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

HMS Group announces financial results for the nine months ended September 30, 2011

Moscow, Russia – December 6, 2011 – 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 nine months ended September 30, 2011. The financial data is based on management accounts only and hasn't been reviewed by external auditors.

THE NINE MONTHS OF 2011 HIGHLIGHTS

- Revenue up 27% year-on-year for the nine months 2011 to RUB 20,560 million on the back of 60% revenue growth in the industrial pumps segment
- EBITDA* for the nine months of 2011 rose by 95% year-on-year to RUB 4,398 million, with an EBITDA margin at 21.4% compared to 13.9% for the nine months of 2010 mainly owing to continued implementation of high-profitable projects in industrial pumps segment
- Operating profit grew by 97% year-on-year to RUB 3,912 million with operating margin of 19.0% compared to 12.3% for the nine months of 2010
- Total debt grew by 12% year-on-year to RUB 5,689 million with 68% share of long term debt
- Net debt was up by 53% to RUB 4,885 million with Net Debt to EBITDA (12M) ratio of 0.86
- Interest expenses remained under control and declined by 51% to RUB 325 million due to the conservative fixed interest rates policy and good relationships with banks
- Profit for the period totaled RUB 2,972 million, up 2.8 times as compared to the nine months of 2010

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

«In the third quarter we remained focused both on implementation of the current projects and preparation for new coming tenders that will support business development of the Group in the future, and I'm proud of what we have accomplished in the reporting period.

We continued executing the ESPO contract, working on several power and water utilities projects. It's basically the diversified portfolio of midsize contracts in various business segments that allowed us to generate substantial portion of revenue in the nine months of 2011.

In the reporting period we have signed several new contracts on pumps delivery for oil upstream, contracts on engineering and construction of infrastructure for gas extraction and transportation as well as overhaul and maintenance contracts for installed equipment. We gained the steam in the recent months and currently we're carefully working on several potential projects that give us confidence in our ability to hit the targets for 2012 and beyond.

Overall economic environment remained uncertain in the third quarter. On the one hand, we enjoyed competitiveness increase due to rouble depreciation caused by financial markets instability, on the other hand, some indicators of the company performance could appear more moderate in US dollars terms.

In the third quarter we also completed acquisition of Bobruisk Machine Building Plant (BMBP), one of the leading manufacturers of specialist centrifugal pumps in the CIS for oil refineries, chemical and metals and mining industries. This deal is a good illustration of our growth strategy – acquiring of niche players with adjacent product portfolio and strong market fundamentals."

FINANCIAL SUMMARY

(RUB million)	9M 2011	9M 2010	Y-o-Y change	Q3 2011	Q3 2010	Y-o-Y change
Revenue	20,560	16,158	+27%	6,703	7,009	-4%
EBITDA	4,398	2,251	+95%	1,265	1,111	+14%
Operating profit	3,912	1,988	+97%	1,169	953	+23%
Profit for the period	2,972	1,052	+183%	890	664	+34%
Basic and diluted earnings per share (RUB per share)	24.45	9.53	+156%	n/a	n/a	n/a
ROCE (LTM)*	38.6%	28.0%	n/a	n/a	n/a	n/a

OPERATING REVIEW

Group

The Group's revenue grew by 27% year-on-year to RUB 20,560 million during the nine months of 2011, primarily driven by solid growth in the industrial pumps segment in the first half of 2011, supported by strong dynamics of the EPC segment in the third quarter. Steady revenue growth resulted from ongoing implementation of infrastructure projects in oil transportation, oil and gas upstream, power, water utilities as well as core products and services including maintenance, repair and upgrades of the installed base.

The backlog as of 30 September, 2011 was RUB 12.1 billion, marking a 41% year-on-year and 12% quarter-on-quarter reduction. The drop was mostly due to the ESPO project revenue recognition in the reporting period, while the backlog of orders for core equipment and related services (excluding pumps for ESPO) remained almost stable with 3% decline year-on-year from Rub 7,622 million to Rub 7,364 million. In the industrial pumps for oil transportation, ESPO-related pumps accounted for 73% while other oil transportation pumps constituted 27% of the backlog. In general, the business based on the standard pump sales, maintenance, repair, upgrades and other products and services with shorter production cycle constituted the overwhelming part of revenue in the reporting period.
The backlog in the construction sub-segment of the EPC segment contracted by 44% year on year. However, in the third quarter of 2011 the backlog in the construction sub-segment grew by 7% driven by signing the new contracts in the summer period.
After the reporting date the Group concluded several large contracts including new projects in Yamal gas province and Srednebotuobinskoe oil and gas condensate field and contracts for an oil trunk pipeline overhaul and modernization. Currently several projects are under preparation and some are about to be signed after winning the competitive tenders that gives a confidence that the backlog could demonstrate solid growth in the coming months.

Cost of sales has been growing slower than revenue and increased by 16% year-on-year to RUB 14,212 million in the nine months of 2011 while during the third quarter cost of sales contracted by 14% year-on-year. As a result cost of sales declined from 77% in the nine months of 2010 to 69% of total revenue in the reporting period.

Distribution and transportation expenses grew by 73% year-on-year and comprised 3% of revenue. General, administrative and other operating expenses grew by 18% and amounted to RUB 1,627 million for the nine months of 2011.
EBITDA of the Group grew by 95% year-on-year in the nine months of 2011 mainly driven by ongoing execution of high-profitable infrastructure contracts implying implementation of integrated solutions with high value-added and consolidation of GTNG, one of the leading project and design facilities in Russia for oil and gas upstream. The robust EBITDA performance was supported by improvements in operational management and higher-than-average profitability of construction

contracts owing to a larger share of engineering services. Thus the Group's EBITDA margin increased to 21% in the nine months of 2011, compared to 14% in the corresponding period of 2010.

The Group demonstrated solid 97% year-on-year growth of operating profit in the nine months of 2011. Operating profit amounted to RUB 3,912 million while operating profit margin increased from 12% in the nine months of 2010 to 19% in the reporting period.

Total outstanding debt grew by 12% from Rub 5,088 million as of September 30, 2010 to RUB 5,689 million as of the end of the reporting period mainly due to working capital financing and the acquisition of Sibneftemash and BMBP, an oilfield equipment manufacturer located in Tyumen region. Notwithstanding the total debt growth year-on-year the Group's interest expenses contracted by 51% year-on-year to RUB 325 million in the nine months of 2011, compared to RUB 663 million in the same period of 2010 as a result of interest rates dip. Thus interest rate on average debt stood at 8.9% while interest expenses as a percentage of revenue contracted from 4% in the nine months of 2010 to 2% in the reporting period.

The Group reported profit for the period of RUB 2,972 million in the nine months, up 2.8 times as compared to the same period of the previous year. Revenue growth coupled with cost control and moderate finance costs growth were the main drivers of profit expansion. As a result earnings per share grew from RUB 9.53 for the nine months of 2010 to RUB 24.45 per share by the end of the reporting period. Return on capital employed increased to 39% for the nine months of 2011 from 28% last year despite 170% of equity growth due to initial public offering conducted in February, 2011.

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 increased by 60% year-on-year in the nine months of 2011 and amounted to RUB 12,136 million, compared to RUB 7,598 million for the same period of the previous year. The increase is primarily attributable to the ongoing execution of large-scale contracts for delivery of integrated pumping systems to major customers in oil transportation sector, as well as delivery of standard pumps and other pump-related services.

EBITDA in the industrial pumps segment increased by 142% year-on-year in the nine months of 2011 to RUB 3,628 million, compared to RUB 1,502 million in the same period of 2010, mainly driven by large high-margin contracts based on integrated solutions in oil transportation, growing demand from oil upstream and power generation. EBITDA margin stood at 29.9%, up from 19.8% for the corresponding period of 2010.

Excluding revenue attributable to the integrated solutions, total revenue from the industrial pumps segment demonstrated steady growth of 5% while EBITDA grew by 31% year-on-year with EBITDA margin of 18.7%.

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 contracted by 8% year-on-year in the nine months of 2011 to RUB 3,722 million, compared to RUB 4,033 million in the corresponding period of 2010. Strong performance of the oil and gas equipment segment in 2010 attributable to the participation in Vankor oilfield development project restrained potential of segment expansion in the reporting period due to the lack of new projects of the same scale and complexity placed by market players. However, the Group expects to see exhilaration of the segment performance in the rest of 2011 and over 2012 due to participation in coming tenders for new infrastructure projects in Eastern Siberia. Recently acquired Sibneftemash demonstrated robust EBITDA margin of 21.9% in the third quarter. The segment's EBITDA declined by 48% year-on-year to RUB 220 million in the reporting period, compared to RUB 422 million in the nine months of 2010. EBITDA margin stood at 5.9%, compared to 10.5% in the corresponding period of the previous year.

Engineering, Procurement and Construction (EPC) Business Segment

The engineering, procurement and construction (EPC) business segment projects and designs, manages and constructs projects, including on a turn-key basis, for customers in the oil and gas, upstream, midstream and water utilities sectors.

External revenue of the EPC business was almost flat (-0.2%) year-on-year and amounted to RUB 4,385 million for the nine months of 2011, compared to RUB 4,392 million in the corresponding period of 2010.
Stronger performance was restrained by 27% drop of the construction sub-segment revenue since throughout the year the Group kept the policy of participation in the construction tenders with higher than average profitability only. As a result margin attributable to the construction sub-segment (excluding project and design) of the EPC segment grew from 1.9% for the nine months of 2010 to 3.9% in the reporting period, though revenue of the sub-segment contracted from Rub 3,725 million to Rub 2,710 million. In the second half of 2011 the Group concluded several infrastructure construction contracts that could increase utilization ratio of the Group's construction facilities in the rest of the year and have positive impact on the sub-segment's revenue.

After the acquisition of GTNG the Group enhanced its focus on executing high-end projects with deep engineering contribution. As a result margin in the project and design sub-segment of EPC demonstrated robust performance and stood at 19.4% for the nine months of 2011 while revenue amounted to RUB 1,675 million after the consolidation of GTNG.

Thus overall EBITDA in the EPC segment grew by 64,5% year-on-year from RUB 262 million for nine months of 2010 to RUB 431 million for the nine months of 2011 with average EBITDA margin of 9.8%.

FINANCIAL REVIEW

As a result of working capital increase net cash outflow from operating activities amounted to RUB 1,815 million in the nine months of 2011, compared to net cash inflow of RUB 3,860 million in the same period of 2010. However, operating cash-flow before working capital changes was positive and amounted to Rub 4,216 million. Significant cash inflow in 2010 in form of advances from customers under oil transportation contracts contributed to strong positive cash-flow from operating activity as a result of the significant growth of accounts payable. Over 2011 the contracts have been executing that resulted in recognition of revenue and contraction of accounts payable and led to negative operating cash-flow. Prefinal payments for these contracts are expected to come through in early 2012 while final ones are expected at the end of 2012 - beginning of 2013. Furthermore in 2012 the group is expected to receive advances under the contracts signed and to be signed during the rest of the year, that will have positive impact on the company's cash generation.

Net cash outflow from investing activities totaled RUB 1,992 million in the nine months of 2011, compared to RUB 2,708 million in the nine months of 2010. Capital expenditures increased by 63% year-on-year to RUB 745 million primarily due to finalization of one of the largest in Europe testing facility that has been launched in November. Capital expenditures came in line with our target range multiple of 1.5-2.5 of depreciation while the rest of outflow from investing activities (Rub 1,237 million) was caused by Sibneftemash acquisition conducted in the reporting period.

Total debt grew by 12% year-on-year to RUB 5,689 million in the reporting period, compared to RUB 4,885 million in the nine months of 2010 mainly driven by M&A activity and working capital needs in Q2-Q3 of 2011. Thus during the third quarter of 2011 total debt expanded by RUB 1,090 million primarily due to the working capital financing. By the end of the nine months 69% of total debt was represented by long-term credit facilities with more than 1 year maturity.

The net debt to EBITDA (taken for the last 12 months) ratio amounted to moderate 0.86 meaning that the Group is comfortable to attract additional funding for business development going forward. The Group's cash balances stood at RUB 804 million by the end of the nine months of 2011, compared to RUB 1,899 million by the end of same period of 2010. Last year the Group accumulated higher than average cash position due to advances obtained ahead of the large-scale projects execution in the first half of 2010. Ability of the Group to meet its debt obligation continued to improve over the reporting period with the interest coverage ratio based on last 12 months performance of 15.4, up from 3.6 for the nine months of 2010.

As of September 30, the Group's net working capital amounted to 28% of total revenue taken for the last 12 months, compared to 6% as of September 30, 2010. Net working capital position is expected to improve once the Group receives the remaining pre-final payments on the contracts in oil transportation next year and planned advances for the contracts signed during H2 2011. It will support maintenance of the working capital level in line with the Group's target range of 10-15% of total revenue.

M&A Activity

In June, 2011 the Group successfully completed acquisition of Sibneftemash (SNM), an oilfield equipment manufacturer in Tyumen Region, for a total cash consideration of RUB 1,292 million funded from available debt facilities of the Group.

In August 2011, after purchase of primary shares of a share capital HMS Group acquired 57% of Bobruisk Machine Building Plant (BMBP), located in Bobruisk, Belarus – one of the largest manufacturers of specialist centrifugal pumps in the CIS - for a total cash consideration of USD 9.7 million (Rub 272 million). The deal conducted with attractive multipliers will allow strengthening the product line of HMS Group with complimentary equipment of the famous and profound brand that offers a good opportunity for further business expansion.

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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

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 20.5 billion, adjusted EBITDA of RUB 4.3 billion and profit for the period of RUB 2.9 billion for the nine months ended September 30, 2011. 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.