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HMS Group announces interim management statement and financial highlights for the nine months ended September 30, 2012

Moscow, Russia – December 05, 2012 – HMS Group plc (the "Group") (LSE: HMSG), the leading pump and compressor manufacturer as well as provider of flow control solutions and related services in Russia and the CIS, today announces its interim management statement and financial highlights for the nine months ended September 30, 2012. The financial data is based on management accounts only and hasn't been reviewed by external auditors.

THE NINE MONTHS OF 2012 HIGHLIGHTS

- **Backlog grew by 96% year-on-year and reached new record high of Rub 23,723 million**
- **Order intake grew by 139% to Rub 29,228 million in 9M 2012 from Rub 12,231 million in 9M 2011**
- **Revenue up 15% year-on-year in 9M 2012 to Rub 23,563 million**
- **EBITDA[1] declined by 9% year-on-year to Rub 4,021 million in 9M 2012, with EBITDA margin of 17.1%**
- **Operating profit contracted by 29% year-on-year from Rub 3,882 million to Rub 2,772 million with operating margin of 11.8%**
- **Profit for the period amounted Rub 1,494 million, down 49% as compared to 9M 2011**
- **Net debt grew 2.6 times to Rub 12,758 million driven by credit facilities raised for acquisitions completed in 2012**
- **Net Debt to EBITDA (12M) ratio was 2.49**
- **Interest coverage ratio (LTM) stood at 3.4[2]**

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

«We had another solid quarter with balanced top-line growth and expected margin performance across our businesses. Strong double-digit revenue growth demonstrated strength of the strategy focused on delivery of integrated solutions we offer to our customers. Shift to higher share of such solutions in the project mix driven by the start of the follow-up ESPO-related contract execution, led to the margin improvement in Q3 as compared to the previous quarter.

In the third quarter we enjoyed a strong order inflow across different business segments, which allowed us to almost double (up 96%) our order backlog in comparison with the results of nine months 2011. I'm also pleased to say that in the third quarter we managed to sign several material contracts in different industries including a follow-up turn-key contract in water utilities with the government of Turkmenistan, contracts in oil upstream and nuclear power generation. On top of this, our new subsidiary, compressor manufacturer KazanKompressorMash (KKM), acquired in July 2012 signed a first turn-key contract for compressor station construction.

Though general economy recovery is still lackluster, healthy performance and strong order flow make us confident to reiterate our FY2012 financial forecasts and remain strictly committed to paying dividends to our shareholders with payout ratio of not less than 25% of net profit»

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[1] 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.

[2] Interest coverage ratio equals to operating profit taken for the last 12M divided by interest expenses taken for the last 12M

FINANCIAL SUMMARY

(Rub million)	9M 2012	9M 2011	Year-on-Year Change	Q3 2012	Q3 2011	Year-on-Year Change
Order intake	**29,228**	**12,231**	139%	**10,856**	**4,361**	149%
Backlog	**23,723**	**12,097**	96%	n/a	n/a	n/a
Revenue	**23,563**	**20,560**	15%	**8,624**	**6,703**	29%
EBITDA	**4,021**	**4,398**	-9%	**1,551**	**1,265**	23%
Operating profit	**2,772**	**3,882**	-29%	**1,089**	**1,140**	-4%
Profit for the period	**1,494**	**2,943**	-49%	**525**	**861**	-39%
Basic and diluted earnings per share (Rub per share)	**11.34**	**24.19**	-53%	n/a	n/a	n/a
ROCE (LTM)[3]	**17.8%**	**38.6%**	n/a	n/a	n/a	n/a

OPERATING REVIEW

Group

The Group's revenue grew by 15% year-on-year to Rub 23,563 million in the nine months of 2012, primarily driven by solid growth in the oil and gas equipment business segment in the first half of 2012, supported by strong performance of the industrial pumps business segment in the third quarter. Steady revenue growth resulted from ongoing implementation of infrastructure projects in oil and gas upstream, oil transportation, thermal and nuclear power as well as maintenance, repair and upgrades of the existing installed base of pumps and equipment.

The order intake[4] in the nine months of 2012 demonstrated robust growth across all business segments and amounted to Rub 29,228 million as compared to Rub 12,231 million in the corresponding period of the last year, up 2.4 times year-on-year. As a result, the backlog hit the new record high and reached Rub 23,723 million by the end of the nine months of 2012. Excluding the backlog of KazanKompressorMash (KKM) and Apollo Goessnitz GmbH (Apollo), acquired in the third quarter of 2012, the backlog grew to Rub 21,509 million.

A number of midsize contracts, signed during Q3, along with several material contracts, including the USD 85 mn follow-up contract for 3 turn-key water-pumping stations construction in Turkmenistan and the Rub 4.6 billion follow-up ESPO contract secured in April 2012, resulted in 53% year-on-year growth of the backlog in the industrial pumps business segment to Rub 10,974 million. Excluding the contracts related to the ESPO project, performance of the segment's backlog remained healthy, up 37% year-on-year to Rub 6,616 million. In the oil and gas equipment business segment the backlog

[3] -ROCE is calculated as EBIT (last twelve months) divided by average total debt plus average equity.

[4] - Hereafter order intake under management accounts

grew by 73% year-on-year to Rub 2,464 million. The backlog in the Compressors business segment amounted to Rub 2,491 million. The backlog in the EPC business segment increased by 106% year-on-year to Rub 6,334 million.

Cost of sales grew by 18% year-on-year to Rub 16,831 million in the reporting period from Rub 14,251 million in the nine months of 2011. As a result, gross profit margin was 28.6% versus 30.7% for the corresponding period of the last year.

Distribution and transportation expenses increased by 31% year-on-year to Rub 902 million and comprised 3.8% of revenue mainly due to labor costs growth resulted from consolidation of acquired companies, along with transportation expenses growth due to execution of the complex projects located in remote destinations. However, in Q3 2012, distribution and transportation costs declined by 11% as compared to Q3 2011.

General, administrative and other operating expenses grew by 74% and amounted to Rub 3,058 million for the nine months of 2012. Labor costs growth in H1 2012, driven by consolidation of acquired companies, remuneration for completion of the deliveries for the first ESPO-related contract and growing staff for complex project management were the main factors behind G&A expenditures growth. Outstanding financial results of the last year were largely emanated from investments into general and administrative personnel for complex project management, while record high and well-diversified backlog reflects current managerial efforts. In Q3 2012, general, administrative costs growth decelerated and declined by 16.9% quarter on quarter.

The Group's EBITDA contracted by 9% year-on-year in the nine months of 2012, mainly due to the high-base effect emerged from the high portion of high-margin infrastructure contracts EBITDA recognition, mainly in the first half of the last year. Excluding these contracts, EBITDA grew by 86% year-on-year. In Q3 2011, financial impact of these contracts was less pronounced that led to EBITDA growth of 23% in Q3 2012 as compared to Q3 2011. The EBITDA performance was driven by the contracts for integrated solutions in the oil and gas equipment business segment in the first half of the year, strong performance of DGHM, manufacturer of pumps and equipment for oil refining, chemical, petrochemical and gas processing purposes, which was consolidated into IFRS accounting in the end of 2011, as well as strong EBITDA resulted from the execution of the follow-up ESPO contract. However, results were affected by challenges in the EPC business segment, which resulted in lower than expected earnings. As a result, the Group's EBITDA margin stood at 17.1% in the nine months of 2012, compared to 21.4% in the corresponding period of 2011.

Operating profit in the nine months of 2012 declined by 29% and amounted to Rub 2,772 million versus Rub 3,882 million in the same period of the previous year. Operating profit margin stood at 11.8% in the reporting period.

Total outstanding debt grew by 146% from Rub 5,689 million as of September 30, 2011 to Rub 13,967 million as of the end of the reporting period mainly driven by debt financing raised for acquisitions. Net debt grew by 161% year-on-year to Rub 12,758 million. Interest rate on average outstanding debt stood at 10.0%, while interest expenses as a percentage of revenue comprised 3.6% in the nine months of 2012 versus 1.6% in the corresponding period of 2011.

The Group reported profit for the period of Rub 1,494 million in the nine months of 2012, down 49% year-on-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 declined from Rub 24.19 for the nine months of 2011 to Rub 11.34 per share by the end of the reporting period. Return on equity stood at 12.4% for the nine month 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.

The industrial pumps business segment's external revenues contracted by 13% year-on-year in the nine months of 2012 and amounted to Rub 11,088 million, compared to Rub 12,753 million for the same period of the previous year. However, excluding high-base effect caused by the recognition of the revenue from the material ESPO-related contract, growth of the segment's revenue was 48%

year-on-year driven by consolidation of DGHM and BMBP, acquired in 2011, Apollo Goessnitz, acquired in 2012, as well as solid organic revenue growth of 16% year-on-year.

EBITDA attributable to the industrial pumps business segment declined by 38% year-on-year in the nine months of 2012 to Rub 2,278 million, compared to Rub 3,690 million in the corresponding period of 2011. However, in Q3 2012, EBITDA grew by 34% year-on-year mainly driven by commencement of the follow-up ESPO project, and solid organic growth. EBITDA margin of the segment declined from exceptionally high 28.9% in the nine months 2011 to strong 20.5% in the reporting period, outperforming profitability of the most of global industrial pumps manufacturers.

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 86% year-on-year in the nine months of 2012 to Rub 6,350 million, compared to Rub 3,420 million in the corresponding period of 2011. Strong performance of the oil and gas equipment business segment in 9M 2012 is attributable to the participation in the follow-up contract on Vankor oilfield development, business initiatives of the new management team of the segment and decent results of Sibneftemash, acquired in 2011, which demonstrated robust EBITDA margin of 16.8% in the nine months of 2012.

As a result of the changes in contract mix, larger share of projects based on integrated solutions in the reporting period led to the segment's EBITDA growth by 6.6 times year-on-year to Rub 1,257 million in the reporting period, compared to Rub 191 million in the nine months of 2011. EBITDA margin hiked to 19.8%, compared to 5.6% in the corresponding period of the previous year.

Compressors Business Segment

The compressors business segment designs, engineers, manufactures and supplies a diverse range of compressors and compressor-based solutions, including compressor units and compressor stations, to customers in the oil and gas, metals and mining and other basic industries in Russia. The business segment's principal products include customized compressors, series-produced compressors built to standard specifications, compressor-based integrated solutions.

In July 2012, HMS acquired KazanKompressorMash (KKM), one of the leading compressor producers in Russia, which was consolidated into the IFRS reporting of the Group starting from July 01, 2012. Previously, KKM didn't apply IFRS accounting principles for its financial reporting that makes it irrelevant to provide year-on-year comparison of the key financial indicators.
HMS applies IFRS accounting principles for KKM reporting starting from the third quarter of 2012 and reports the results under the Compressors business segment.
In Q3, revenue of the business segment was Rub 493 million, EBITDA was Rub 56 million. As a result, EBITDA margin stood at 11.3%.

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 for customers in the oil upstream and midstream, gas upstream and water utilities sectors.

External revenues of the EPC business grew by 28% year-on-year to Rub 5,632 million for the nine months of 2012, compared to Rub 4,385 million in the corresponding period of 2011 mainly driven by contracts for oilfields infrastructure construction.

EBITDA in the EPC business segment contracted by 42% year-on-year to Rub 250 million in the nine months of 2012 with EBITDA margin of 4.4% versus 9.8% in the corresponding period of the previous year. The segment's margin contraction resulted from the challenges appeared during implementation of the two EPC contracts at Srednebotuobinskoye oilfield. Due to insufficient quality of design documentation under one of these contracts, containing a number of uncertainties, the project required additional investments, which is subject to negotiations with customer. Over the course of the negotiations, HMS continued to incur expenses related to the project implementation that

damaged expected profitability of the project. However, HMS didn't break off relations with the customer and keeps on successful works under second contract in line with the budgeted performance.
Lower than expected margin in the project and design area has also contributed to the segment's performance since the Group continued to execute several innovative projects as well as temporarily applied aggressive pricing policy to penetrate new promising market segments. However, the average margin for these projects is expected to be recovered as a result of synergies between the different business segments, as the Group intends to participate in the later stages of these projects.

FINANCIAL REVIEW

In nine months 2012, net cash flow from operating activities of the Group amounted to Rub 1,902 million, compared to net cash outflow of Rub 1,815 million in the nine months of 2011. The difference stemmed from increase in accounts payable due to significant advances received in the second quarter of 2012 under the oil transportation contracts as opposed to decrease in accounts payable during nine months of 2011 due to ongoing execution of the large infrastructure contracts.

Net cash outflow from investing activities totaled Rub 7,868 million in the nine months of 2012, compared to Rub 1,992 million in corresponding period of 2011. Capital expenditures were in line with expectations and amounted to Rub 1,157 million. As a result, CAPEX to D&A ratio was 1.68, marking final stage of several modernization and upgrade initiatives, which required higher investments. However, the main part of outflow from investing activities was attributable to the M&A deals conducted in the reporting period – the acquisition of KKM and Apollo, as well as the final payment for the DGHM acquisition.

Dividend payment for the FY 2011 results, effected in the second quarter, amounted to Rub 1,500 million. The Group is committed to pay dividends in the future with payout ratio not less than 25% of net profit.

Total debt grew by 146% year-on-year to Rub 13,967 million in the reporting period, compared to Rub 5,689 million in the nine months of 2011 mainly driven by debt expansion for the acquisition of KazanKompressorMash and Apollo. Apart of the acquisitions, the debt expansion was used for working capital needs under the execution of the current projects. By the end of the nine months of 2012, 85% of total debt was represented by long-term facilities with maturity more than 1 year.

The net debt to EBITDA (taken for the last 12 months) ratio amounted to moderate 2.49, a bit below internal covenant of 2.5. The indicator is expected to decline by the end of the year on the back of EBITDA growth and intention to refrain from further debt expansion.
The Group's cash balances stood at Rub 1,209 million by the end of the nine months of 2012, compared to Rub 804 million by the end of the nine months of 2011. Notwithstanding debt expansion, ability of the Group to meet its debt obligation remained healthy with interest coverage ratio based on last 12M performance of 3.4.

As of September 30, the Group's net working capital amounted to 20.9% of total revenue taken for the last 12 months, compared to 24.0% as of September 30, 2011. This is in line with expectations to maintain net working capital to revenue ratio at the range of 20-25%.

M&A Activity

In the third quarter the Group successfully completed two acquisitions. In July 2012, HMS acquired 74.35% of a share capital of KazanKompressorMash, a leading compressor producer in Russia, for Rub 5,524 million funded from available debt facilities of the Group. Later in August 2012, HMS completed the acquisition of 75% of a share capital of Apollo Goessnitz, German manufacturer of specialized pumps for power, oil refineries and off-shore application, for EUR 25 million.

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) / 6 pm (Moscow Time) to present and discuss the nine months and third quarter 2012 results.

To participate in the conference call, please dial in:

UK Local:	44 (0)20 7190 1595
UK Toll Free:	0800 358 5263
Russia Toll Free:	8 800 2 198 4011

US Local:	1 480 629 9609
US Toll Free:	1 866 225 8725

Title: HMS Group 9M 2012 IFRS financial results conference call

Webcast link:
http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=1886

The management's slide presentation will also be posted at HMS Group's website in the Presentations & Events section during the day of the event. A replay of the conference call in the MP3 format 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:**

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The HMS Group is the leading pump & compressor 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 23.6 billion, adjusted EBITDA of Rub 4.0 billion and profit for the period of Rub 1.5 billion for the 9 months ended September 30, 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.