



Natural Gas Services Group Announces Third Quarter and Nine Months Financial Results

November 4, 2003

20% Increase in Revenue for the Three Months to \$3.7 Million; 13% Increase in Revenue for the Nine Months to \$9.2 Million

MIDLAND, Texas, Nov 04, 2003 /PRNewswire-FirstCall via Comtex/ -- Natural Gas Services Group, Inc. (Amex: NGS), a leading provider of equipment and services to the natural gas and oil industry, announces its financial results for the third quarter and nine months ended September 30, 2003.

Revenue for the third quarter ended September 30, 2003, increased 20% to \$3,699,556 as compared to \$3,081,384 for the same period in 2002. Revenue for the nine months ended September 30, 2003, increased 13% to \$9,264,116 as compared to \$8,200,940 for the same period in 2002. The increase in revenue during the third quarter and nine months reflects an increase in revenue from the rental of natural gas compressor units and a slight increase in service and maintenance revenue.

Net income for the three months ended September 30, 2003, increased 4% to \$384,407 or \$.06 per share (diluted), as compared to net income of \$368,932 or \$.08 per share (diluted) for the same period in 2002. Net income for the nine months ended September 30, 2003, increased 15% to \$817,442 or \$.14 per share (diluted), as compared to net income of \$708,041 or \$.15 per share (diluted) for same period in 2002. Earnings Per Share were affected by the increase of 1.5 million shares for the initial public offering in the fourth quarter of 2002.

EBITDA (see discussion of EBITDA at the end of this release) increased 13% to \$1,300,933 for the three months ended September 30, 2003, versus \$1,150,993 for the same period in 2002. EBITDA increased 12% to \$3,164,915 for nine months ended September 30, 2003, versus \$2,830,105 for the same period in 2002.

NGS's rental fleet grew by 35% during the nine months ended September 30, 2003. The Company ended the quarter with 371 compressor packages in its rental fleet, up from 274 units at September 30, 2002.

Wayne Vinson, President and CEO of Natural Gas Services Group, Inc. said, "We are pleased with our quarter-over-quarter growth. Our Year-To-Date financials are strong and getting stronger.

"Here are some key indicators comparing September 2002 to September 2003:
Services and Maintenance income up 13% to \$1.3 million.
Leasing income up 55% to \$5 million.
Operating income up 18% to \$1.9 million.
Net income up 15% to \$817,442.
EBITDA up 12% at \$3.2 million.
Diluted Earnings Per Share at \$.14.

"As the third quarter and nine months financial results show, our core leasing business remains quite profitable. We have been able to do this by delivering a high-value product to the small to mid-sized compressor market that meets their critical needs. As we continue to focus on the execution of our marketing and sales strategies, we are pleased with the increasing acceptance of our products and the acceleration of new account penetration. We have a strong balance sheet, a healthy backlog and are on track for a successful fourth quarter and fiscal year 2004. We remain extremely optimistic about our prospects for continued growth."

About Natural Gas Services Group, Inc. (NGS)

NGS manufactures, fabricates, sells, leases and services natural gas compressors that enhance the production of oil and gas wells. The Company also manufactures and sells flare systems and flare ignition systems for plant and production facilities.

For More Information, Contact: Wayne Vinson, CEO or Wallace Sparkman
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Jim Drewitz, Investor Relations
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Or []

visit the Company's website at www.ngsgi.com

"EBITDA" reflects net income or loss before interest, taxes, depreciation and amortization. EBITDA is a measure used by analysts and investors as an indicator of operating non-cash charges and financing costs. Therefore, EBITDA gives the investor information as to the cash generated from the operations of a business. However, EBITDA is not a measure of financial performance under accounting principles generally accepted in the United States of America ("GAAP"), and should not be considered a substitute for other financial measures of performance. EBITDA as calculated by NGS may not be comparable to EBITDA as calculated and reported by other companies. The most comparable GAAP measure to EBITDA is net income. The reconciliation of EBITDA to net income is as follows:

| | Three months ended Sept. 30, | | Nine months ended Sept. 30, | |
|--|---------------------------------|-------------|--------------------------------|-------------|
| | 2003 | 2002 | 2003 | 2002 |
| EBITDA | \$1,300,933 | \$1,150,993 | \$3,164,915 | \$2,830,105 |
| Adjustments to reconcile EBITDA to net income: | | | | |
| Amortization and depreciation | (455,563) | (301,493) | (1,235,118) | (839,093) |
| Interest expense | (170,971) | (273,568) | (500,760) | (796,408) |
| Provision for income tax | (289,992) | (207,000) | (611,595) | (486,563) |
| Net income | \$384,407 | \$368,932 | \$817,442 | \$708,041 |

Except for historical information contained herein, the statements in this release are forward-looking and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks and uncertainties, which may cause NGS's actual results in future periods to differ materially from forecasted results. Those risks include, among other things, the loss of market share through competition or otherwise; the introduction of competing technologies by other companies; a prolonged, substantial reduction in oil and gas prices which could cause a decline in the demand for NGS's products and services; and new governmental safety, health and environmental regulations which could require NGS to make significant capital expenditures. The forward-looking statements included in this press release are only made as of the date of this press release, and NGS undertakes no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances. A discussion of these factors is included in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission.

Natural Gas Services Group, Inc.
Consolidated Balance Sheet
(unaudited) [
September 30, 2003

ASSETS [

Current Assets:

| | |
|---|-----------|
| Cash and cash equivalents | \$258,276 |
| Accounts receivable - trade | 1,584,767 |
| Lease receivable - net of unearned interest | --- |
| Inventory | 2,546,683 |
| Prepaid expenses | 130,344 |
| Total current assets | 4,520,070 |

| | |
|---|------------|
| Lease equipment, net | 17,537,997 |
| Other property, plant and equipment, net | 2,779,335 |
| Goodwill, net of accumulated amortization | 2,589,655 |
| Patents, net of accumulated amortization | 120,812 |
| Investment in Joint Venture | --- |

| | |
|---|--------------|
| Lease receivable net of unearned interest | --- |
| Other assets | 79,200 |
| Total assets | \$27,627,069 |

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:

| | |
|--|-------------|
| Current portion of long term debt and capital lease | \$2,342,151 |
| Accounts payable and accrued liabilities | 1,411,129 |
| Unearned Income | 492,271 |
| Total current liabilities | 4,245,551 |
| Long term debt and capital lease, less current portion | 6,273,100 |
| Subordinated notes, net | 1,393,104 |
| Deferred income tax payable | 1,773,202 |
| Total liabilities | 13,684,957 |

SHAREHOLDERS' EQUITY

| | |
|--|--------------|
| Preferred stock | 3,437 |
| Common stock | 50,221 |
| Paid in capital | 11,183,715 |
| Retained earnings | 2,704,739 |
| Total shareholders' equity | 13,942,112 |
| Total liabilities and shareholders' equity | \$27,627,069 |

Natural Gas Services Group, Inc.
Consolidated Income Statements
(unaudited) [

| | Three months ended Sept. 30, | | Nine months ended Sept. 30, | |
|---------------------------------|---------------------------------|-------------|--------------------------------|-------------|
| | 2003 | 2002 | 2003 | 2002 |
| Revenue: [| | | | |
| Sales | \$1,372,248 | \$1,438,069 | \$2,877,358 | \$3,749,300 |
| Service and maintenance | 452,714 | 439,522 | 1,346,597 | 1,191,580 |
| Leasing income | 1,874,594 | 1,203,793 | 5,040,161 | 3,260,060 |
| | 3,699,556 | 3,081,384 | 9,264,116 | 8,200,940 |
| Cost of revenue: | | | | |
| Cost of sales | 1,008,771 | 963,035 | 2,155,568 | 2,543,287 |
| Cost of service and maintenance | 290,008 | 373,594 | 961,237 | 1,012,843 |
| Cost of leasing | 545,309 | 329,850 | 1,313,093 | 916,149 |
| | 1,844,088 | 1,666,479 | 4,429,898 | 4,472,279 |
| Gross Margin | 1,855,468 | 1,414,905 | 4,834,218 | 3,728,661 |
| Operating Cost: | | | | |
| Selling expense | 159,870 | 134,786 | 484,421 | 378,456 |
| General and | | | | |

| | | | | |
|----------------------|-------------|-------------|-------------|-------------|
| administrative [| | | | |
| expense | 395,918 | 276,523 | 1,186,922 | 877,010 |
| Amortization and | | | | |
| depreciation | 455,563 | 301,493 | 1,235,118 | 839,093 |
| | 1,011,351 | 712,802 | 2,906,461 | 2,094,559 |
| Operating income | 844,117 | 702,103 | 1,927,757 | 1,634,102 |
| Interest expense | (170,971) | (273,568) | (500,760) | (796,408) |
| Equity in earnings | | | | |
| of joint venture | --- | 132,081 | --- | 339,684 |
| Other income | 1,253 | 15,316 | 2,040 | 17,226 |
| Income before income | | | | |
| taxes | 674,399 | 575,932 | 1,429,037 | 1,194,604 |
| Income tax expense | 289,992 | 207,000 | 611,595 | 486,563 |
| Net income | 384,407 | 368,932 | 817,442 | 708,041 |
| Preferred dividends | 30,530 | 31,009 | 92,550 | 106,624 |
| Net income available | | | | |
| to common | | | | |
| shareholders | \$353,877 | \$337,923 | \$724,892 | \$601,417 |
| Earnings per share: | | | | |
| Basic | \$0.07 | \$0.10 | \$0.15 | \$0.18 |
| Diluted | \$0.06 | \$0.08 | \$0.14 | \$0.15 |
| Weighted average | | | | |
| shares: [| | | | |
| Basic | 4,995,713 | 3,357,632 | 4,910,062 | 3,357,632 |
| Diluted | 5,733,327 | 4,091,862 | 5,208,096 | 4,136,709 |
| EBITDA | \$1,300,933 | \$1,150,993 | \$3,164,915 | \$2,830,105 |

Natural Gas Services Group, Inc.
Consolidated Statements of Cash Flows
(unaudited) [

| | Nine Months Ended September 30, 2003 | Nine Months Ended September 30, 2002 |
|--|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income | \$817,442 | \$708,041 |
| Adjustments to reconcile net income to | | |
| net cash used in operating activities: | | |
| Depreciation and amortization | 1,235,120 | 839,093 |
| Deferred taxes | 602,202 | 486,563 |
| Amortization of debt issuance costs | 48,717 | 48,717 |
| Warrants Issued for debt guarantee | --- | 42,025 |
| Equity in earnings of joint venture | --- | (339,684) |
| Gain on disposal of assets | 10,547 | (15,066) |
| Changes in operating assets: | | |
| Trade and other receivables | (938,817) | 246,047 |

| | | |
|--|-------------|-------------|
| Inventory and work in progress | (1,000,735) | (191,713) |
| Prepaid expenses and other | 42,958 | (85,097) |
| Changes in current liabilities: | | |
| Accounts payable and accrued liabilities | 708,971 | 157,906 |
| Deferred income | 174,710 | 74,129 |
| Other | (60,436) | (26,209) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 1,640,679 | 1,944,752 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | (5,900,453) | (3,025,780) |
| Acquisition of remaining interest in joint venture, net of cash acquired | 242,753 | --- |
| Proceeds from sale of property and equipment | 112,500 | 40,000 |
| Decrease in lease receivable | 210,512 | 62,543 |
| Distribution from equity method investee | 49,090 | 260,868 |
| NET CASH USED IN INVESTING ACTIVITIES | (5,285,598) | (2,662,369) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net proceeds from bank loans and line of credit | 2,649,811 | 1,853,386 |
| Repayments of long term debt | (1,583,951) | (647,004) |
| Deferred offering costs | --- | (250,937) |
| Proceeds from stock offering, net of offering cost | --- | 12,724 |
| Dividends paid on preferred stock | (92,550) | (75,613) |
| Proceeds from exercise of warrants | 216,247 | 43 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 1,189,557 | 892,599 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (2,455,362) | 174,982 |
| CASH AT BEGINNING OF PERIOD | 2,713,638 | 512,669 |
| CASH AT END OF PERIOD | \$258,276 | \$687,651 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: [| | |
| Interest paid | \$500,760 | \$796,408 |
| Income taxes paid | \$--- | \$--- |

SOURCE Natural Gas Services Group, Inc.

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