

FINANCIAL PERFORMANCE

Cash flows performance*

<i>Rub million</i>	2013	2012	Change y-o-y
Net cash from operating activities	4,728	3,322	42%
Net cash used in investing activities	(2,420)	(8,310)	(71)%
Net cash (used in)/from financing activities	(2,072)	4,864	(143)%
Free cash flow (FCF)	2,308	(4,988)	(146)%

*from continuing operations

Operating cash flow for 12 months 2013 grew by 42% from Rub 3,322 million to Rub 4,728 million.

Working capital totaled Rub 5,198 million, down 23% year-on-year to Rub 5,198 million and comprised 16% of total revenue versus 21% for the previous period. Key factors beyond working capital decline were optimisation of payables and receivables; payments received under executed large contracts; advance payments under new contracts.

Absence of large M&A deals substantially decreased outflow from investing activities, which equaled to Rub - 2,420 million (-71% year-on-year). Capital expenditures were up 7% to Rub 1,553 million for 12 months 2013.

Rub 2,072 million outflow of net cash used in financing activity was mostly attributable to repayments of borrowings and dividend payments.

Free cash flow turned positive and totaled Rub 2,308 million for 12 months 2013.

Debt and liquidity position

<i>Rub million</i>	2013	2012	Change y-o-y
Total debt	12,687	13,410	(5)%
Long-term debt	11,522	11,220	3%
Short-term debt	1,165	2,191	(47)%
Cash and cash equivalents at the end of the period	1,584	1,346	18%
Net Debt	11,102	12,064	(8)%
Net Debt/EBITDA	2.12	1.98	

Net Debt and Net Debt/EBITDA may differ from the calculations of numbers as a result of rounding

HMS Group significantly reduced its total debt at 2013-end to Rub 12,687 million from Rub 16,202 million on 1 October 2013. Debt reduction was a result of managerial activities on working capital optimisation, including more active work with suppliers and decrease in inventories, and large payments received on new and some executing contracts. By the end of the year, over 90% of the total debt was represented by long-term facilities.

Net debt decreased to Rub 11,102 million, while Net debt-to-EBITDA ratio amounted to 2.1x. Under a new Net debt-to-EBITDA bank maintenance covenant with a 4.5x threshold, it implies ample headroom for the next 12 months.

As of 1 January 2014, an average interest rate was 9.5% for all loans, including FX-denominated.

Solid liquidity position with Rub 1.6 billion in cash covered HMS's short-term debt of Rub 1.2 billion, with

committed unused credit lines of Rub 3 billion.