

Investment Thesis

The investment case



1 ATTRACTIVE MARKET FUNDAMENTALS WITH DEVELOPED OIL AND GAS SECTOR, PLAYING CRUCIAL ROLE IN EMERGING RUSSIAN ECONOMY

As western economies stagnate, Russia becomes especially attractive emerging, fast-growing market with oil and gas sector playing a crucial role for the whole economy. Russian oil and gas majors are incentivized to invest in development of the oil and gas infrastructure and secured a large Capex for coming years. This allows us to benefit from the long-term growth drivers in their industries.

2 LEADING MARKET POSITIONS ALMOST IN ALL THE SEGMENTS, WHERE WE ARE REPRESENTED

The largest installed base in Russia supports a stable and resilient flow of orders for replacement, upgrade, modernisation and maintenance of the operating equipment, while advanced R&D capabilities allows to offer customers high value-added integrated solutions, which associated with higher margin, large contracts size and offer aftermarket opportunities.

3 UNIQUE R&D BASE GIVES ABILITY TO PROVIDE HIGH-MARGIN INTEGRATED SOLUTIONS

Strong focus on R&D is our core advantage, which allows us to provide complex integrated solutions. HMS Group combines leading pump R&D centers, including design centers and research institutes at the production facilities, independent research and development centers in HQ and in the production regions in Russia and CIS, as well as a center of innovative technologies complying with API standards in Germany.

4 WELL-ESTABLISHED CUSTOMER BASE AND STRONG RELATIONS WITH RUSSIAN OIL & GAS MAJORS AND POWER COMPANIES

Well-diversified "blue-chip" client base of more than 3,000 customers, including numerous subsidiaries of Russian largest oil & gas and energy companies.

5 HISTORY OF RESILIENT FINANCIAL GROWTH

Founded from scratch in 1993 as a pump trading and servicing company, HMS has grown organically and pursuing active M&A policy completed 20 acquisitions aimed at either adding products to the portfolio or expanding into the adjacent business areas. Thus, since 2003 HMS Group consolidated a number of leading pumps and equipment manufacturers in former Soviet Union and formed leading industrial group with 2012 annual revenue of Rub 33.7 bn. In 2012, we added compressor business arm and acquired a German manufacturer of specialized pumps for oil refineries, power and off-shore applications.

6 DEDICATED MANAGEMENT TEAM COMPRISED OF FOUNDERS AND SHAREHOLDERS

HMS Group has been running by the strong management team with sound track record that proved its ability to deliver organic growth and make value-accretive acquisitions. Management team includes founders of the Group, with HMS being a core business for the largest shareholders.

7 ATTRACTIVE DIVIDEND POLICY

According to our policy, not less than 25% of profit for the year in accordance with IFRS is distributed for dividends among our shareholders.

