 2010

EPC:

- 2011 Revenue contracted by 3% yoy to Rub 5,953 mn, because of lower activity in the construction sub-segment as HMS maintained its policy of only participating in construction tenders with higher than average profitability
- 2011 Construction sub-segment revenue was down by 22% to Rub 3,586 mn, but EBITDA of Rub 42 mn turned positive from negative Rub 50 mn
- 2011 Project & design sub-segment revenue grew by 55% following the consolidation of GTNG and entering the market not only in oil, but also in the gas processing
- 2011 EBITDA grew by 4% yoy, and EBITDA margin stood at 9.6% vs 9.0% last year

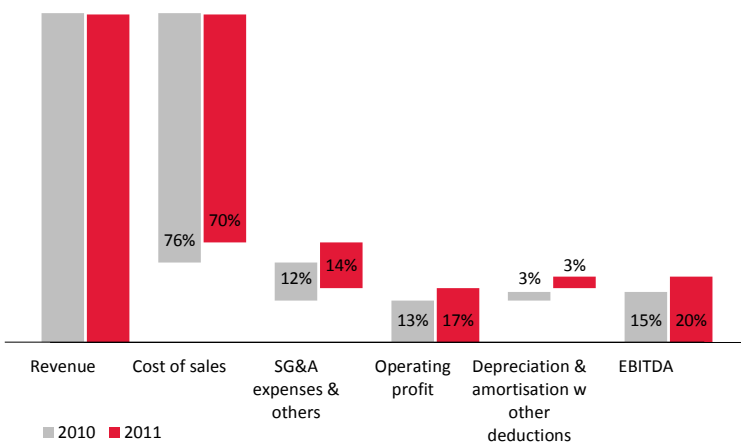
EBITDA Development in 2011

EBITDA key drivers, Rub mln



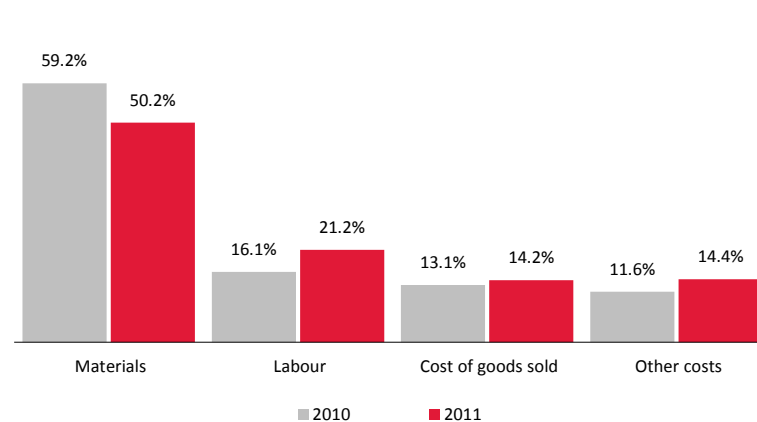
Source: Company data

EBITDA margin 2010 vs. 2011



Source: Company data

Cost of sales components 2010 vs. 2011, %

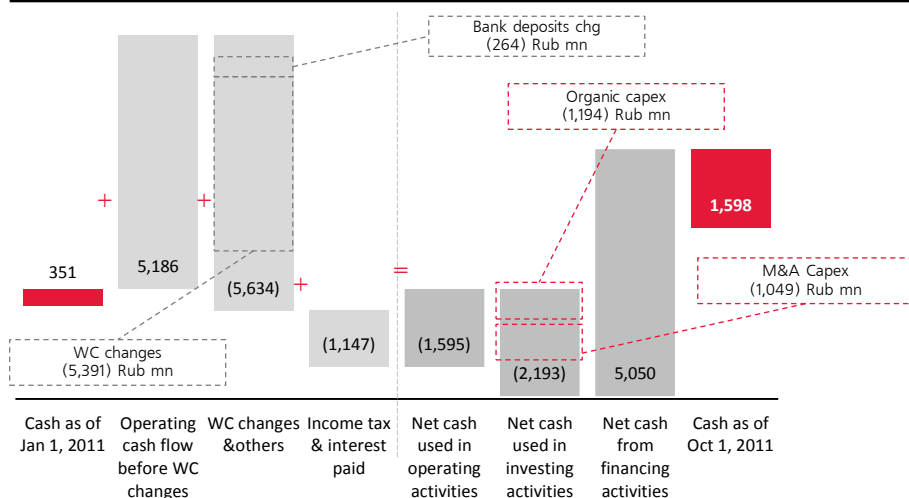


Source: Company data

CAPEX & Working Capital as of 1 January 2012

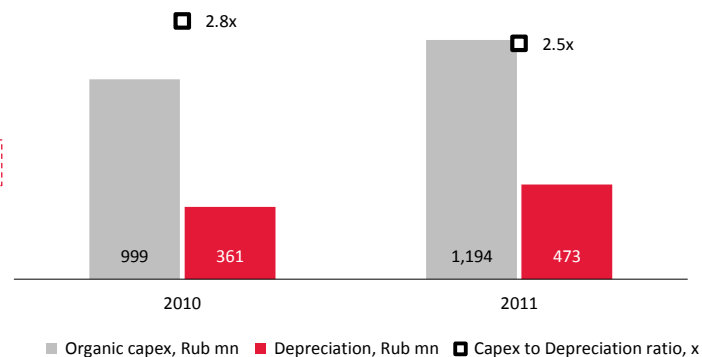


Cash flow performance in 2011, Rub mn



Source: Company data

Capital expenditures² in 2011 vs. 2010



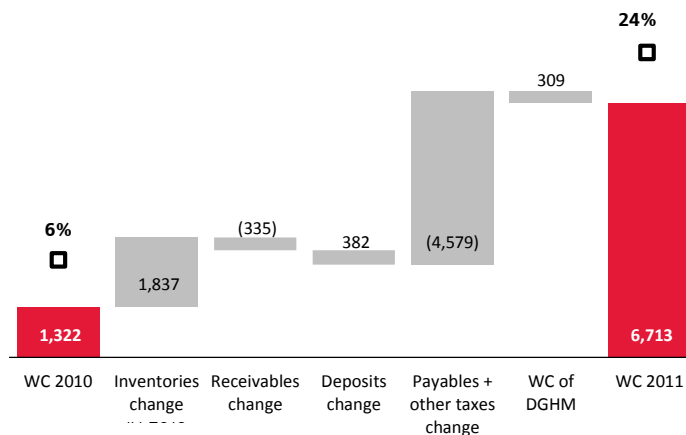
Source: Company data

Comments

- Operating cash flow before working capital changes increased to Rub 5,186 mn, compared to Rub 3,426 mn in 2010
- Net working capital increase led to net cash outflow from operating activities of Rub 1,585, compared to net cash inflow of Rub 3,575 mn in 2010, due to ongoing implementation of large-scale projects,
- HMS spent Rub 1,194 mn in 2011 for capex vs Rub 999 mn in 2010
- Payments for acquisitions of Bobruisk and Sibneftemash, net of cash acquired, totaled Rub 1,049 mn
- The purchase consideration for 11% share in DGHM of Rub 206 mn was included in accounts payable as of 31 Dec 2011. This amount was paid to the seller of the share in Jan 2012
- Working capital¹ amounted to 24% of total revenue LTM, compared to 6% in 2010

¹ Working capital = Inventories + (Receivables - Banks deposits) - (Payables + Other taxes payable) - Non-recurring items / DGHM's WC in 2011 / Organic capex = Purchase of PPE + Purchase of intangible assets

Working capital as of 1 Jan 2012, Rub mn

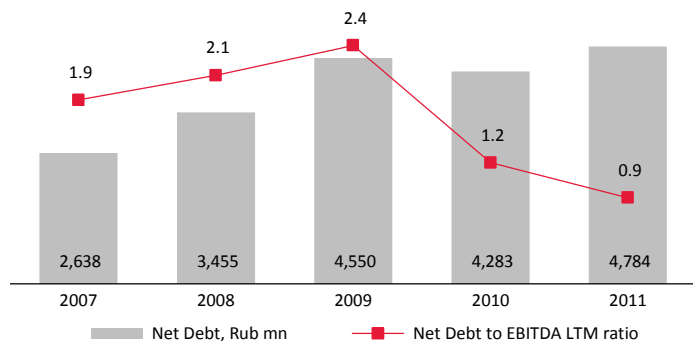


WC to Revenue LTM

Source: Company data

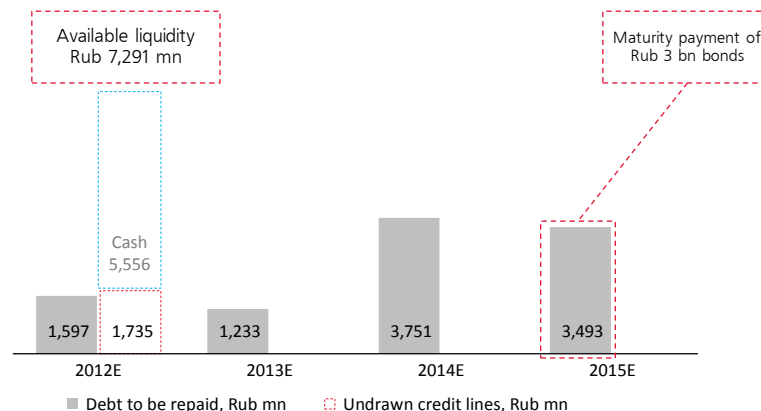
Debt Position

Moderate leverage of HMS Group



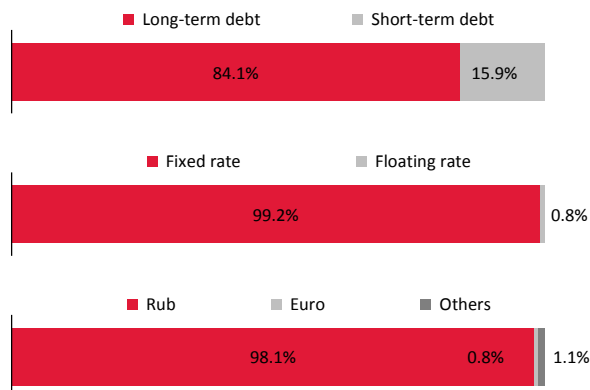
Source: Company data

Comfortable repayment schedule



Source: Company data as of 01 March, 2012

Low currency and maturity risks



S&P corporate credit rating : **BB-**
Outlook: **Stable**
Affirmed on 29 Nov 2011

Comments

- Low leveraged business profile with Net Debt to EBITDA LTM ratio of only 0.9 with internal covenant of 2.5
- Steady debt repayment schedule with negligible currency risk and prudent maturity structure
- More than 98% of Rub-nominated debt with fixed interest rate
- Successful 3-year Ruble bonds placement with coupon of 10.75%, which is cheaper than proposed loans from main Russian banks in liquidity shortage situation of Feb 2012
- Available liquidity of Rub 7,291 mn fully covers 2012E repayments
- 2011 Interest coverage ratio¹ equals 9.7
- 9.4% average interest rate

Source: Company data as of 01 March, 2012

¹ EBIT LTM / Interest expenses

Business Updated & Outlook for 2012



M&A Strategy

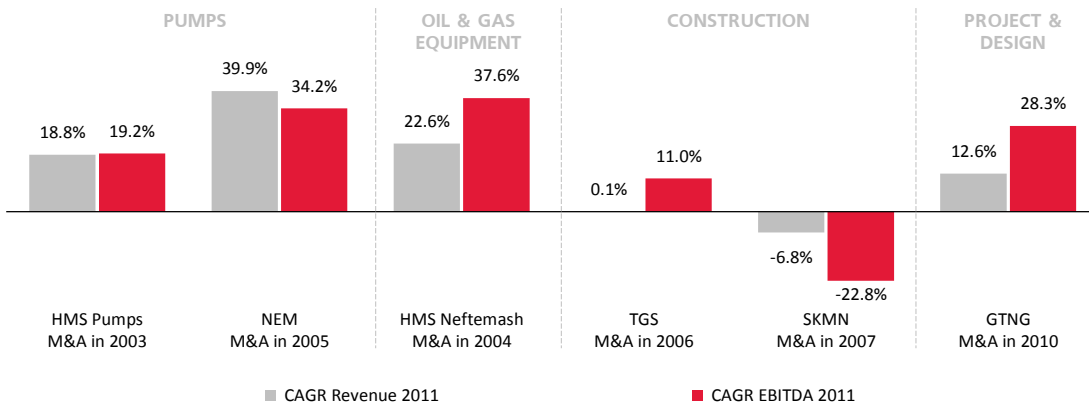
M&A strategy

- Sectors: pumps, compressors, oil & gas equipment, project & design
- Region: Russia and the CIS
- Target revenue within US\$ 20-100 mn
- Low-leveraged companies
- Friendly management

Acquisitions rationale:

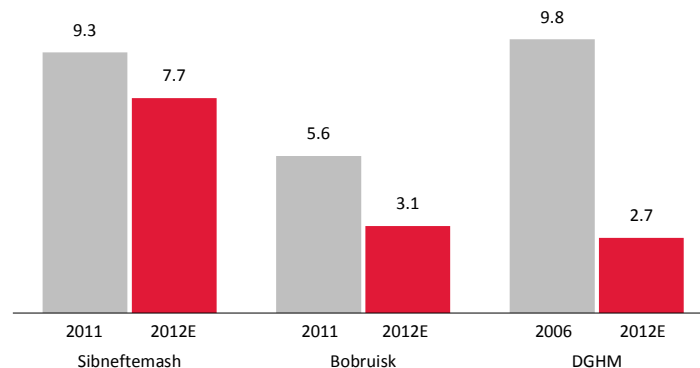
- Broadening of HMS Group's product portfolio with complementary equipment
- Potential growth of revenues and EBITDA margin of acquired companies:
 - Sales power and R&D capability of HMS Group
 - Well-known brands and/or technical equipment base of acquired companies
- Potential growth of revenues and EBITDA margin of the whole Group through integrated solutions

Proven performance of acquired companies by 2011



Source: Company data (RAS accounts)

EV/EBITDA of recent acquisitions



Source: Company data

GTNG: Synergies realized already

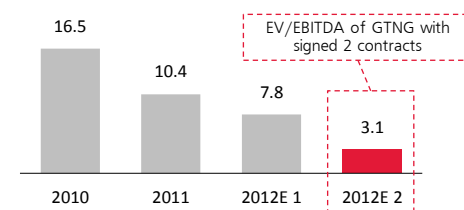
Rub 2,467 mn paid for 51%
EV Rub 4,695 mn

2010 EV/EBITDA 16.5x (EBITDA Rub 285 mn)
2011 EV/EBITDA 10.4x (EBITDA Rub 449 mn)

BUT at the end of 2011, 2 large turn-key contracts with potential EBITDA more than Rub 900 mn were signed thanks to GTNG

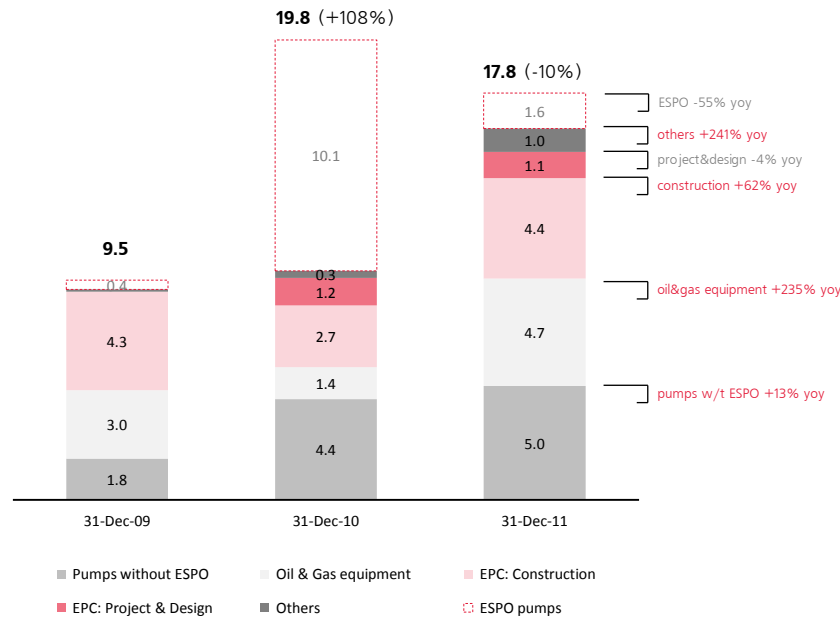
Even if only this EBITDA is added to GTNG, then:

2012E EV/EBITDA 3.1x instead of
2012E EV/EBITDA 7.8x



Backlog Evolution

Backlog in 2010-2011



Comments

In 2011, HMS managed to successfully substitute a backlog, largely associated with an ESPO-related contract, with several mid-size orders across all business segments:

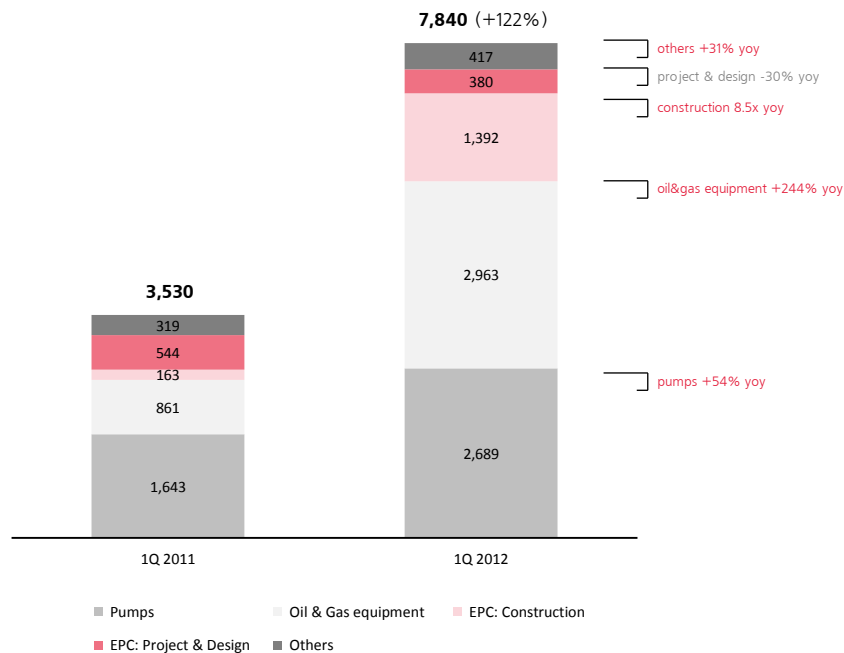
- Total backlog amounted to Rub 17.8 bn, 10% lower than in 2010
- Excluding the backlog related to the ESPO contract, it was up by 67% yoy
- Due to ongoing execution of the ESPO contract, decline of the related industrial pumps backlog was 55% yoy. As a result the ESPO-related backlog accounted for 9% of the total backlog as of December 31, 2011 vs 51% as of December 31, 2010
- Overall duration of the backlog became shorter with growing share of the contracts with maturity up to 1 year that leads to a higher average backlog-to-revenue ratio
- Generally, backlog formation depends on clients' project cycle rather than on seasonality that leads to weaken ties between the backlog in the beginning of the year and the revenue for the year
- Estimated revenue of Rub 4 bn per annum is usually not reflected as a backlog due to short-term nature of contracts.
- The backlog in the industrial pumps business segment, net of the ESPO-related backlog, grew by 13% from Rub 4.4 bn to Rub 5.0 bn, driven by numerous small-to-mid size contracts
- The backlog in the oil & gas equipment business segment grew 3.4 times from Rub 1.4 bn to Rub 4.7 bn, mainly driven by new contracts on the Vankor oilfield, Srednebotuobinskoye oilfield, as well as large contracts on delivery and installation of metering units
- The backlog in the EPC segment increased by 44% YoY from Rub 3.9 bn to Rub 5.5 bn, due to new orders in the construction sub-segment and stable order flow in the project and design

Backlog, Rub bn	31-Dec-10	31-Dec-11	Production cycle length
Pumps, total	14.5	6.5	
ESPO pumps	10.1	1.6	12-36 months
Pumps w/t ESPO	4.4	5.0	6-12 months
Oil & Gas equipment	1.4	4.7	2-8 months
EPC, total	3.9	5.5	
Construction	2.7	4.4	6-12 months
Project & Design	1.2	1.1	4-12 months
Others	0.1	1.0	
Total	19.8	17.8	
Total w/t ESPO	9.7	16.2	

Source: Company data

Order Intake in 1Q 2012

Steady growth of order intake



Comments

In 1Q 2012, order intake under management accounts continued its growth, going up by 122% yoy and amounting Rub 7,840 mn vs Rub 3,530 mn in 1Q 2011

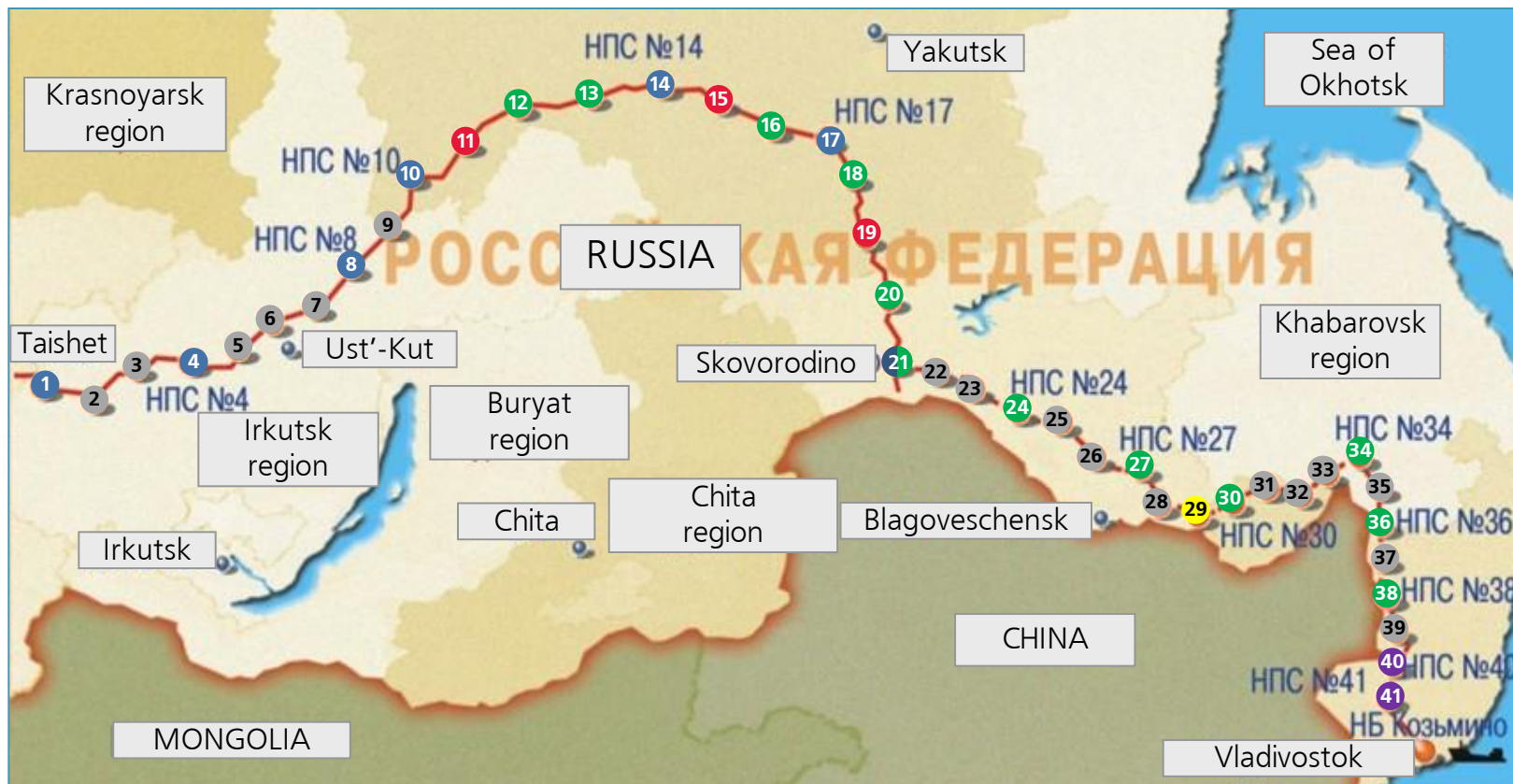
- Order intake in 1Q 2012 is just 12.8% yoy lower than in 1Q 2010, which totaled Rub 9.0 bn, including Rub 5.1 bn of the ESPO-related orders
- Industrial pumps grew by 64% yoy primarily as a result of orders increase in pumps for nuclear and thermal power, pumps for water utilities and pumps for oil refineries
- Oil & gas equipment grew by 244% yoy and amounted to Rub 2,963 mn, driven by several mid-size contracts for modular equipment, including pump stations and automated group metering units as well as orders for tanks and vessels and oilfield equipment manufactured by DGHM and Sibneftemash
- EPC rose by 151% yoy to Rub 1,772 mn thanks to several mid-size construction contracts with the expected revenue less than Rub 500 mn per contract
- Order intake for project & design services declined by 30% yoy to Rub 380 mn
- Given that currently several contracts are at a final negotiation stage and close to signing, overall backlog is expected to exceed the level of 2010, that makes the Group well-positioned to deliver positive results in 2012

	1Q 2011	1Q 2012	chg, % yoy
Pumps	1,643	2,689	+64%
Oil & Gas equipment	861	2,963	+244%
EPC	707	1,772	+151%
EPC: Construction	163	1,392	8.5x
EPC: Project & Design	544	380	-30%
Others	319	417	+31%
Total	3,530	7,840	+122%

Source: Company data, Management accounts

East Siberia – Pacific Ocean pipeline

Total number of pumping stations: 41



Number of contracted pumping stations		Number of new pumping stations for increasing capacity	
● Pumping stations under construction by HMS	12	● New stations contracted by HMS	3
● Pumping stations constructed by Sulzer	7	● New station contracted by Turbonasos	1
● Pumping stations under construction by Turbonasos	2	● New stations to be contracted	17

Selected End-market Projects for Mid-term



Our priorities for 2012 (marked with red ticks)

Project	Brief description	Completion	Key metrics	Comments
Rosneft				
✓ Vankor 2 stage	Further development. Capex for 2011 \$ 2.6 bn	next stage by 2014	Min capex Rub 480 bn	HMS won a number of tenders
Yurubcheno-Tokhomsk oilfield	Start of oil production in 2013. Oil reserves & resources 513mt	by 2013	pick production 10mtpa	
Komsomolskoe, Priobskoe oilfields	Achievement of 95% level of associated gas utilization			HMS participated in previous stages
Lukoil & Bashneft JV				
Trebs and Titov fields	JV. Project development stage. Reserves 141 mt. Start of production is expected in 2013. Max capacity 6 mtpa	by 2013	Capex c.\$ 5.9 bn	HMS has good references for previous projects
Transneft				
Tikhorestk-Tuapse-2 pipeline	Increase of the oil volume delivered to the Tuapse oil refining plant . Length of 247 km and capacity of 12 mtpa. 2 OPSs to be reconstructed	2 OPSs to be reconstructed 2013	Capex Rub c19 bn	HMS has good references
✓ ESPO expansion	OPS to be constructed to deliver oil to Khabarovsk and Komsomolsk refineries	17 OPS by 2017		HMS participated in previous stages
✓ Zapolyarye – Pur-pe pipeline	Oil transportation from YANAO and Northern Krasnoyarsk region to ESPO pipeline	4 OPS by 2016	Capex Rub 120 bn	HMS participates in a project design
Yurubcheno-Takhomskoe-Taishet pipeline	Oil transportation from Yurubcheno-Tokhomsk and Kuyumbinsk oilfields to ESPO-1. Length ~703 km. Capacity ~15mtpa	4 OPS by 4Q16	Capex Rub 96 bn	HMS participated in previous stages
TNK-BP				
Russkoe oilfield	Giant oilfield in YANAO with specific oil. Project production 20 mtpa		Capex \$ 4.5 bn	HMS participates in a project design
Samotlor	Further development of an active oilfield in Nizhnevartovsk.	by 2014	Capex \$ 4.6 bn	HMS participated in previous stages
Uvat	21 oilfields in Tyumen region			HMS participated in previous stages
✓ East- and Novo- Urengoy gas & condensate fields	Planned production for 2011 is 3.2bcm, up 17% in 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 \$3-4 bn	HMS participated in previous stages
Gazprom				
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
Gazprom Neft				
Priobskoe oilfield	Western Siberia. Recoverable reserves ~600 mt			HMS participates in a project design
Kuyumbinskoe oilfield	50/50 w TNK-BP thru Slavneft. Reserves C1 65 mt, C2 151 mt			
Sberbank Capital				
✓ Dulisma oilfield	Irkutsk region. Further development. 3 rd 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	
Refineries				
	Refineries located in Central and Privolzhskiy Federal district		Capex Rub121 bn	
Iraq				
✓ Rumaila brownfield	Consortium headed by BP		Capex \$ 15 bn	HMS submitted technical survey
Az Zubair	Consortium headed by Eni		Capex \$ 20 bn	HMS participates in a tender
Water utilities				
✓ Central Asia	Irrigation stations for Uzbekistan and Turkmenia			HMS has good references
Nuclear				
✓ Rosatom	Pumps for 2 blocks in China	By 2014	Tenders Rub 700 mn	HMS has good references

Source: Public information, Company data as of 1 March, 2012

Contacts and HMS Group Key Details

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HMS Hydraulic Machines & Systems Group Plc is listed on the London Stock Exchange

Identifier	Number	Number of shares outstanding
ISIN	US40425X2099	117,163,427
Ticker	HMSG	
Bloomberg	HMSG LI	
Reuters	HMSGq.L	

Credit Rating

Standard & Poor's

BB- (Outlook stable) affirmed on 29 November, 2011

A vertical strip of four grayscale images on the left side of the page. From top to bottom: 1. Large industrial pipes or tanks. 2. A close-up of a mechanical component. 3. A large industrial structure, possibly a crane or conveyor system. 4. A factory floor with various equipment and machinery.

Appendix

Statement of Financial Position



	Note	31 December 2011	31 December 2010
ASSETS			
Non-current assets:			
Property, plant and equipment	7	8,225,805	5,948,674
Other intangible assets	8	497,871	310,156
Goodwill	9	2,359,726	1,783,915
Investments in associates	11	129,805	507,141
Deferred income tax assets	26	207,383	130,779
Other long-term receivables	15	62,873	27,123
Total non-current assets		11,483,463	8,707,788
Current assets:			
Inventories	13	4,677,514	2,840,745
Trade and other receivables and other financial assets	14	10,065,000	10,399,853
Current income tax receivable		33,556	38,086
Prepaid expenses		82,963	39,361
Cash and cash equivalents	12	1,598,463	351,086
Restricted cash	12	25,313	4,978
		16,482,809	13,674,109
Non-current assets held for sale	16	49,402	96,095
Total current assets		16,532,211	13,770,204
TOTAL ASSETS		28,015,674	22,477,992
EQUITY AND LIABILITIES			
EQUITY			
Share capital	24	48,329	42,510
Share premium	24	3,523,535	210,862
Other reserves		122,852	38,987
Currency translation reserve		(228,760)	(234,785)
Retained earnings		6,116,729	2,897,296
Equity attributable to the shareholders of the Company		9,582,685	2,954,870
Non-controlling interest		2,477,177	1,508,263
TOTAL EQUITY		12,059,862	4,463,133
LIABILITIES			
Non-current liabilities:			
Long-term borrowings	17	4,433,984	3,864,176
Finance lease liability	18	-	9
Deferred income tax liability	26	1,091,372	745,762
Pension liability	19	334,267	262,525
Provisions for liabilities and charges	23	31,352	35,691
Other long-term payables		20,971	-
Total non-current liabilities		5,911,946	4,908,163
Current liabilities:			
Trade and other payables	21	6,646,612	10,799,358
Short-term borrowings	17	1,973,886	775,242
Provisions for liabilities and charges	23	452,649	312,213
Finance lease liability	18	9	8,446
Pension liability	19	32,333	24,736
Current income tax payable		293,640	115,340
Other taxes payable	22	644,737	1,071,361
Total current liabilities		10,043,866	13,106,696
TOTAL LIABILITIES		15,955,812	18,014,859
TOTAL EQUITY AND LIABILITIES		28,015,674	22,477,992

Statement of Comprehensive Income



	Note	2011	2010
Revenue	27	27,495,553	23,070,014
Cost of sales	28	(19,120,851)	(17,496,664)
Gross profit		8,374,702	5,573,350
Distribution and transportation expenses	29	(1,070,407)	(573,198)
General and administrative expenses	30	(2,513,448)	(1,973,382)
Other operating expenses, net	31	(319,695)	(112,149)
Excess of fair value of net assets acquired over the cost of acquisition	10	21,304	-
Gain on revaluation of investment in associate upon acquisition of controlling share	10,11	54,948	-
Operating profit		4,547,404	2,914,621
Finance income	32	120,131	57,089
Finance costs	33	(493,909)	(823,391)
Share of results of associates	11	93,341	15,108
Profit before income tax		4,266,967	2,163,427
Income tax expense	26	(890,434)	(582,299)
Profit for the year		3,376,533	1,581,128
Profit attributable to:			
Shareholders of the Company		3,224,719	1,469,116
Non-controlling interest		151,814	112,012
Profit for the year		3,376,533	1,581,128
Currency translation differences		(25,251)	(85,899)
Currency translation differences of associates	11	5,092	1,540
Other comprehensive loss for the year		(20,159)	(84,359)
Total comprehensive income for the year		3,356,374	1,496,769
Total comprehensive income attributable to:			
Shareholders of the Company		3,230,744	1,402,382
Non-controlling interest		125,630	94,387
Total comprehensive income for the year		3,356,374	1,496,769

Cash Flow Statement


	Note	2011	2010
Cash flows from operating activities			
Profit before income tax		4,266,967	2,163,427
Adjustments for:			
Depreciation and amortisation	7,8	614,398	449,776
Loss from disposal of property, plant and equipment and intangible assets	31	8,432	938
Finance income	32	(120,131)	(57,089)
Finance costs	33	493,909	823,391
Pension expenses	19	27,555	33,808
Warranty provision	28	31,855	51,109
Write-off of receivables		2,236	23,931
Interest expense related to construction contracts		-	17,408
Provision for impairment of accounts receivable	30	(23,012)	(13,023)
Impairment of taxes receivable	31	-	10,052
Investments impairment provision	31	-	(1,338)
Provision for obsolete inventories	28	28,354	(107,634)
Provision for VAT receivable	30	(9,185)	(10,887)
Provisions for legal claims	30	(21,852)	34,073
Excess of fair value of net assets acquired over the cost of acquisition	10	(21,304)	-
Foreign exchange loss, net	31	45,291	-
Gain on revaluation of investment in associate upon acquisition of controlling share	10,11	(54,948)	-
Net monetary effect on non-operating items		10,371	-
Share of results of associates	11	(93,341)	(15,108)
Impairment of property, plant and equipment and intangible assets	7,8,28	-	19,288
Loss from disposal of subsidiaries		-	4,360
Other non-cash items		-	(646)
Operating cash flows before working capital changes		5,185,595	3,425,836
(Increase)/decrease in inventories		(1,330,185)	452,945
Decrease/(increase) in trade and other receivables		1,007,012	(6,921,060)
(Decrease)/increase in taxes payable		(518,016)	674,369
(Decrease)/increase in accounts payable and accrued liabilities		(4,772,053)	7,063,530
Restricted cash		(20,335)	(4,073)
Cash (used in)/generated from operations		(447,982)	4,691,547
Income tax paid		(653,314)	(277,738)
Interest paid		(493,899)	(838,533)
Net cash (used in)/from operating activities		(1,595,195)	3,575,276
Cash flows from investing activities			
Repayment of loans advanced		4,174	3,139
Loans advanced		(3,317)	(5,498)
Proceeds from sale of property, plant and equipment and intangible assets		14,473	24,585
Interest received		20,124	56
Dividends received	11	14,670	16,800
Purchase of property, plant and equipment		(1,139,198)	(950,275)
Acquisition of intangible assets		(55,080)	(48,681)
Acquisitions of subsidiaries, net of cash acquired	10	(1,049,184)	(2,339,457)
Proceeds from disposal of subsidiaries, net of cash disposed		-	7,475
Net cash used in investing activities		(2,193,338)	(3,291,856)
Cash flows from financing activities			
Repayments of borrowings		(10,905,256)	(9,034,047)
Proceeds from borrowings		12,616,367	8,800,148
Payment for finance lease		(8,457)	(12,663)
Acquisition of non-controlling interest in subsidiaries		-	(578,844)
Proceeds from share issue		3,517,161	-
Expenses related to share issue		(153,636)	(58,049)
Cash received from capital contribution		-	85,817
Cash received from additional share issue of subsidiary		-	428,420
Dividends paid to non-controlling shareholders of subsidiaries		(16,513)	(320,458)
Net cash from/(used in) financing activities		5,049,666	(689,676)
Net increase/(decrease) in cash and cash equivalents		1,261,133	(406,256)
Inflation effect on cash		(10,770)	-
Effect of exchange rate changes on cash and cash equivalents and effect of translation to presentation currency		(2,986)	(785)
Cash and cash equivalents at the beginning of the year		351,086	758,127
Cash and cash equivalents at the end of the year		1,598,463	351,086

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 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 Distribution & transportation expenses minus General & administrative expenses
- Total debt is calculated as Long-term borrowings plus Short-term borrowings
- Net debt is calculated as Total debt minus (Cash & cash equivalents at the end of the period + Restricted cash)
- Working capital is calculated as Inventories plus (Trade and other receivables minus Bank deposits) minus (Trade and other payables + Other taxes payable) minus Non-recurring items
- ROCE is calculated as EBIT LTM divided by Average Capital Employed (total debt + total equity), where EBIT equals Gross profit minus SG&A, and Total debt equals the above formula
- 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

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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 industrial machinery with pipes and valves. 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.

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