2013 YEAR IN CONTEXT

January

Apollo Goessnitz GmbH (Apollo) produced a unique horizontal 12-stage barrel pump with back-to-back design for *Uralchem*, one of the largest producers of nitrogen and phosphate fertilizers in Russia and the CIS. The pump is designed for a maximum discharge pressure of 242 bars at 130°C and an output 150 м³ per hour and is used for carbamate transfer. A special heating jacket is installed to secure the temperature of the medium being handled and its viscosity.

February

HMS Group successfully placed a Rub 3 billion bond issue of by *Hydromashservice (HMS)*, the main operational subsidiary of the Group. The coupon rate was set at 10.10% pa. The maturity was 5 years with a 3-year put option and semi-annual coupon periods.

March

Kazankompressormash (KKM) signed a contract with *Lenniikhimmash,* the leading Russian engineering company for the design and manufacturing of units for natural and associated gas, to supply compressor equipment for *Lukoil's* enterprises.

April

Apollo Goessnitz GmbH (Apollo) produced pumps for the *Novokuibyshevsk* petrochemical plant, a subsidiary *of Rosneft,* in the Samara region to transfer wax bearing products. The pump skid was equipped with an electric motor, a gear box, a pressurised seal system, an API 53A termosyphon system and a vibration measurement gauge by Bently Nevada.

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HMS Group signed a Rub 1.3 billion contract for the delivery of an associated gas compressor station with three turbo compressors, designed and manufactured by *Kazankompressormash (KKM).* In addition to the compressor units, the scope of supplied equipment included a fuel gas conditioning package, separator facilities, heat ventilation and air conditioning systems, tanks and vessels, fire fighting skids and other equipment.

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In a series of transactions HMS Group acquired a controlling stake (95.36% of the share capital) in NIITurbokompressor (NIITK), the leading Russian R&D institute focused on compressor technologies located in Kazan, Tatarstan, for a total consideration of Rub 321 million. As a part of the deal, the Group also increased its stake in Kazankompressormash (KKM) from 75% to 90% of voting shares.

May

HMS Group delivered a compressor unit for compressing butylrubber to *Panjin Heyun New Materials Co. Ltd*, a Chinese petrochemical company. The unique compressor unit, with an output of 387 м³ per minute and a discharge pressure of 1.2MPa was designed by *Kazankompressormash (KKM)*.

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Kazankompressormash (KKM) delivered 5 modular spiral TAKAT compressor units to *Ugansknefteqas,* a subsidiary of *Rosneft.* The compressor unit, which is designed with an intake pressure of 2.7kgs/cm² and a discharged pressure of 17 kgs/cm² to compress and transport associated gas for further processing, is an innovative product from *NIITurbokompressor (NIITK).*

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Nasosenergomash (NEM) received design and production quality certificates from the Chinese nuclear safety regulator (NNSA) for its pumps for nuclear power plant applications. These certificates (in effect till 2017) are mandatory for foreign companies working on projects in the Chinese nuclear industry.

June

As a part of its large-scale modernisation programme, *Nasosenergomash (NEM)* put into operation a new casting shop with an annual capacity of up to 4 thousand tonnes.

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Apollo Goessnitz GmbH (Apollo) manufactured and supplied vertical high-pressure pumps for one of the world's largest oil and gas platforms, Troll A, in the North Sea, operated by *Statoil*, an international energy company.

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On June 24, 2013, the Annual General Meeting of Shareholders of HMS Group was held. The shareholders approved the Company's annual report for 2012 and the consolidated and stand-alone financial statements of the Group for 2012, re-elected Mr. Artem Molchanov, Mr. Nikolay Yamburenko and Mr. Gary Stuart Yamamoto as Directors, voted for the payment of dividends in the amount of Rub 6.82 per GDR, and appointed *Price Waterhouse Coopers Limited (Cyprus)* as the Group's auditors.

July

HMS Group concluded a Rub1.5 billion contract with *Transneft* for the production and delivery of 8 trunk pipeline pump units for the Zapolyarye — Purpe oil pipeline. The 500 km pipeline is located in the Yamalo-Nenetsk region and has a designed annual capacity of 45 million tonnes of oil.

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R&D institute *Giprotumenneftegaz (GTNG)* signed contracts to provide project and design work for development projects of *Gazpromneft's* oil and gas fields in the Yamalo-Nenetsk region, including the Novoportovskoye and Ety-Purovskoye fields.

August

Nizhnevartovskremservice (NRS) signed a contract with *Baker Hughes,* an international oilfield service company, for the production and supply of modular frequency converters for the oil and gas Vankor field located in the Krasnoyarsk region.

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Hydromashservice (HMS) delivered pumps for the modernisation of the power-generating blocks of several thermal power stations in the Kemerovsky region. The boiler feed and condensate extraction pumps were manufactured by *Nasosenergomash (NEM).*

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HMS Group signed a Rub 943 million contract for the delivery of a booster compressor station with a gas-turbine engine manufactured by *Kazankompressormash (KKM),* a subsidiary of HMS Group, for a petrochemical complex in the South of Russia.

September

Neftemash signed a contract for the production and delivery of a block clustered pump station for *Orenburgneft*, a subsidiary of *Rosneft.* The pump station, equipped with three pumps, was designed for pressure maintenance at the Vahitovskoye oilfield in the Orenburg region.

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HMS Group signed several contracts with *BP Iraq* for the supply of spare parts for pumps manufactured by *Nasosenergomash (NEM)* and used at the Rumaila oilfield in Iraq.

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HMS Group raised 3- and 5-year loan facilities of Rub 2.75 billion and Rub 1.83 billion respectively from Sberbank, the largest bank in Russia and the CIS, for the purpose of refinancing of the existing credit lines.

October

Sibneftemash put into operation a new tanks and vessels production complex focused on the full-cycle manufacturing of a new type of separation equipment.

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HMS Group successfully tested a unique oxygen pressure compressor designed by *NIITurbokompressor (NIITK)* and manufactured by *Kazankompressormash (KKM)* for *NLMK,* an international steel producer.

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Neftemash signed an agreement with *Invensys,* a global technology company, granting the right to use its software and know-how for the production of a multiphase mass flow meter NetOil&Gas (NOG). The equipment is an important component of the Group's innovative product measuring complex Mera-MFR, which is designed to measure mass flow rate of oil and associated gas on the basis of well production water-cut. It allows defining well flow rate in real time without preliminary separation. The unit continuously registers and collects data on components' composition of well output for further transferring to the control point.

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HMS Group delivered the first set of pump units for oil transportation as part of the East Siberia — Pacific Ocean (ESPO) Expansion project. The contract with *Transneft,* the operator of trunk pipelines in Russia, contemplates the manufacturing, supply, installation and putting into operation of 12 pump units and auxiliary equipment for 3 pump stations.

November

HMS Group delivered over 20 types of high-tech pump units manufactured by *Nasosenergomash (NEM)* and *HMS Pumps* for a nuclear power station in the Rostovsky region.

December

HMS Group sold 67.29% shares in Sibkomplektmontagnaladka (SKMN). As a result of the transaction, part of SKMN's indebtedness to HMS Group (Rub 859 million) was written off and the remaining part was restructured into a secured loan of approximately Rub 427 million, bearing 10.5% interest and repayable in cash and transfer of assets within 3 years.

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HMS Group signed Rub a 5.7 billion contract to deliver a technological integrated solution for a major Siberian gasfield. The scope of the contract includes the development of design documentation and the manufacturing, delivery, supervision and testing of a complex technological facility, including compressors, pumps, tanks, vessels, filters, coolers and other components for providing complex integrated systems such as a de-ethanising compressor station and a methanol regenerating unit, among others.