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

HMS Group announces financial results for the six months ended June 30, 2012

Moscow, Russia – September 25, 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 consolidated condensed interim financial information including independent review report by PricewaterhouseCoopers Limited for the six months ended June 30, 2012.

FIRST HALF 2012 HIGHLIGHTS

- **Backlog grew by 60% year-on-year and reached record high Rub 21,942 million**
- **Order intake grew by 133% from Rub 7,870 million in H1 2011 to Rub 18,372 million in the reporting period**
- **Revenues grew by 8% year-on-year to Rub 14,939 million mainly driven by oil and gas equipment business segment revenue growth.**
- **EBITDA[1] amounted to Rub 2,470 million, down by 21% year-on-year from Rub 3,133 million**
- **EBITDA margin was 16.5% compared to 22.6% for 6M 2011 mainly due to changes in the contract mix**
- **Operating profit contracted by 39% year-on-year and amounted to Rub 1,683 million with operating margin of 11.3%**
- **Profit for the period totaled Rub 969 million, 53% lower as compared to the first half of 2011**
- **Net debt grew by 160% year-on-year to Rub 10,668 million, while Net debt-to-EBITDA (LTM) ratio reached 2.2**
- **Interest coverage ratio (LTM) stood at 4.5**

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

"In the first half of the year our performance was fully in line with expectations. We completed deliveries for the first ESPO contract in accordance with the project's schedule and continued execution of the contract for Vankor oilfield development. Along with the current projects, we saw continuation of the strong order inflow across different business segments, which more than doubled (up 133%) in comparison with the first half of 2011.

I'm pleased to say that in the second quarter we managed to sign a flagship follow-up ESPO contract for production and delivery of 12 trunk pipeline pump units for 3 pumping stations of the pipeline. Bidding activities remained high after the reporting date that gave us opportunities to win several export contracts in water utilities, nuclear power generation and oilfields development as well as a first large (Rub 0.9bn) turn-key contract to be executed by the compressor manufacturer KazanKomressorMash (KKM), our newly acquired subsidiary.

Shortly after the reporting date we successfully completed two M&A deals. The acquisition of KKM was intended to reinforce the range of products and services offerings for our customers with compressors and compressor-based solutions, while the acquisition of Apollo will strengthen our ability to provide customers with specialized high-end pumps for oil refineries and power generation as well as give us an expertise in pump and pump-based solutions for off-shore projects.

Notwithstanding we are properly cautious about the economic uncertainties around us, given the strong order flow and visibility for the second half of the year, I'm comfortable to reiterate our FY2012 financial forecasts, and keep confidence we will benefit from the growth prospects of our main end-markets."

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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.

FINANCIAL AND OPERATING SUMMARY

(Rub million)	H1 2012	H1 2011	Year-on-Year Change
Backlog	**21,942**	**13,728**	60%
Revenues	**14,939**	**13,857**	8%
EBITDA	**2,470**	**3,133**	(21)%
Operating profit	**1,683**	**2,743**	(39)%
Profit for the period	**969**	**2,082**	(53)%
Basic and diluted earnings per share (Rub per share)	**7.21**	**17.44**	(59)%
ROCE (LTM) [2]	**19.6**	**38.9**	n/a

OPERATING REVIEW

Group

The Group's revenue grew by 8% year-on-year to Rub 14,939 million in the first half of 2012, primarily driven by solid growth in the oil and gas equipment and EPC business segments as a result of infrastructure projects execution in oil fields development, including on a turn-key basis under the contracts secured in the late 2011 and the first three months of 2012. Along with this, sales of standard pumps and equipment as well as aftermarket services continued to grow. Thus, sales of pumps and spare parts across the main end-markets, including oil and gas upstream, power and water utilities, grew by 32% year-on-year, while sales of repair services for oil and gas equipment increased by 19% year-on-year in comparison with the first half of the previous year.

The order intake[3] during the first half of 2012 demonstrated robust growth across all business segments and amounted to Rub 18,372 million as compared to Rub 7,870 million in the corresponding period of the last year, up by 133% year-on-year. As a result, the backlog hit record high in line with the projections and reached Rub 21,942 million by the end of 1H 2012. Excluding the backlog of the companies, acquired in 2011, the backlog grew to Rub 20,586[4] million.

The follow-up ESPO contract of Rub 4,626 million, which was signed in April, resulted in 35% year-on-year growth of the backlog in the industrial pumps business segment to Rub 11,632 million, while excluding the contract, performance of the segment's backlog remained healthy, up 27% year-on-year to Rub 7,111 million. In the oil and gas equipment business segment the backlog grew by 118% year-on-year to Rub 3,656 million along with the strong growth of 56% year-on-year to Rub 5,293 million in the EPC business segment. As a result, the backlog became more diversified across business segments with the share of outstanding backlog related to the ESPO project of 25% versus 29% in the same period of the last year.

Cost of sales grew by 11% year-on-year from Rub 9,587 million in the first half of 2011 to Rub 10,688 million in the reporting period. As a result, cost of sales accounted for 71.5% of total revenue versus 69.2% in the corresponding period of the previous year.

Distribution and transportation expenses increased by 64% year-on-year to Rub 634 million and comprised 4.2% of revenue due to increase in labour costs, mainly driven by staff costs growth and

2 ROCE is calculated as EBIT (LTM) divided by average total debt plus average equity (LTM).
3 Under management accounts
4 Excluding KKM, Sibneftemash, Bobruisk and DGHM's backlogs adjusted

transportation costs expansion resulted from consolidation of companies acquired in 2011. Execution of the complex projects located in remote areas has also contributed to the distribution and transportation expenses growth.

General and administrative expenses grew by 82% year-on-year and amounted to Rub 1,815 million for the first half of 2012. Labour costs growth, driven by consolidation of acquired companies and implementation of the projects of corporate development, including investments into IT infrastructure and export infrastructure development were the main factors behind G&A expenditures performance.

The Group's EBITDA contracted by 21% year-on-year in the first half of 2012, mainly due to the high-base effect emerged from the high portion of lump-sum high-margin infrastructure contracts EBITDA recognition in H1 2011. Excluding these contracts, EBITDA grew by 66% year-on-year. The EBITDA performance was supported by the higher-than-average profitability of construction contracts and secured contracts for integrated solutions in the oil and gas equipment business segment. As a result, the Group's EBITDA margin was 16.5% in the first half of 2012, compared to 22.6% in the corresponding period of 2011.

Total outstanding debt of the Group grew by 159% year-on-year to Rub 11,921 million driven by a Rub 3,000 million bond issuance and utilization of undrawn credit facilities in the first half of the year aimed at the financing of the acquisition completed in July 2012. Net debt grew by 160% year-on-year to Rub 10,668 million. Interest rate on average outstanding debt stood at 9.8%, while interest expenses as a percentage of revenue comprised 3.2% in the first half of 2012 versus 1.4% in the corresponding period of 2011.

The Group reported profit for the period of Rub 969 million in the first half of 2012, down 53% 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 stood at Rub 7.21 for the first half of 2012.
Return on capital employed taken for the last 12 months was 19.6% for the first half 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 31% year-on-year to Rub 6,199 million in the first half of 2012 from Rub 8,924 million in the same period of the previous year. However, excluding high-base effect caused by recognition of revenue from the material ESPO-related contract, revenue of the segment grew by 35% year-on-year mainly driven by consolidation of DGHM, acquired in 2011. Organic revenue growth, excluding the ESPO-related contract, was 4% year-on-year.

EBITDA attributable to the industrial pumps business segment declined by 68% year-on-year in the first half of 2012 to Rub 822 million, compared to Rub 2,605 million in the corresponding period of 2011, mainly due to insignificant portion of EBITDA, generated by the contracts for integrated solutions as opposed to the last year EBITDA mix, where the large high-margin contracts in oil transportation and power generation had significantly boosted EBITDA. Along with this, the bonuses paid in Q2 2012 for the successful completion of the equipment delivery under the first ESPO-related contract as well as a portion of the Group's SG&A related to the turn-key projects that was reflected in the segment financials also affected EBITDA and resulted in margin of 13.3% in the first half of 2012 versus 29.2% in the same period of the previous year.

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 revenues grew by 110% year-on-year in the first half of 2012 to Rub 4,490 million, compared to Rub 2,135 million in the corresponding period of the last year. As expected, the main reason for the solid growth was impressive results achieved by the Group due to the participation in the large-scale projects on supplying oil and gas equipment at Vankor oilfield as well as consolidation of Sibneftemash, acquired in 2011. Excluding the revenue of Sibneftemash, organic revenue grew by 80% year-on-year.

As a result of the contract mix, implying higher share of projects based on integrated solutions in the reporting period, the segment's EBITDA grew 10 times year-on-year to Rub 1,150 million in the reporting period, compared to Rub 113 million in the first half of 2011. The EBITDA margin hiked to 25.6%, compared to 5.3% in the first half of 2011.

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 increased by 52% year-on-year to Rub 4,249 million for the first half of 2012, compared to Rub 2,799 million in the corresponding period of 2011. The Group intentionally rejected the opportunities driven by low-margin construction contracts.

EBITDA in the EPC business segment contracted by 10% year-on-year to Rub 321 million in the first half of 2012 with average EBITDA margin of 7.6% versus 12.7% in the compared period of the previous year. The segment's margin contraction was mainly driven by changes in the mix of contracts and lower than expected margin in the project and design field as the Group continued to execute several innovative projects that required additional expenses as well as temporarily aggressive pricing policy to penetrate new promising market segments. As the Group intends to participate in the later stages of these projects, the overall margin for the project is expected to be recovered as a result of synergies between the different business segments.

FINANCIAL REVIEW

As a result of changes in working capital driven by the follow-up ESPO contract signing, the Group recorded positive cash flow from operating activities amounted to Rub 2,337 million in the first half of 2012, compared to net cash outflow of Rub 1,419 million in the first half of 2011. The difference stemmed from increase in accounts payable and significant advances received in Q2 2012 under the oil transportation contracts.

Net cash outflow from investing activities totaled Rub 6,569 million in the first half of 2012, compared to Rub 1,726 million in the first half of 2011. Capital expenditures were in line with expectations and amounted to Rub 858 million that is in line with our target range of 2-2.5x D&A, while the main part of the rest of outflow from investing activities was attributable to the M&A deal conducted after the reporting period – the acquisition of KazanKomressorMash (Russia) and the final payment for the DGHM deal.

Dividend payments for the FY 2011 results 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.

The total debt grew by 159% year-on-year to Rub 11,921 million in the reporting period, compared to Rub 4,597 million in the first half of 2011 due to significant debt expansion ahead of the acquisition of KazanKompressorMash. The rest part of the debt expansion was used for working capital needs for the execution of the current projects. By the end of the first half of 2012 76% of total debt was represented by long-term facilities.

The Net debt-to-EBITDA (taken for the last 12 months) ratio amounted to conservative 2.2 assuming the Group retained ability to attract additional funding for business development, given the internal covenant for the ratio of 2.5. The Group's cash balances stood at Rub 1,253 million by the end of the first half of 2012, compared to Rub 494 million by the end of the first half of 2011. Ability of the Group to meet its debt obligation remained healthy, notwithstanding debt increase, with interest coverage ratio based on last 12M performance of 4.5.

The Group's net working capital[5] amounted to 18.1% of total revenue for the last 12 months, compared to 18.4% for the first half of 2011. This is in line with expectations to have net working capital to revenue ratio of 20-25% by the end of the year.

M&A Activity

After the reporting date the Group successfully completed two acquisitions. In July 2012, HMS acquired 74.35% of a share capital of KazanKompressoMash, 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 Goesnitz, 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) / 5 pm (Moscow Time)
to present and discuss first half 2012 results.
The dial-in numbers for the conference call are:

UK Local:	44 (0)20 7136 2050
UK Toll Free:	0800 279 4841
Russia Local:	7 495 705 9451
Russia Toll Free:	8 800 500 9312
US Local:	1 646 254 3363
US Toll Free:	1 877 249 9037
Confirmation Code:	**8631804**
Title:	HMS Group 6M 2012 IFRS financial results

Webcast link:

http://event.on24.com/r.htm?e=520987&s=1&k=AA45CF9EF5B99C57AA2D99EB5AA0FBE3

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

The management's slide presentation will be posted at HMS Group's website in the Management Presentations section today. A replay of the conference call will be available on the Company's website www.grouphms.com following the event.

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

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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

[5] Net Working capital is calculated as Inventories plus Trade and other receivables, excluding Short-term loans issued, Bank deposits and Promissory notes receivable, plus Current income receivable plus Prepaid expenses minus Trade and other payables minus Provisions for liabilities and charges minus Finance lease liability minus Current income tax payable minus Other taxes payable

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 14.9 billion, adjusted EBITDA of Rub 2.5 billion and profit for the period of Rub 1.0 billion for the 6 months ended June 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.

UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AT 30 June 2012
(Amounts in thousands of Russian Roubles, unless otherwise stated)

	30 June 2012	31 December 2011
ASSETS		
Non-current assets:		
Property, plant and equipment	8,782,425	8,225,805
Other intangible assets	421,922	497,871
Goodwill	2,359,726	2,359,726
Investments in associates	131,762	129,805
Advances for acquisition of subsidiary	5,513,872	-
Deferred income tax assets	281,948	207,383
Other long-term receivables	137,439	62,873
Total non-current assets	**17,629,094**	**11,483,463**
Current assets:		
Inventories	5,815,698	4,677,514
Trade and other receivables and other financial assets	12,027,136	10,147,963
Current income tax receivable	76,961	33,556
Cash and cash equivalents	1,253,467	1,598,463
Restricted cash	59,968	25,313
	19,233,230	**16,482,809**
Non-current assets held for sale	49,402	49,402
Total current assets	**19,282,632**	**16,532,211**
TOTAL ASSETS	**36,911,726**	**28,015,674**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	48,329	48,329
Share premium	3,523,535	3,523,535
Other reserves	122,852	122,852
Currency translation reserve	(201,882)	(228,760)
Retained earnings	5,458,367	6,116,729
Equity attributable to the shareholders of the Company	**8,951,201**	**9,582,685**
Non-controlling interest	**2,569,593**	**2,477,177**
TOTAL EQUITY	**11,520,794**	**12,059,862**
LIABILITIES		
Non-current liabilities:		
Long-term borrowings	9,072,813	4,433,984
Deferred income tax liability	695,669	1,091,372
Pension liability	354,958	334,267
Provisions for liabilities and charges	55,987	31,352
Other long-term payables	11,568	20,971
Total non-current liabilities	**10,190,995**	**5,911,946**
Current liabilities:		
Trade and other payables	10,517,011	6,646,612
Short-term borrowings	2,848,247	1,973,886
Provisions for liabilities and charges	613,201	452,649
Finance lease liability	-	9
Pension liability	31,208	32,333
Current income tax payable	54,609	293,640
Other taxes payable	1,135,661	644,737
Total current liabilities	**15,199,937**	**10,043,866**
TOTAL LIABILITIES	**25,390,932**	**15,955,812**
TOTAL EQUITY AND LIABILITIES	**36,911,726**	**28,015,674**

UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2012
(in thousands of Russian Roubles, unless otherwise stated)

	Six months ended 30 June 2012	Six months ended 30 June 2011
Revenue	14,938,838	13,857,464
Cost of sales	(10,688,368)	(9,587,465)
Gross profit	**4,250,470**	**4,269,999**
Distribution and transportation expenses	(634,099)	(387,385)
General and administrative expenses	(1,814,511)	(997,036)
Other operating expenses, net	(119,159)	(143,071)
Operating profit	**1,682,701**	**2,742,507**
Finance income	47,265	7,981
Finance costs	(470,245)	(206,740)
Share of results of associates	695	36,976
Profit before income tax	**1,260,416**	**2,580,724**
Income tax expense	(291,273)	(498,760)
Profit for the period	**969,143**	**2,081,964**
Profit attributable to:		
Shareholders of the Company	844,891	1,989,928
Non-controlling interest	124,252	92,036
Profit for the period	**969,143**	**2,081,964**
Currency translation differences	50,331	(238,951)
Currency translation differences of associates	1,262	(6,791)
Other comprehensive income/(loss) for the period	**51,593**	**(245,742)**
Total comprehensive income for the period	**1,020,736**	**1,836,222**
Total comprehensive income attributable to:		
Shareholders of the Company	871,769	1,806,767
Non-controlling interest	148,967	29,455
Total comprehensive income for the period	**1,020,736**	**1,836,222**
Basic and diluted earnings per ordinary share for profit attributable to the ordinary shareholders (RR per share)	**7.21**	**17.44**

UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2012

(Amounts in thousands of Russian Roubles, unless otherwise stated)

	Six months ended 30 June 2012	Six months ended 30 June 2011
Cash flows from operating activities		
Profit before income tax	1,260,416	2,580,724
Adjustments for:		
Depreciation and amortisation	410,171	302,546
Loss from disposal of property, plant and equipment and intangible assets	14,259	6,364
Finance income	(47,265)	(7,981)
Finance costs	470,245	206,740
Pension expenses	30,388	1,102
Warranty provision	39,200	(35,738)
Impairment of taxes receivable	11,742	-
Interest expense related to construction contracts	-	2,594
Provision for impairment of accounts receivable	8,669	(83,795)
Investments impairment provision	-	341
Provision for obsolete inventories	33,694	26,183
Provision for VAT receivable	3,646	(11,327)
Foreign exchange (income)/loss, net	(4,647)	49,064
Provision for legal claims	(15,005)	(18,313)
Share of results of associates	(695)	(36,976)
Net monetary effect on non-operating items	25,630	-
Other non-cash items	-	(468)
Operating cash flows before working capital changes	**2,240,448**	**2,981,060**
Increase in inventories	(1,162,531)	(769,019)
(Increase)/decrease in trade and other receivables	(2,005,509)	1,640,600
Increase/(decrease) in other taxes payable	457,960	(243,103)
Increase/(decrease) in accounts payable and accrued liabilities	4,137,550	(4,521,724)
Restricted cash	(34,655)	219
Cash generated from/(used in) operations	**3,633,263**	**(911,967)**
Income tax paid	(961,405)	(311,625)
Interest paid	(334,837)	(195,798)
Net cash from/(used in) operating activities	**2,337,021**	**(1,419,390)**
Cash flows from investing activities		
Repayment of loans advanced	5,897	-
Loans advanced	(11,062)	-
Proceeds from sale of property, plant and equipment and intangible assets	3,024	7,683
Interest received	42	-
Dividends received	976	14,002
Purchase of property, plant and equipment	(833,265)	(438,160)
Acquisition of intangible assets	(24,925)	(29,888)
Acquisition of subsidiaries, net of cash acquired	(205,940)	(1,280,000)
Advances paid for acquisition of subsidiary	(5,503,756)	-
Net cash used in investing activities	**(6,569,009)**	**(1,726,363)**
Cash flows from financing activities		
Repayments of borrowings	(5,688,850)	(6,262,415)
Proceeds from borrowings	11,095,882	6,214,859
Payment for finance lease	(9)	(6,157)
Proceeds from share issue	-	3,517,161
Expenses related to share issue	-	(144,645)
Acquisition of non-controlling interest in subsidiaries	(43)	-
Dividends paid to non-controlling shareholders of subsidiaries	(449)	(15,863)
Dividends paid to the shareholders of the Company	(1,499,692)	-
Net cash from financing activities	**3,906,839**	**3,302,940**
Net (decrease)/increase in cash and cash equivalents	**(325,149)**	**157,187**
Inflation effect on cash	**(572)**	**-**
Effect of exchange rate changes on cash and cash equivalents and effect of translation to presentation currency	**(19,275)**	**(14,274)**
Cash and cash equivalents at the beginning of the period	**1,598,463**	**351,086**
Cash and cash equivalents at the end of the period	**1,253,467**	**493,999**