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HMS Group announces financial results for the six months ended June 30, 2013

Moscow, Russia – September 30, 2013 – 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, 2013.

1H 2013 HIGHLIGHTS

- Backlog decreased by 23% year-on-year to Rub 17,569 million
- Order intake was down by 18% year-on-year from Rub 18,372 million in 1H 2012 to Rub 15,072 million in 1H 2013
- Revenue increased by 3% year-on-year to Rub 15,455 million driven by revenue growth in industrial pumps and compressors business segments
- EBITDA[1] totaled Rub 2,172 million, down 12% year-on-year; EBITDA margin was 14.1% compared to 16.5% for 1H 2012
- Operating profit[2] reached Rub 1,847 million, showing a 10% year-on-year growth; operating margin stood at 12.0%
- Profit for the period[2] totaled Rub 914 million, 5% lower than for 1H 2012; earnings per share (EPS) were Rub 7.18
- Net debt grew by 40% year-on-year to Rub 14,900 million as of June 30, 2013, resulting in Net debt-to-EBITDA (LTM) ratio at 2.5x
- Interest coverage ratio (LTM) stood at 2.6
- Return on capital employed (ROCE) LTM[3] was 14.4%

RECENT DEVELOPMENTS

- HMS Group concluded two material contracts totaled Rub 2.5 billion
- HMS Group signed the agreements for refinancing of Rub 4.58 billion bank loans

[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] Including excess of fair value of net assets acquired over the cost of acquisition

[3] ROCE is calculated as EBIT (LTM) divided by average total debt plus average equity

Commenting on the results, Artem Molchanov, Managing Director (CEO) of HMS Group, said,

"In the first half of 2013, despite the lack of new large-scale projects, we enjoyed a solid financial performance in our core business segments while the construction sub-segment delivered lower-than-expected results with negative EBITDA, which inevitably affected the total profitability of the Group. The Group's revenue showed a small growth compared to last year period and amounted to Rub 15.5 billion, while EBITDA declined to Rub 2.2 billion. Meanwhile, given some volatility of our business quarter-to-quarter, we think that financial indicators taken for the last twelve months provide more representative picture than the interim results. Comparing the figures for the last 12 months, we see a strong double-digit year-on-year growth in revenue (by 20%) and EBITDA (by 22%).

We expect to demonstrate better performance in the following reporting period. I am pleased to say that recently we've signed two material contracts totaled Rub 2.5 billion and hope to conclude extra contracts by the end of 2013".

OPERATING REVIEW

In 1H 2013 the Group's total backlog amounted to Rub 17,569 million, down by 23% year-on-year due to lack of new large-scale projects along with a poor performance of the construction sub-segment. Meanwhile, the backlog in all core business segments demonstrated positive dynamics in the reporting period. In the industrial pumps (excl. ESPO) and the compressors business segments the backlog experienced a double-digit growth year-on-year to Rub 6,854 million and Rub 1,984 million respectively. In the oil and gas equipment business segment HMS Group managed to replace Vankor contract with a series of smaller agreements, thus building up the Rub 3,009 million oil and gas equipment backlog in line with 1H 2012. Negative dynamics in the EPC business segment was caused by a 44% decrease in the backlog of the construction sub-segment.

The order intake[4] decrease by 18% in 1H 2013 was stipulated by the high base in 1H 2012 because of Rub 4.5 billion ESPO contract. Excluding this contract, the order intake grew across all business segments except the construction.

GROUP PERFORMANCE

The Group's revenue in 1H 2013 increased by 3% year-on-year to Rub 15,455 million mainly driven by sales growth in industrial pumps and compressors business segments. EBITDA contracted 12% year-on-year to Rub 2,172 million mostly due to lack of high-margin projects as well as negative EBITDA produced by EPC business segment. As a result, EBITDA margin stood at 14.1%.

Rub million	**H1 2013**	**H1 2012**	**Change y-o-y**
Total revenue	15,455	14,939	3.4%
EBITDA	2,172	2,472	(12.1)%
EBITDA margin	14.1%	16.5%	(249) bps

The Group's cost of sales increased by 7% year-on-year from Rub 10,703 million in 1H 2012 to Rub 11,433 million in 1H 2013, driven by consolidation of acquired companies, and accounted for 74% of total revenue in 1H 2013 versus 72% in 1H 2012.

[4] Under management accounts

Rub million	**H1 2013**	***% of revenue***	**H1 2012**	***% of revenue***	**Change y-o-y**
Total cost of sales	**11,433**	***74.0%***	**10,703**	***71.6%***	**6.8%**
Supplies and raw materials	5,061	*32.7%*	5,159	*34.5%*	(1.9)%
Labour costs	2,988	*19.3%*	2,809	*18.8%*	6.4%
Cost of goods sold	1,327	*8.6%*	981	*6.6%*	35.2%
Other expenses	2,057	*13.3%*	1,754	*11.7%*	17.3%

Supplies and raw materials coupled with cost of goods sold are the most significant cost components, accounting for almost 60% of the Group's total costs. In 1H 2013 they grew in line with revenue (by 4%).

Labour costs in 1H 2013 totaled Rub 2,988 million, increasing by 6% year-on-year.

Distribution and transportation expenses were flat year-on-year, achieving Rub 640 million in 1H 2013. They comprised 4% of revenue, the same share as in 1H 2012.

General and administrative expenses amounted to Rub 1,926 million, up by 6% year-on-year, mainly due to growth in labor costs and taxes and duties, directly related to the payroll budget. In 2013, HMS Group launched a cost-cutting programme which is expected to positively influence dynamics of G&A expenses.

In 1H 2013, the Group recognised a gain of Rub 521 million, resulted from bargain purchase of NIITurbokompressor (NIITK). This extra gain impacted the Group's operating profit, which grew by 10% year-on-year to Rub 1,847 million from Rub 1,679 million last year.

Interest expenses increased by 53% to Rub 733 million compared to Rub 480 million in 1H 2012 caused by the Group's debt growth. An average interest rate was 9.4% as of June 1, 2013 compared to 9.7% as of June 1, 2012.

In 1H 2013, the Group accrued an income tax expense of Rub 174 million. Effective tax rate decreased to 16% in 1H 2013 from 23% in 1H 2012. It was positively impacted by non-taxable bargain purchase gain from the acquisitions completed in 2013.

In 1H 2013, the Group reported net profit of Rub 914 million, 5% lower as compared to 1H 2012. This net profit decline is a direct consequence of increased debt expenses.

SEGMENT PERFORMANCE

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 customized pumps and integrated solution as well as pumps built to standard specifications, It also provides aftermarket maintenance and repair services and other support for its products.

Rub million	**H1 2013**	**H1 2012**	**Change y-o-y**
Revenue	7,724	6,199	24.6%
EBITDA	1,274	823	54.8%
EBITDA margin	16.5%	13.3%	322 bps

The industrial pumps business segment's revenue grew by 25% year-on-year to Rub 7,724 million in 1H 2013 from Rub 6,199 million in 1H 2012, while EBITDA increased by 55% year-on-year to Rub 1,274 million. The EBITDA margin achieved 16.5%. The solid performance of the industrial pumps business segment in 1H 2013 was supported by a stable inflow from regular contracts.

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 core 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.

Rub million	**H1 2013**	**H1 2012**	**Change y-o-y**
Revenue	3,829	4,490	(14.7)%
EBITDA	381	1,150	(66.9)%
EBITDA margin	9.9%	25.6%	(1.567) bps

The oil and gas equipment business segment's revenue was down by 15% year-on-year in 1H 2013 to Rub 3,829 million, compared to Rub 4,490 million in 1H 2012. The segment's EBITDA dropped by 67% year-on-year and reached Rub 381 million in the reporting period versus Rub 1,150 million in 1H 2012. As a result, the EBITDA margin fell to 9.9% in 1H 2013, compared to 25.6% in 1H 2012. The main reason of the decline was the completion of the large-scale high-margin project on supplying oil and gas equipment at Vankor oilfield and the lack of comparable projects in the reporting period.

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, and compressor-based integrated solutions.

Rub million	**H1 2013**	**H1 2012**	**Change y-o-y**
Revenue	1,604	n/a	n/a
EBITDA	114	n/a	n/a
EBITDA margin	7.1%	n/a	n/a

HMS Group established new Compressors business segment in 2H 2012 after acquisition of Kazankompressormash (KKM), one of the leading compressor producers in Russia. IFRS accounting principles were applied for KKM since third quarter 2012, therefore there is no relevant year-on-year comparison for its key financial indicators.

Meanwhile, the financial results achieved by the newly-established compressor business segment in 1H 2013 met the Group's expectations being fully in line with its approved budget. Revenue totaled Rub 1,604 million with EBITDA of Rub 114 million and EBITDA margin at 7.1%.

The Group expects the Compressors business segment to generate higher profits in future benefitting from the purchase of NIITK, the largest R&D center for compressor technologies in Russia. Currently, roughly 80% of overall innovative production of KKM is based on design documentation prepared by the institute. So, HMS Group relies on synergy effect to bring down costs in its compressor business. Moreover, NIITK has strong competences in project and design of compressor-based integrated solutions, which are more value-added for a producer than standard products.

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.

Rub million	**H1 2013**	**H1 2012**	**Change y-o-y**
Revenue	2,297	4,249	(45.9)%
EBITDA	(34)	322	(110.7)%
EBITDA margin	(1.5)%	7.6%	(907) bps

EPC sub-segments demonstrated differently directed financial performance, resulted in generally poor revenue (it decreased almost twofold year-on-year) and negative margin. Project and Design generated stable revenue and EBITDA and returned to its normal level of EBITDA margin of 14.7%, reflecting the management's focus on operating efficiency. Construction, in contrast, showed declined revenue and negative EBITDA caused by lack of high-margin contracts and deterioration in terms of payments.

This poor performance of the construction sub-segment, so much different from the results of the Group's other businesses, makes HMS think about various strategic options for its construction assets, including their disposal.

FINANCIAL REVIEW

CASH FLOWS PERFORMANCE

Rub million	**H1 2013**	**H1 2012**	**Change y-o-y**
Net cash (used in)/from operating activities	(1,344)	2,337	n/a
Net cash used in investing activities	(1,051)	(6,569)	(84.0)%
Net cash from financing activities	3,463	3,907	(11.4)%
Net increase/(decrease) in cash and cash equivalents	**1,069**	**(325)**	**n/a**
Inflation effect on cash	-	(1)	
Effect of exchange rate changes on cash	4	(19)	n/a

and cash equivalents and effect of translation to presentation currency			
Cash and cash equivalents at the beginning of the period	**1,346**	**1,598**	**(15.7)%**
Cash and cash equivalents at the end of the period	**2,418**	**1,253**	**92.9**

Operating cash flow in 1H 2013 turned to negative Rub 1,344 million from positive 1H 2012 net cash flow of Rub 2,337 million, driven by changes in working capital.

Working capital totaled Rub 8,654 million (up by 68% year-on-year). The Group's net working capital amounted to 25.3% of total revenue taken for the last 12 months, compared to 18.0% for 1H 2012. The growth in working capital was attributable to inventories increase (+Rub 1.3 billion) due to acquired KKM and Apollo coupled with payables decrease (-Rub 2.0 billion) related to the received advance payments in 2Q 2012 and further execution of the ESPO contract.

The Group reported net cash outflow of Rub 1,051 million from investing activities in 1H 2013, compared to Rub 6,569 million outflow in 1H 2012. Capital expenditures were in line with the Group's expectations and amounted to Rub 632 million. The main part of the outflow from investing activities was attributable to acquisition of NIITK.

Net cash inflow from financing activities amounted to Rub 3,463 million, comprised mostly repayments of borrowings in the amount of Rub 6,308 million and proceeds from borrowings in the amount of Rub 9,975 million. Shares buyback lead to outflow of Rub 177 million.

DEBT AND LIQUIDITY POSITION

Rub million	**H1 2013**	**H1 2012**	**Change y-o-y**
Total Debt	17,319	11,921	45.3%
Long-term	13,817	9,073	52.3%
Short-term	3,502	2,848	23.0%
Net Debt	14,900	10,667	39.7%
Net Debt/LTM EBITDA	2.5	2.2	

As of June 30, 2013, the Group's total debt grew 45% year-on-year to Rub 17,319 million compared to Rub 11,921 million as of June 30, 2012. 80% of the total debt was represented by long-term facilities. Debt expansion was caused primarily by growing working capital needs as well as acquisition of Apollo and NIITK.

Net debt increased to Rub 14,900 million, while net debt-to-EBITDA (taken for the last 12 months) ratio amounted to 2.5.

The Group's cash position as of June 30, 2013 was Rub 2,418 million compared to Rub 1,253 million as of June 30, 2012. The ability of the Group to meet its debt obligation remained comfortable, notwithstanding debt increase, with the interest coverage ratio based on last 12 months performance of 2.6.

SHARE BUYBACK

During the first half of 2013, HMS Group purchased 1,641,139 GDRs of the Group, representing 1.4% of its issued share capital with an average price of US $3.43 per GDR. Total amount of GDRs bought back under the Share Buyback Programme, approved at the AGM on May 21, 2012, reached by the end of 1H 2013 1,819,444 GDRs, representing 1.6% of the issued share capital.

M&A DEVELOPMENT

HMS Group completed two acquisitions during 1H 2013:

- NIITurbokompressor (NIITK), the leading Russian project and design institute, focused on compressor technologies, located in Kazan. HMS Group acquired 95.4% of voting shares for Rub 321 miilion. Acquisition of NIITK is a part of the Group's strategy aimed at enhancing competencies in compressor business. Also, as NIITK holds 16% of voting shares of KKM, HMS Group increased its shareholding in KKM.

- Noyabrskneftegazproekt (NNGP), the project institute, which renders design and engineering services in Yamal for oil and gas companies. The purchase (Rub 9.5 million) was made under the strategic agreement of HMS Group with one of Russian oil and gas majors.

The Group's management assessed the fair value of the acquired companies and recorded a gain in the amount of Rub 544 million in its statement of comprehensive income. This amount represents an excess of fair value of net assets acquired over the costs of acquisitions. Such assessments are preliminary and may change when the valuation is completed.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

In August-September 2013, HMS Group signed the agreements for refinancing of Rub 4.58 billion, which resulted in more comfortable and smooth debt repayment schedule.

After the reporting period, HMS Group signed two material contracts:

- In July 2013, HMS concluded the agreement for production and delivery of 8 trunk pipeline pump units for two pump stations of the Zapolyarye – Purpe Oil Pipeline totaled Rub 1.5 billion.

- In August 2013, the Group signed a contract for manufacturing and delivery of a compressor unit worth Rub 0.9 billion. Under the contract, HMS Group will deliver the booster compressor station on a customer's site. The unit, based on a gas-turbine engine and manufactured by KKM, will be installed at a petrochemical complex in the South of Russia.

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 half 2013 results.

To participate in the audio meeting, please dial in:

Russia Local:	7 495 580 9532
UK Local:	44 (0)20 7190 1596
UK Toll Free:	0800 358 5256
US Local:	1 480 629 9822
US Toll Free:	1 877 941 6013

Conference ID: 4640049
Title: HMS Group 6 months 2013 IFRS results

Webcast Meeting:
To access the live event, clink on the link:
http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=2100

The management's slide presentation will be published at the 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, join in 5-10 minutes prior to the scheduled start time. Pre-registration is available.

For further information, please contact:

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HMS Group is the leading pump and compressor manufacturer, as well as 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. 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. 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.*