HMS Hydraulic Machines & Systems Group plc
(the "Company", and together with its subsidiaries, the "HMS Group")

HMS Group announces interim management statement and financial highlights for the three months ended March 31, 2012

Moscow, Russia – **June 14, 2012** – HMS Group plc (the "Group") (LSE: HMSG), the leading pump manufacturer and provider of flow control solutions and related services in Russia and the CIS, today announces its interim management statement and financial highlights for the three months ended March 31, 2012. The financial data is based on management accounts only and hasn't been reviewed by external auditors.

THE THREE MONTHS OF 2012 HIGHLIGHTS

- **Backlog grew by 18% year-on-year and amounted to RUB 18,625 million**
- **Order intake grew by 122% from RUB 3,530 million in Q1 2011 to RUB 7,840 million in the reporting period**
- **Revenue up 4% year-on-year for the three months 2012 to RUB 7,307 million**
- **EBITDA* for the three months of 2012 amounted RUB 1,367 million, down 14% year-on-year**
- **EBITDA margin stood at 18.7%, compared to 22.5% for the first quarter of 2011 mainly due to changes in the contract mix**
- **Operating profit contracted by 39% year-on-year and amounted to RUB 834 million with operating margin of 11.4%**
- **Profit for the period totaled RUB 485 million, 51% lower as compared to the three months of 2011**
- **Net debt grew by 175% to RUB 5,479 million, while Net Debt to EBITDA (LTM) ratio reached 1.0**
- **Interest coverage ratio remained at the sound level of 11.1**

Artem Molchanov, Managing Director (CEO) of HMS Group, commented:

«In the first quarter of 2012 we enjoyed a very healthy inflow of new orders and managed to increase an order intake more than twice in comparison with the first quarter of the previous year. I believe, this creates a good ground to keep a strong momentum in the rest of 2012 and hit all the targets we set for the year. Due to the changes in the mix of contracts under execution and for the most part recognition of the revenue from high-margin infrastructure contracts in the previous year, Q1 margins were a bit lower than in the first quarter of 2011 and appeared to be closer to the long-term sustainable levels.

Contracts for providing the customers with innovative integrated solutions, secured in the fourth quarter of 2011, started to bring first fruits in 2012 that mainly reflected in the almost 4 times growth of EBITDA in the oil and gas equipment business along with 29.7% EBITDA margin. Apart from integrated solutions, significant portion of revenue in Q1 was generated by large number of midsize contracts in the oil and gas equipment and industrial pumps business segments.

Though overall uncertainty in the financial markets remained very high, by now we managed to build up a healthy backlog, having added several large contracts in the second quarter. Together with the contracts that we expect to sign during the rest of the year it gives us confidence in ability to demonstrate resilient performance".

FINANCIAL SUMMARY

(RUB million)	Q1 2012	Q1 2011	Year-on-Year Change	Q4 2011	Quarter-on-quarter Change,%
Revenues	**7,307**	**7,051**	4%	**6,935**	**5%**
EBITDA	**1,367**	**1,588**	-14%	**1,111**	**23%**
Operating profit	**834**	**1,378**	-39%	**636**	**31%**
Profit for the period	**485**	**991**	-51%	**405**	**20%**
Basic and diluted earnings per share	**4.17**	**8.98**	-54%	n/a	n/a

(RUB per share)					
ROCE (LTM)*	**25.7%**	**46.2%**	n/a	n/a	n/a

OPERATING REVIEW

Group

The Group's revenue grew by 4% year-on-year to RUB 7,307 million during the three months of 2012, mainly due to the contribution of the oil and gas equipment business segment driven by execution of contracts for integrated solutions secured in the fourth quarter of 2011. Along with this, revenues from sales of standard pumps and equipment as well as aftermarket services continued to grow rapidly. Thus, sales of standard pumps and spare parts across the main end-markets, including oil and gas upstream, power and water utilities, grew by 31% year-on-year, while aftermarket sales of repair services for oil and gas equipment increased by 22% year-on-year in comparison with the first quarter of the previous year.

The backlog totaled RUB 18.6 billion as of 31 March, 2012, marking a 18% year-on-year growth. Due to the recognition of the revenue generated by the ESPO contract the backlog in the industrial pumps business segment contracted by 33% year-on-year to Rub 6,912 million. However, excluding the ESPO-related contract, the backlog in the industrial pumps business segment grew by 30% year-on-year to Rub 5,564 million. In the oil and gas equipment the backlog increased by 233% year-on-year to Rub 4,330 million along with the strong growth of 65% year-on-year to Rub 6,037 million in the EPC business segment.

Cost of sales grew by 5% year-on-year from RUB 4,991 million in the first quarter of the previous year to RUB 5,264 million in the reporting period. As a result, cost of sales remained flattish 72% versus 71% of the total revenue in the first quarter of 2011.

Distribution and transportation expenses increased by 103% year-on-year and comprised 4% of revenue due to increase in transportation costs, driven by the life-cycle of large projects under execution and labour costs, driven by cost inflation and employee growth resulted from consolidation of acquired companies.

General and administrative expenses grew by 71% year-on-year and amounted to RUB 754 million for the three months of 2012. Labour costs growth, driven by consolidation of companies was the main factor behind G&A expenditures performance.

EBITDA of the Group contracted by 14% year-on-year from RUB 1,588 million to RUB 1,367 million on the back of margin contraction due to changes in contract mix and lower share of high-profitable infrastructure contracts, albeit EBITDA of the first quarter exceeded the result of the fourth one by 23% quarter-on-quarter. EBITDA margin was 18.7% in the three months of 2012, compared to 22.5% in the corresponding period of 2011 and 16% in the fourth quarter.

Operating profit of the Group in the first quarter demonstrated similar performance with 31% growth quarter-on-quarter and 39% decline on yearly basis. Operating profit amounted to RUB 834 million with operating profit margin of 11.4% in the three months of 2012.

Total outstanding debt grew by 274% year-on-year to RUB 10,034 million driven by RUB 3,000 million bond issuance and utilization of undrawn credit facilities in the first quarter as well as low-base effect since significant part of the IPO proceeds in the first quarter of 2011 were used for the redemption of outstanding debt. Net debt grew by 175% to RUB 5,479 million. Interest rate on average outstanding debt stood at 9.5% while interest expenses as a percentage of revenue comprised 2.8% in the first quarter of 2012 versus 1.8% in 2011.

The Group reported profit for the period of RUB 485 million in the first quarter of 2012, down 51% as compared to the same period of the previous year. Change in operating margin and higher interest expenses, coupled with a cost growth set the performance of the profit for the period.
As a result, earnings per share stood at RUB 4.17 for the first quarter of 2012.
Return on capital employed taken for the last 12 months was 25.7% for the first quarter of 2012.

Industrial Pumps Business Segment

The industrial pumps business segment designs, engineers, manufactures and supplies a diverse range of pumps and pump-based integrated solutions to customers in the oil and gas, power generation and water utilities sectors in Russia, the CIS and internationally. The business segment's principal products include bare shaft pumps built to standard specifications, customized pumps and pump equipment and integrated solutions. It also provides aftermarket maintenance and repair services and other support for its products.

Although the industrial pumps business segment's external revenues contracted by 34% year-on-year in the first quarter of 2012, the overall growth, excluding the ESPO-generated revenue, turned very strong, at the level of 56% year-on-year. Revenue of the segment amounted to RUB 2,955 million, compared to RUB 4,508 million for the same period of the previous year.

EBITDA in the industrial pumps segment declined by 49% year-on-year in the first quarter of 2012 to RUB 672 million, compared to RUB 1,314 million in the same period of 2011. EBITDA margin stood at 22.8%, down from 29.1% for the corresponding period of 2011.

Oil and Gas equipment Business Segment

The oil and gas equipment business segment manufactures, installs and commissions modular pumping stations, automated metering equipment, oil, gas and water processing and preparation units and other equipment and systems for use primarily in oil extraction and transportation. The segment's products are equipment packages and systems installed inside a self-contained, free-standing structure which can be transported on trailers and delivered to and installed on the customer's site as a modular but fully integrated part of the customer's technological process.

The oil and gas equipment business segment's external revenue grew by 84% year-on-year in the three months of 2012 to RUB 2,006 million, compared to RUB 1,091 million in the corresponding period of 2011. Strong performance of the oil and gas equipment segment is primarily attributable to the participation in the second stage of Vankor oilfield development and contribution of Sibneftemash, acquired in 2011.

The segment's EBITDA rose by 361% year-on-year to RUB 595 million in the reporting period, compared to RUB 129 million in the first quarter of 2011. EBITDA margin was 29.7%, compared to 11.8% in the corresponding period of the previous year.

Engineering, Procurement and Construction (EPC) Business Segment

The engineering, procurement and construction (EPC) business segment provides design and engineering services, project management and construction works for projects, including on a turnkey basis involved, for customers in the oil upstream and midstream, gas upstream and water utilities sectors.

External revenue of the EPC business segment grew by 62% year-on-year from RUB 1,452 million in the first quarter of the previous year to RUB 2,346 million for the reporting period driven by large construction and engineering contracts.

EBITDA in the EPC business segment contracted by 28% year-on-year to RUB 108 million in the first quarter of 2012 with average EBITDA margin of 4.6% versus 10.3% in the compared period of the previous year. Margin contraction was mainly driven by changes in the mix of contracts in construction and project and design and lower than expected margin for several new innovative projects in the project and design field that requires additional expenses over the course of the projects implementation as well as temporarily aggressive pricing policy to penetrate new promising segments. As the Group intends to participate in the later stages of these projects, the overall margin for the project is expected to be restored as a result of synergies between the different business segments.

FINANCIAL REVIEW

Operating cash flows before working capital changes amounted to RUB 1,189 million, down by 19% as compared with the first quarter of the previous year. However, due to lower needs of working capital resulted from the completion of the most part of the ESPO project, cash generated from operations amounted to RUB 484 million versus cash used in operations of RUB 522 million in the corresponding period of the last year. Taking into account interests and taxes paid, net cash outflow from operating activities in the first quarter contracted to RUB 175 million, compared to outflow of RUB 822 million in the same period of 2011.

Net cash outflow from investing activities totaled RUB 427 million in the first quarter of 2012, compared to RUB 241 million in the first quarter of the previous year mainly driven by capital expenditures, which grew by 80% year-on-year to RUB 435 million primarily due to investments in the EPC business segments ahead of the execution of the secured projects.

Total debt grew by 274% year-on-year to RUB 10,034 million in the reporting period, compared to RUB 2,683 million of the debt in the first quarter of 2011 mainly driven by the bond issuance of RUB 3,000 million and utilization of undrawn credit facilities in the first quarter as well as low-base effect of the first quarter of the previous year owing to debt redemptions after the IPO.
Thus during the first quarter of 2012 total debt expanded by RUB 3,626 million primarily due to funds accumulation for implementation of the growth policy. By the end of the three months 84% of total debt was represented by long-term credit facilities with maturity of more than 1 year.

The net debt to EBITDA (taken for the last 12 months) ratio amounted to the moderate 1.0 leaving the Group an additional room for attraction of the debt funds while retaining a strong balance-sheet. The Group's cash balances stood at RUB 4,546 million by the end of the first quarter of 2012, compared to RUB 683 million by the end of same period of 2011. The ability of the Group to meet its debt obligations remained strong over the reporting period with the interest coverage ratio of 11.1, based on last 12 months performance.

As of March 31, the Group's net working capital (NWC) amounted to 26.8% of total revenue taken for the last 12 months, up by 239 bps compared to NWC-to-revenue ratio as of December 31, 2012. Increase in inventories due to commencement of the recently signed contracts execution was the main driver behind the NWC increase.

Conference call information

HMS Group's management will host a conference call today at 9 am (New York) / 2 pm (London time) / 3 pm (CEST) / 5 pm (Moscow Time) to present and discuss the first quarter 2012 results.

To participate in the audio meeting, please dial in:

UK Local:	44 (0)20 7136 2054
UK Toll Free:	0800 279 4841
Russia Local:	7 495 213 0979
Russia Toll Free:	8 800 500 9312
US Local:	1 646 254 3367
US Toll Free:	1 877 249 9037

Confirmation Code:	8236749
Title:	HMS Hydraulic Machines and Systems PLC Visioncast event

Webcast Meeting:
To access the live and/or achieved event, clink on the link:
http://w.on24.com/r.htm?e=481191&s=1&k=A35681D78FA90049D6723381CA3EFEA1

Conference ID:	481191
Event Title:	HMS Conference Call

Please, join in 5-10 minutes prior to the scheduled start time. Pre-registration is available.

The management's slide presentation will be posted at HMS Group's website in the investor relations section during the day of the event. A replay of the conference call in the MP3 format as well as the link for the web-cast will be available on the Company's website www.grouphms.com following the event.
Please, dial in 5-10 minutes prior to the scheduled start time.

For further information, please visit www.grouphms.com **or contact:**

Sergey Klinkov
Head of Investor Relations
Tel: +7 (495) 730-66-12
ir@hms.ru

Nozima Karimova
Head of Press Service
Tel: +7 (495) 730-66-01
karimova@hms.ru

The HMS Group is the leading pump manufacturer and provider of flow control solutions and related services to the oil and gas, nuclear and thermal power generation and water utilities sectors in Russia and the CIS. The HMS Group's products are mission-critical elements of projects across a diverse range of industries. It has participated in a number of large-scale infrastructure projects in Russia, including providing pumps and modular equipment to the Vankor oil field and pumping stations on recent trunk pipelines projects linking Russia's core oil producing areas to export ports on the Pacific Ocean and Baltic Sea. The Group reported revenues of RUB 7.3 billion, adjusted EBITDA of RUB 1.4 billion and profit for the period of RUB 485 million for the 3 months ended March 31, 2012. The HMS Group's global depositary receipts ("GDRs") are listed under the symbol "HMSG" on the London Stock Exchange.

The forward-looking statements contained herein are based upon various assumptions, many of which are based, in turn, upon further assumptions, which may include without limitation, the HMS Group's examination of historical operating trends, data contained in the HMS Group's records and other data available from third parties. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. The HMS Group does not intend to provide any representation or warranty and does not assume any obligation to update any forward-looking statement contained herein.

Calculations

**EBITDA is defined as operating profit/loss adjusted for other income/expenses, depreciation and amortization, impairment of assets, provision for obsolete inventory, provision for impairment of accounts receivable, unused vacation allowance, defined benefits scheme expenses, warranty provisions, 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.*
*** ROCE is calculated as EBIT (last twelve months) divided by average total debt plus average equity.*
1 - in accordance with management accounts