



ОТКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО «ГРУППА ГМС»

HMS Group OJSC

**International Accounting Standard No. 34
Consolidated Condensed Interim Financial Information**

31 March 2009

Contents

CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

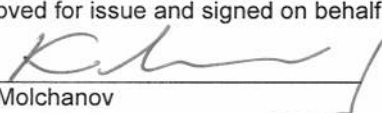
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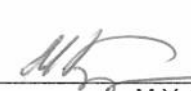
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	Note	31 March 2009	31 December 2008
ASSETS			
Non-current assets:			
Property, plant and equipment	5	3,881,499	3,928,373
Other intangible assets	6	51,992	53,439
Goodwill	7	306,682	306,682
Investments in associates	9	453,001	449,848
Deferred income tax assets		64,787	41,000
Other long-term receivables		16,779	17,285
Total non-current assets		4,774,740	4,796,627
Current assets:			
Inventories	11	2,429,825	2,432,504
Trade and other receivables		3,790,079	3,076,888
Current income tax receivable		49,194	46,516
Prepaid expenses		25,657	26,422
Cash and cash equivalents	10	946,592	669,482
Restricted cash	10	799	620
Total current assets		7,242,146	6,252,432
TOTAL ASSETS		12,016,886	11,049,059
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	591,180	591,180
Currency translation reserve		(88,370)	(122,942)
Retained earnings		1,629,386	1,657,812
Other reserves		(26,834)	(26,834)
Equity attributable to the Company's equity holders		2,105,362	2,099,216
Minority interest		658,479	663,197
TOTAL EQUITY		2,763,841	2,762,413
LIABILITIES			
Non-current liabilities:			
Long-term borrowings	12	806,310	787
Finance lease liability	13	18,057	21,767
Deferred income tax liability		283,883	240,670
Pension liability	14	176,442	120,898
Other provisions for liabilities and charges		25,715	27,111
Total non-current liabilities		1,310,407	411,233
Current liabilities:			
Trade and other payable		3,604,749	3,413,961
Short-term borrowings	12	4,059,533	4,081,922
Finance lease liability	13	20,079	19,776
Pension liability	14	6,146	17,242
Current income tax payable		37,871	22,418
Other taxes payable		214,260	320,094
Total current liabilities		7,942,638	7,875,413
TOTAL LIABILITIES		9,253,045	8,286,646
TOTAL EQUITY AND LIABILITIES		12,016,886	11,049,059

Approved for issue and signed on behalf of the Board of Directors on 26 June 2009.


 K.V. Molchanov
 Vice-president
 HMS Group OJSC


 M.Y. Kuzmenko
 Finance Director
 HMS Group OJSC

HMS Group OJSC
 Consolidated Condensed Interim Income Statement for the three months ended 31 March
 2009



(in thousands of Russian Roubles, unless otherwise stated)

	Note	Three months ended 31 March 2009
Revenue	18	2,867,357
Cost of sales	19	(2,117,861)
Gross profit		749,496
Distribution and transportation expenses	20	(99,890)
General and administrative expenses	21	(411,712)
Other operating expenses - net	22	(9,681)
Operating profit		228,213
Finance income	23	127,029
Finance costs	24	(227,915)
Share of results of associates	9	2,239
Profit before income tax		129,566
Income tax expense	17	(89,919)
Profit after tax		39,647
Other changes in net assets attributable to participants		-
Increase in net assets		-
Remeasurement of net assets attributable to participants		-
Net profit		39,647
Profit/(loss)/increase in net assets attributable to:		
Equity holders/participants of the Company		(5,323)
Minority interest		44,970
Profit/increase in net assets		39,647

The accompanying notes on pages 5 to 18 are an integral part of these consolidated financial statements.

	Note	Three months ended 31 March 2009
Cash flows from operating activities		
Profit before income tax		129,566
Adjustments for:		
Deprecation and amortization	5,6	92,480
Loss from disposal of property, plant and equipment and intangible assets		2,265
Finance income	23	(121,338)
Finance costs	24	227,913
Pension expenses	14	40,288
Provision for warranty	19	(1,517)
Provision for impairment of accounts receivable	21	26,625
Provision for obsolete inventories	19	19,549
Foreign exchange translation differences		5,691
Provisions for legal claims	21	(4,765)
Share of result of associates	9	(2,239)
Operating cash flows before working capital changes		414,518
Increase in inventories		(16,870)
Increase in trade and other receivables		(746,549)
Increase/(decrease) in taxes payable		(114,685)
(Decrease)/increase in accounts payable and accrued liabilities		222,946
Restricted cash	10	(178)
Cash generated from operations		(240,818)
Income tax paid		(49,602)
Interest paid		(200,380)
Net cash from operating activities		(490,800)
Cash flows from investing activities		
Repayment of loans advanced		39,894
Loans advanced		(12,107)
Proceeds from the sale of property, plant and equipment		33
Interest received		5,172
Prepayments for business combinations		(414)
Purchase of property, plant and equipment		(39,082)
Acquisition of intangible assets		(5,904)
Net cash used in investing activities		(12,408)
Cash flows from financing activities		
Repayment of borrowings		(314,067)
Proceeds from borrowings		1,168,734
Payment for finance lease		(5,831)
Acquisition of non-controlling interest in subsidiaries	8	(68,111)
Dividend paid to minority holders of subsidiaries		(406)
Net cash from financing activities		780,319
Net increase in cash and cash equivalents		277,111
Cash and cash equivalents at the beginning of the period, net of restricted cash of RR 620	10	669,481
Cash and cash equivalents at the end of the period, net of restricted cash of RR 799	10	946,592

		Capital and reserves attributable to the equity holders of the Company					Total Equity
Note	Share capital	Other reserves	Cumulative translation reserve	Retained Earnings	Minority interest	Total Equity	
	-	-	-	-	567,953	567,953	
Balance as at 1 January 2009							
Reclassification from net assets attributable to participants liability	16	591,180	(63,869)	1,708,509	-	2,205,458	
Change in cumulative currency translation reserve		-	(92,580)	-	(13,574)	(106,154)	
Revaluation gain		-	37,035	-	-	37,035	
Net loss recognized directly in equity		-	37,035	(92,580)	(13,574)	(69,119)	
Net profit for the period		-	-	(2,931)	88,168	85,237	
Total recognized income		-	37,035	(92,580)	74,594	16,118	
Distribution to minority holders of the Group's subsidiaries		-	-	-	(291,726)	(291,726)	
Re-distribution of net assets to minority holders of the Group's subsidiaries		-	-	(33,726)	235,363	201,637	
Business combinations		-	-	-	117,886	117,886	
Acquisition of minority interest in the subsidiaries		-	-	(14,040)	(40,873)	(54,913)	
Balance as at 31 March 2009	591,180	(26,834)	(122,942)	1,657,812	663,197	2,762,413	
Net profit for the period	-	-	-	(5,323)	44,970	39,647	
Change in cumulative currency translation reserve	-	-	34,572	-	(4,276)	30,296	
Distribution to minority holders of the Group's subsidiaries	16	-	-	-	(406)	(406)	
Re-distribution retained earnings to minority holders of the Group's subsidiaries		-	-	(433)	(3,028)	(3,461)	
Acquisition of minority interest in the subsidiaries	8	-	-	(22,670)	(41,978)	(64,648)	
Balance as at 31 March 2009	591,180	(26,834)	(88,370)	1,629,386	658,479	2,763,841	

The accompanying notes on pages 5 to 18 are an integral part of these consolidated financial statements.

1 The HMS Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the three months period ended 31 March 2008 for Open Joint Stock Company HMS Group (the "Company") and its subsidiaries ("the Group"). The Group's principal business activities are: manufacturing of a wide range of pumps and pumping units, manufacturing and repairing of oil and gas equipment, engineering and construction services mainly for oil and gas companies. These products and services are sold both in the Russian Federation and abroad. The Company is incorporated and domiciled in the Russian Federation. The address of its registered office is 3rd Pryadilnaya St. 6A, 105037 Moscow. The Group's manufacturing facilities are primarily located in Orel, Vladimir, Tomsk and Tumen regions of the Russian Federation, Sumy in Ukraine and Minsk in Belorussia.

2 Basis of Preparation and Summary of Significant Accounting Policies

Basis of preparation. This condensed consolidated interim financial information for the three months ended 31 March 2008 has been prepared in accordance with IAS 34, *Interim financial reporting*. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2008.

3 Accounting Policies

Accounting policies. The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2008, as described in those annual consolidated financial statements.

Certain reclassification have been made to prior year balances in the consolidated condensed interim balance sheet, cash flows and notes to conform to the current period presentation.

4 New Accounting Pronouncements

Certain new standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods and which the entity has not early adopted:

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as a transaction to be directly recorded in net assets attributable to participants. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or on the same basis as US GAAP (at fair value). The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill will be measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

4 New Accounting Pronouncements (continued)

Eligible Hedged Items – Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment is not expected to have any impact on the Group's financial statements as the Group does not apply hedge accounting.

IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). The amendment clarifies when and how distribution of non-cash assets as dividends to the owners should be recognized. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognized in profit or loss when the entity settles the dividend payable. IFRIC 17 is not relevant to the Group's operations because it does not distribute non-cash assets to owners.

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 is not expected to have any impact on the Group's financial statements.

Embedded Derivatives – Amendments to IFRIC 9 and IAS 39 (effective for annual periods ending on or after 30 June 2009). The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's consolidated financial statements.

5 Property, Plant and Equipment

Property, plant and equipment and related accumulated depreciation consist of the following:

	Land	Buildings	Plant and equipment	Transport	Other	Construction in progress	Total
Cost at 31 December 2008	125,158	2,263,606	1,708,551	162,978	167,508	260,847	4,688,648
Accumulated depreciation	-	(153,191)	(462,574)	(70,206)	(74,304)	-	(760,275)
Carrying amount at 1 January 2009	125,158	2,110,415	1,245,977	92,772	93,204	260,847	3,928,373
Additions	-	11,039	17,470	437	5,264	42,725	76,935
Transfers	-	59,891	12,075	-	906	(72,872)	-
Disposals	-	-	(611)	(43)	(1,291)	(46,908)	(48,853)
Depreciation for the period	-	(18,427)	(53,715)	(6,817)	(6,869)	-	(85,828)
Translation to presentation currency	2,805	(1,182)	6,006	368	964	1,911	10,872
Carrying amount at 31 March 2008	127,963	2,161,736	1,227,202	86,717	92,178	185,703	3,881,499
Cost at 31 March 2008	127,963	2,334,455	1,745,445	163,234	173,700	185,703	4,730,500
Accumulated depreciation	-	(172,719)	(518,243)	(76,517)	(81,522)	-	(849,001)
Carrying amount at 31 March 2008	127,963	2,161,736	1,227,202	86,717	92,178	185,703	3,881,499

As at 31 March 2009, the Group's property, plant and equipment for a total of RR 127,114 had been pledged as security for loans (31 December 2008: RR 138,006) (Note 12).

The Group leases plant and equipment under a finance lease arrangements. As at 31 March 2009, the gross book value of the leased equipment was RR 100,357 (31 December 2008: RR 100,357), accumulated depreciation was RR 21,807 (31 December 2008: RR 21,807).

Construction-in-progress includes advances for capital expenditures for a total of RR 18,153 as at 31 March 2009 (31 December 2008: RR 62,171).

6 Other Intangible Assets

	Patents	Licensed technology	Acquired software license	Customer relationships	Trademarks	Websites	Total
Cost at 1 January 2009	12,576	13,097	18,429	7,595	14,528	70	66,295
Accumulated amortization and impairment	(550)	(4,610)	(4,661)	(2,586)	(434)	(15)	(12,856)
Carrying amount at 1 January 2009	12,026	8,487	13,768	5,009	14,094	55	53,439
Additions	19	1,033	1,982	-	2,215	-	5,249
Disposals	-	(456)	(1,127)	-	-	-	(1,583)
Amortization for the period	(1,219)	(1,020)	(1,765)	(1,881)	(759)	(7)	(6,651)
Translation to presentation currency	3	(1)	(10)	190	1,357	(1)	1,538
Carrying amount at 31 March 2009	10,829	8,043	12,848	3,318	16,907	47	51,992
Cost at 31 March 2009	12,599	12,652	18,776	7,847	18,136	69	70,079
Accumulated amortization and impairment	(1,770)	(4,609)	(5,928)	(4,529)	(1,229)	(22)	(18,087)
Carrying amount at 31 March 2009	10,829	8,043	12,848	3,318	16,907	47	51,992

7 Goodwill

Movements in goodwill on acquisition of the subsidiaries:

	Note	2009
Gross book value as of 1 January		306,682
Accumulated impairment as of 1 January		-
Carrying amount as at 31 March		306,682
Gross book value as of 31 March		306,682
Accumulated impairment losses as of 31 March		-
Carrying amount as at 31 March		306,682

Goodwill is allocated to cash generating units (CGU), which represent the lowest level within the Group at which the goodwill is monitored by management and which are not larger than a segment for segment reporting purposes as follows:

	31 March 2009	31 December 2008
Hydromash-Industria LLC	4,519	4,519
Tomskgazstroy OJSC	16,757	16,757
Institute Rostovskiy Vodokanalproekt OJSC	94,834	94,834
Trest Sibkomplektmontazhnaladka OJSC	190,572	190,572
Total carrying amount of goodwill	306,682	306,682

8 Business Combinations

Acquisition of minority interest in subsidiaries

In January 2009, the Group acquired an additional 1.4% interest in Trest Sibkomplektmontazhnaladka OJSC for RR 1,900, respectively, paid in cash. As a result of this transaction, the Group increased its ownership interest in Trest Sibkomplektmontazhnaladka OJSC from 98.6% to 100% decreasing the minority interest by RR 2,601.

(in thousands of Russian Roubles, unless otherwise stated)

8 Business Combinations (continued)

In February 2009, the Group acquired an additional 0,2% interest in Tomskgazstroy OJSC for RR 640, respectively, paid in cash. As a result of this transaction, the Group increased its ownership interest in Tomskgazstroy OJSC from 62.01% to 62.18% decreasing the minority interest by RR 707.

In February 2009, the Group acquired an additional 0,01% interest in Nizhnevartovskremservice CJSC for RR 24, respectively, paid in cash. As a result of this transaction, the Group increased its ownership interest in Nizhnevartovskremservice OJSC from 99,99% to 100% decreasing the minority interest by RR 29.

In March 2009, the Group acquired an additional 10,36% interest in Livnynasos OJSC for RR 62,086, respectively, paid in cash. As a result of this transaction, the Group increased its ownership interest in Livnynasos OJSC from 70% to 80% decreasing the minority interest by RR 38,641.

9 Investments in Associates

In February 2009 the Group ceased its participation in associate Vodokanalproektirovanie LLC by return of previously contributed property of RR 11,031.

Investments in associates at 31 March 2009 include goodwill of RR 67,265 (31 December 2008: RR 70,418).

The Group's investments in associates are as follows:

	2009	2008
Carrying amount at 1 January 2009 / 1 January 2008	449,848	416,860
Cost of acquisition of associates	-	50,605
Acquisition	-	11,270
Disposals	(11,031)	-
Reclassification due to acquisition of controlling interest	-	(38,632)
The excess of fair value of the net assets acquired over the cost of acquisition	-	9,155
Dividends	-	(8,359)
Share of after tax results of associates	2,239	40,289
Translation to presentation currency	11,945	(31,340)
Carrying amount at 31 March 2009 / 31 December 2008	453,001	449,848

10 Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

	31 March 2009	31 December 2008
Cash on hand	6,229	1,080
RR denominated balances with banks	162,827	234,553
Foreign currency denominated balances with banks	22,936	52,778
RR denominated bank deposits	747,500	381,071
Other cash equivalents	7,100	-
	946,592	669,482

As at 31 March 2009 the closing balance of short-term bank deposits comprised short-term bank deposit in two banks with a 9-16% interest rate(31 December 2008: 7-9%).

Restricted cash

Restricted cash of RR 799 (31 December 2008: RR 620) represents minimum balances for settlement and corporate plastic cards balances.

11 Inventories

	31 March 2009	31 December 2008
Materials and components	941,546	978,006
Inventory for implementation of construction contracts	323,815	334,652
Work in progress	423,391	413,293
Finished goods	446,260	517,689
Goods for resale	322,367	246,180
Other inventories	112,030	59,206
Provision for obsolete inventories	(139,584)	(116,522)
	2,429,825	2,432,504

At 31 March 2009 inventories of RR 532,595 were pledged as collateral for borrowings (31 December 2008: RR 77,991) (Note 12).

12 Borrowings

	Interest rate	Denominated in	Maturity	31 March 2009	31 December 2008
Long-term loan:					
Bonds	9.9%	RR	November 2009	153,045	153,045
Long-term loan 1	14%	RR	June 2011	3,645	-
Long-term loan 2	18.5%	RR	February 2012	793,333	-
Long-term loan 3	13%	BYR	December 2010	9,332	787
					153,832
Less: short-term portion of bond				(153,045)	(153,045)
				806,310	787

In October 2006 one of the Group subsidiaries, HYDROMASHSERVICE CJSC, issued 1,000 thousand non-convertible three-year Russian Rouble denominated bonds (at par value 1,000 roubles each) for RR 1,000,000. The bonds bear interest rate of 9.9% per annum. The interest is payable every six months. The bonds are classified as short-term bonds as at 31 March 2009. The fair value of the bonds, which is based on market quotations, approximates RR 107,132 (31 December 2008: RR 107,132).

The bonds are secured by guarantees issued by the Group companies (Livhydromash OJSC, Livnynasos OJSC, Neftemash OJSC, HYDROMASHINPROM CJSC).

Long-term loans are secured by 696,826 ordinary shares of total 2,787,300 ordinary shares and 172,324 preference shares of total 689,291 preference shares of Neftemash OJSC.

As of 31 March 2009 and 2008 the fair value of long-term borrowings approximates their carrying amount.

	Interest rate	Denominated in	31 March 2009	31 December 2008
Short-term unsecured bank loans and borrowings				
Unsecured bank loan 1	10-28%	RR	2,991,440	2,991,440
Unsecured bank loan 2	7,09-27,58%	RR	500,000	500,000
Unsecured bank loan 3	16,3-19,3%	RR	-	148,066
Unsecured bank loan 4	13-21%	RR	22,000	45,000
Unsecured bank loan 5	15%	RR	-	15,000
			3,513,440	3,699,506
Short-term secured bank loans				
Secured bank loan 1	10,75-15%	US dollars	147,578	128,769
Secured bank loan 2	20-30%	UAH	1,479	3,470
Secured bank loan 3	14,5%	UAH	3,803	3,470
Secured bank loan 4	15-16%	RR	14,011	47,034
Secured bank loan 5	16,5%	US dollars	14,628	13,170
Secured bank loan 6	9,5%	EUR	10,682	10,416
Secured bank loan 7	13,5-14%	BYR	-	9,506
Secured bank loan 8	24%	UAH	9,045	7,731
Secured bank loan 9	0%	BYR	2,018	1,764
Secured bank loan 10	17-19,3%	RR	180,808	-
			384,052	225,330
Current portion of long-term bonds			153,045	153,045
Interest on short-term borrowings			8,996	4,041
Short-term loans and borrowings			4,059,533	4,081,922

The Group's borrowings are denominated in the following currencies:

	31 March 2009	31 December 2008
RR	3,870,300	3,903,624
US Dollar	162,206	141,939
EURO	10,682	10,416
BYR	2,018	12,059
UAH	14,327	14,671
	4,059,533	4,082,709

12 Borrowings (continued)

As at 31 March 2009 the Group pledged property, plant and equipment and inventories in total amounts of RR 127,114 and 532,595 (31 December 2008: RR 138,006 and RR 77,991), respectively, as a security for borrowings.

As of 31 March 2009 and 31 December 2008 the fair value of short-term borrowings approximates their carrying amount.

The Group has not entered into any hedging agreements in respect of its foreign currency obligations or interest rate.

13 Finance Lease Liabilities

The finance lease liabilities carry the effective rate of interest of 22.7% and are effectively collateralized by the leased assets, as the assets revert to the lessor in the event of default.

	Minimum lease payments as at 31 March 2009	Discounted value of minimum lease payments as at 31 March 2009
Finance lease payable:		
Not later than 1 year	26,109	20,079
Later than 1 year and not later than 5 years	21,092	18,057
Total	47,201	38,136
Future finance charges on finance lease	(9,065)	-
Present value of liabilities	38,136	38,136
Short-term finance lease liabilities	-	20,079
Long-term finance lease liabilities	-	18,057

14 Retirement Benefit Obligations

The following amounts were recognized within administrative expenses in the consolidated condensed interim income statement:

	Three months ended 31 March 2009
Current service cost	9,138
Interest cost	3,410
Past service cost	415
Net actuarial (gain)/loss recognised during the period	27,325
Net periodic benefit cost	40,288

Expenses relating to this plan were recognized in the administrative expenses.

The amounts recognized in the consolidated balance sheet were determined as follows:

	Three months ended 31 March 2009
Present value of defined benefit obligations	193,787
Unrecognised actuarial (gains)/losses	-
Unrecognised past service cost	(11,199)
Liability in the balance sheet	182,587

14 Retirement Benefit Obligations (continued)

Changes in the present value of the Group's pension benefit obligation are as follows:

	Three months ended 31 March 2009
Present value of defined benefit obligations at the beginning of the period	138,140
Actuarial losses	27,325
Service cost	9,138
Exchange adjustments	4,618
Interest expense	3,410
Past service cost	415
Benefits paid	(458)
Present value of defined benefit obligations as at the end of period	182,588

Short-term and long-term classification was determined based on discounted value of future obligation which is payable within 12 months from the balance sheet date:

	31 March 2009	31 December 2008
Short-term	6,146	17,242
Long-term	176,442	120,898
Discounted value of defined benefit obligations as at the end of three months ended 31 March 2009	182,588	138,140

15 Construction Contracts

During three months of the 2009 the construction contracts revenue was recognized in relation to stage of completion for each contract. The stage of completion of a contract was determined based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

The following figures represented below related to Group subsidiaries performed activities under construction contracts:

	31 March 2009
Construction contracts revenue	753,798
Contract cost expensed	(647,241)
Gross margin	106,557

	31 March 2009	31 December 2008
Advances, received for construction contracts	158,259	209,294
Retentions	37,704	35,299

The Group's financial position with respect to construction contracts in progress is as follows:

	31 March 2009
Aggregate amount of contract cost incurred	3,001,960
Aggregate amount of recognized profits	511,239
Less: Progress billings	(3,180,970)
Gross amount due from customers for contract work	332,229

	31 March 2009
Aggregate amount of contract cost incurred	763,330
Aggregate amount of recognized profits	177,308
Aggregate amount of recognized losses	-
Less: Progress billings	(1,077,573)
Gross amount due to customers for contract work	(136,935)

16 Share Capital

The nominal registered amount of the Company's issued share capital at 31 March 2009 is RR 591,180 (31 December 2008: RR 591,180). The total authorised number of ordinary shares is 1,182,360,600 of RR 0.5 par value each.

During three months of the 2009, dividends were accrued only to the holders of preference shares reflected in the amount of RR 406 (31 December 2008: RR 291,726 for the whole year), but no dividends were paid to shareholders or minority holders of common shares. As a result, redistribution retained earnings to minority holders of preference shares and common shares were reflected in these consolidated financial statements.

17 Income Taxes

The Group income tax charges were as follows:

	31 March 2009
Current tax	70,035
Deferred tax	19,884
Total income tax charge	89,919

Most companies of the Group were subject to tax rate of 20% on taxable profits in the Russian Federation for the three months period ended 31 March 2009.

18 Revenues

	Three months ended 31 March 2009
Sales of oilfield equipment	1,029,209
Sales of pumps and spare parts	847,284
Revenue from construction contracts	753,798
Sales of repair services for oil-field equipment	157,213
Sales of engines	21,244
Sales of products, work and services of auxiliary units	19,637
Sales of other services and goods	38,972
	2,867,357

19 Cost of Sales

	Three months ended 31 March 2009
Supplies and raw materials	1,030,150
Labour costs	474,276
Construction and installation works of subcontractors	241,865
Deprecation and amortization	76,054
Cost of goods sold	67,744
Utilities	46,957
Change in work in progress and finished goods	36,837
Inventory impairment provision	19,549
Research and development costs	3,050
Warranty provision	(1,517)
Other expenses	122,896
	2,117,861

20 Distribution and Transportation Expenses

	Three months ended 31 March 2009
Labour costs	35,025
Transport expenses	33,597
Packaging expenses	7,224
Lease	4,180
Insurance	3,765
Depreciation and amortization	2,565
Customs duties	2,511
Entertaining costs and business trip expenses	2,511
Products certification	655
Capital assets repair and maintenance	626
Advertising	421
Agency services	42
Other expenses	6,768
	99,890

21 General and Administrative Expenses

	Three months ended 31 March 2009
Labour costs	228,767
Defined benefits scheme expenses	40,288
Provision for impairment of accounts receivable	26,625
Taxes and duties	19,633
Stationary and office maintenance	15,587
Depreciation and amortization	13,345
Insurance	7,352
Audit and consultancy services	7,080
Rent	6,801
Entertaining costs and business trip expenses	6,604
Security	6,603
Bank services	6,379
Telecommunications services	5,886
Property, plant and equipment repair and maintenance	3,685
Training and recruitment	1,719
Provisions for legal claims	(4,765)
Other expenses	20,123
	411,712

22 Other Operating Expenses, Net

	Three months ended 31 March 2009
Charity, social expenditures	18,000
Loss on sales and other disposal of property, plant and equipment and intangible assets	2,265
Depreciation of social assets	516
Fines and late payment interest under contracts	254
Expenses on transactions with securities	(58)
Foreign exchange loss/(gain), (net)	(7,090)
Gain on sales of inventories	(8,556)
Other expenses	4,350
	9,681

23 Finance Income

	Three months ended 31 March 2009
Interest income	121,338
Foreign exchange gain (net)	5,691
	127,029

24 Finance Costs

	Three months ended 31 March 2009
Interest expenses	225,569
Finance lease expenses	2,345
Other expenses	1
	227,915

25 Balances and Transactions with Related Parties

Parties are generally considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24, *Related Party Disclosures*. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties may not and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

(in thousands of Russian Roubles, unless otherwise stated)

25 Balances and Transactions with Related Parties (continued)

The table below contains the disclosure by group of related parties with which the Company entered into significant transactions or has significant balances outstanding. Other category comprises the parties indirectly controlled by the Group through one or more intermediaries:

Balances with related parties	31 March 2009		
	Participant	Associates	Other
Loans issued	2,465	-	-
Accounts receivable	8,042	4	15,143
Accounts payable	-	6,552	2,677

Balances with related parties	31 December 2008		
	Participant	Associates	Other
Loans issued	75,160	-	-
Accounts receivable	1,359	368	5,064
Accounts payable	-	2,768	3,031

No provision was made for bad debts accounts receivable from related parties.

Neither party issued guaranties to secure accounts receivable or payable.

Income /expenses on transactions with related parties	Three months ended 31 March 2009		
	Participant	Associates	Other
Sales of goods and finished products	-	-	13
Sales of raw materials	-	859	-
Sales of services	-	40	-
Purchase of services	-	-	88
Purchase of goods	-	35,632	-
Purchase of raw materials	-	-	7,231

Income /expenses on transactions with related parties	Year ended 31 December 2008		
	Participant	Associates	Other
Sales of goods and finished products	-	1,947	431
Sales of services	-	3,943	-
Purchase of services	-	(4,609)	(526)
Purchase of goods	-	(112,175)	(48,670)
Interest income	8,916	-	-
Lease	-	-	(40)

In 2009, the Group received loans from related parties for a total of RR 4,225 with a weighted average interest rate of 14%. In 2008, the Group issued loans to related parties for a total of RR 75,160 with a weighted average interest rate of 14%.

Key management compensation

Key management compensation amounted to RR 16,891 for the three months ended 31 March 2009 (31 December 2008: RR 92,357) and includes short-term benefits such as salaries and bonuses paid to management as set forth in labour contracts concluded annually.

26 Contingencies and Commitments

(i) Legal proceeding

During the three months period, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been recorded or disclosed in these consolidated financial statements.

(ii) Tax legislation

Russian and Ukrainian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group companies may be challenged by the state authorities.

26 Contingencies, Commitments (continued)

The Russian and Ukrainian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. In October 2006, the Supreme Arbitration Court of the Russian Federation issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities' scrutiny.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years proceeding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%.

Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. In the past, the arbitration court practice with this respect has been contradictory.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could potentially be challenged in the future. Given the brief nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

The Group includes companies incorporated outside of Russia. Tax liabilities of the Group are determined on the assumptions that these companies are not subject to Russian profits tax because they do not have a permanent establishment in Russia. Russian tax laws do not provide detailed rules on taxation of foreign companies. It is possible that with the evolution of the interpretation of these rules and the changes in the approach of the Russian tax authorities, the non-taxable status of some or all of the foreign companies of the Group in Russia may be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

Russian tax legislation does not provide definitive guidance in certain areas. From time to time, the Group adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices; the impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

(iii) Environmental matters

The enforcement of environmental regulation in Russian Federation and Ukraine is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

(iv) Operating environment of the Group

The ongoing global financial and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2007 (often referred to as the "Credit Crunch") has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to failures of banks and other corporates, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing global financial and economic crisis is proving to be difficult to anticipate or completely guard against.

Wholesale financing has become much less available since August 2007. Such circumstances could affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

26 Contingencies, Commitments (continued)

The debtors of the Group may also be affected by the tighter liquidity situation which could in turn impact their ability to repay amounts owed. Deteriorating operating conditions for customers may also have an impact on the ability of management to forecast cash flow and assess of the impairment of financial and non-financial assets. To the extent that information is available, management has reflected revised estimates of expected future cash flows in its impairment assessments.

Management is unable to reliably determine the effects on the Group's future financial position of any further deterioration in the Group's operating environment as a result of the ongoing crisis. It believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

As a result of world liquidity crisis revenue of the Group decreased by 21% for the first quarter of 2009 in comparison to the first quarter of 2008.

(v) Insurance policies

The Russian and Ukrainian insurance services market is evolving. Part of the Group's production facilities are adequately covered by insurance. The Group has not adequately insured business interruption, third party liability for damage to property and environment resulting from accidents involving the Group's property or connected with its operations. Until the Group ensures adequate insurance coverage there is a risk that losses incurred or property damage inflicted by the Group may have a significant effect on the Group's financial position and operations.

(vi) Contractual commitments

As at 31 March 2009 the Group had contractual commitments for the purchase of components for construction of property, plant and equipment for RR 13,051 (31 December 2008: RR 54,174).

27 Segment Information

The Group early adopted IFRS 8, *Operating Segments*, for the three months ended 31 March 2009 and 31 December 2008. Management has determined the operating segments based on the management reports, which are primarily derived from statutory records and regularly reconciled to IFRS financial statements. The management reports are reviewed by the chief operating decision-maker that are used to make strategic decisions. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the General Director of the Company. The following criteria have been used for determining the operating segments and assigning the Group subsidiaries to particular segment:

- Business activities of companies;
- Organizational structure of companies;
- Nature of production processes;
- Manufactured and sold products;
- Specific characteristics of buyers/customers.

Management considers the business from both a geographical and product perspective.

The first operating segment "Industrial pumps" includes:

	31 March 2009	31 December 2008
1	Livhydromash OJSC	Livhydromash OJSC
2	LPKC LLC	LPKC LLC
3	Electrodivigatel OJSC	Electrodivigatel OJSC
4	Livnynasos OJSC	Livnynasos OJSC
5	HYDROMASHINPROM CJSC	HYDROMASHINPROM CJSC
6	Nasosenergomash OJSC	Nasosenergomash OJSC
7	Trade house HYDROMASHSERVICE Ukraine LLC (formerly TD Sumskie nasosy LLC)	Trade house HYDROMASHSERVICE Ukraine LLC (formerly TD Sumskie nasosy LLC)
8	SPA Gydromash CJSC	SPA Gydromash CJSC
9	Hydromash-Industria LLC	Hydromash-Industria LLC
10	Institute Rostovskiy Vodokanalproekt OJSC	Institute Rostovskiy Vodokanalproekt OJSC
11	Plant Promburvod OJSC	Plant Promburvod OJSC
12	Nizhnevartovskremservis CJSC	Nizhnevartovskremservis CJSC
13	HYDROMASHSERVICE CJSC	HYDROMASHSERVICE CJSC

(in thousands of Russian Roubles, unless otherwise stated)

27 Segment Information (continued)

The second operating segment "Oil and gas equipment" includes:

	31 March 2009	31 December 2008
1	Neftemash OJSC	Neftemash OJSC
2	Nizhneartovskremservis CJSC	Nizhneartovskremservis CJSC
3	SPA Gydromash CJSC	HYDROMASHINPROM CJSC
4	HYDROMASHSERVICE CJSC	HYDROMASHSERVICE CJSC

The third operating segment "Oil and gas construction" includes:

	31 March 2009	31 December 2008
1	Trest Sibkomplektmontagnaladka OJSC	Trest Sibkomplektmontagnaladka OJSC
2	Tomskgazstroy OJSC	Tomskgazstroy OJSC

The table below contains other companies that did not fall under the above listed operating segments:

	31 March 2009	31 December 2008
1	Hydraulic Machines and Systems Management LLC	Hydraulic Machines and Systems Management LLC
2	GMS Group OJSC (formerly Hydraulic Machines and Systems Group LLC)	GMS Group OJSC (formerly Hydraulic Machines and Systems Group LLC)
3	HYDROMASHSERVICE CJSC	HYDROMASHSERVICE CJSC
4	United Industrial Group LLC (no business)	United Industrial Group LLC (no business)
5	Sibservice LLC (no business)	Sibservice LLC (no business)
6	Hydromashkomplekt LLC	Hydromashkomplekt LLC
7	Business Centre Hydromash LLC	Business Centre Hydromash LLC
8	HMS-Promburvod CJSC	HMS-Promburvod CJSC

List of associates with the breakdown by operating segments:

The first operating segment "Industrial pumps" includes:

	31 March 2009	31 December 2008
1	VNIIAEN OJSC	VNIIAEN OJSC
2		Vodokanalproektirovanie LLC

The second operating segment "Oil and Gas equipment" includes:

	31 March 2009	31 December 2008
1	Dimitrovgradkhimmash OJSC	Dimitrovgradkhimmash OJSC
2	EPF SIBNA Inc. JSC	EPF SIBNA Inc. JSC

Geographically, management considers the performance of their subsidiaries in Russia, Ukraine, Belorussia and location of the customers where the Group performs its trade and commercial activities.

The reportable operating segments derive their revenue primarily from the manufacture and sale of industrial pumps, oil and gas equipment, oil and gas construction and the other products and services.

Sales between segments are carried out at the arm's length. The revenue from external parties reported to management is measured in a manner consistent with that in income statement.

Management assesses the performance of operating segments based on certain measures, which are presented to chief operating decision maker. This includes the financial information on the group operating reportable segments presented in accordance with Russian Statutory Accounting regulations (RSA). The information comprises measures of revenues, EBITDA, depreciation and amortization, interest income, interest expense, income tax expense and total assets. The other measures used by chief operating decision maker include income tax charge and aggregate share in net profit of associates recorded based on equity method, which are calculated and presented in accordance with International Financial Reporting Standards. Besides, management uses EBITDA, which is derived from consolidated financial statements prepared in accordance with International Financial Reporting Standards. For this purpose EBITDA is defined as operating profit/loss adjusted for other income/expenses, depreciation and amortization, inventory impairment provisions, provision for impairment of accounts receivable, unused vacation allowance, excess of fair value of net assets acquired over the cost of acquisition.

27 Segment Information (continued)

The RSA segment reporting information and EBITDA are reconciled to the amounts reported in the Group's consolidated financial statements prepared in accordance with International Financial Reporting Standards.

The measurement basis excludes the effects on non-recurring expenditure from the operating segments, such as restructuring costs, legal expenses and goodwill impairments, when the impairment is a result of an isolated, non-recurring event.

The Group's financial performance by operating segments:

Disclosures by segments	Industrial pumps	Oil and gas equipment	Oil and gas construction	All other segments	Total	Transactions between operating segments	Consolidated for the three months ended 31 March 2009
Revenue, IFRS	914,130	1,186,766	770,090	145,019	3,016,005	(148,648)	2,867,357
EBITDA	71,352	238,340	80,742	39,509	429,943		429,943
Total assets, IFRS	5,944,406	3,268,163	2,998,493	720,328	12,931,390	(915,504)	12,016,886

Reconciliation of EBITDA derived from IFRS accounting records to Profit before income tax as per consolidated income statement:

Description	Industrial pumps	Oil and gas equipment	Oil and gas construction	All other segments	Total	Transactions between operating segments	Consolidated for the three months ended 31 March 2009
EBITDA, IFRS	71,352	238,340	80,742	39,509	429,943		429,943
Depreciation and amortization	(33,183)	(18,249)	(37,641)	(2,892)	(91,965)	-	(91,965)
Non-monetary items*	(15,770)	(50,630)	(23,707)	(9,977)	(100,084)	-	(100,084)
Other income and expense	(5,331)	8,011	(570)	(11,791)	(9,681)	-	(9,681)
Operating Profit/Loss	17,068	177,472	18,824	14,849	228,213		228,213
Finance Income	17,750	110,052	9	587	128,399	(1,370)	127,029
Finance Cost	(81,181)	(72,296)	(73,234)	(2,573)	(229,285)	1,370	(227,915)
Share of results associates	(2,488)	4,727	-	-	2,239	-	2,239
Profit/(loss) before Income Tax, IFRS	(48,851)	219,955	(54,401)	12,863	129,566		129,566

*- Non-monetary items consists of provisions: Inventory impairment provision, provision for impairment of accounts receivable, unused vacation allowance, etc.

28 Events After the Balance Sheet Date

Borrowings. Subsequent to the balance sheet date the Group's subsidiaries received short-term loans in the amount of RR 384,721 from six banks. These loans are secured by the Group guarantees. The short-term loans mature from April 2009 to June 2010 and bear the interest rates of 15-23%.

Legal matters accruals. After the balance sheet date Group received legal claims from its customers in the amount of RR 25,755. There is no any certain information about issue for the legal actions received.