

IBS Group Announces Its Audited Results for FY' 2007

In FY'2007 (April 01, 2007 through March 31, 2008) the Group and its member companies showed good financial performance based on healthy organic growth. Growth rates of the Group business numbers for the period are significantly ahead of the respective markets growth rates.

Revenue of the Group for FY'2007 exceeded \$1 billion for the first time ever and reached \$1,051.9 million (growth of 45.7% compared with FY'2006). EBITDA of the Group for FY'2007 grew faster than the revenue and reached \$65.6 million (growth of 65.2% compared with FY'2006).

Efficient cost management in 2007 helped to increase business profitability. EBITDA margin of the Group for FY'2007 was at 6.2% (cf. 5.5% in FY'2006).

IBS Group Holding Limited (hereinafter "IBS Group", or "the Group") announces its audited results for FY'2007: April 01, 2007 through March 31, 2008.

1. IBS Group - Financial Highlights

Abbreviations:

- FY'2006 – Financial Year 2006 (April 01, 2006 through March 31, 2007)
- FY'2007 – Financial Year 2007 (April 01, 2007 through March 31, 2008)
- EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortisation

\$m

	FY'2007	FY'2006	YoY growth
Revenue of the IBS Group*	1,051.9	721.9	+45.7%
EBITDA	65.6	39.7	+65.2%
Net income	33.5	23.5	+42.3%
EBITDA margin	6.2%	5.5%	-
Net income margin	3.2%	3.3%	-

Notes:

* Revenue of the Group includes revenue of IBS IT Services, the company formed as a result of the merger of IBS Company and Borlas Consulting Group, with Borlas revenue for the five months of FY'2007 (November 2007 through March 2008) consolidated in the IBS IT Services revenue. Completion of the companies' merger was announced in late October 2007.

2. Revenue by Business Segments

Business Segment	FY'2007 Revenue Share
IT Services (IBS IT Services)	41.8%
Software Development (Luxoft)	9.2%
Hardware Manufacturing (DEPO Computers)	48.9%

Notes:

- o The above percentages include Borlas revenue for the five months of FY'2007 (November 2007 through March 2008) consolidated in IBS IT Services revenue.
- o The above percentages are based on **the sum of revenue amounts** of all Segments of the Group (the sum of Segment revenues is the Group revenue less intercompany revenue, i.e. contracts between the companies of the Group).

Comments by **Anatoly Karachinsky, President, IBS Group** on FY'2007 results:

"In FY'2007 we successfully continued to implement our long-term business development strategy. Our core priorities included outstripping growth in each of our business segments and efficient cost management. It is encouraging that investments we made in the development of the companies of the Group have yielded results that speak for themselves: we have reinforced our leading market positions in all our business segments and demonstrated very good growth significantly ahead of the respective markets. It is also important that, firstly, our impressive business growth was mostly organic and, secondly, our firm commitment to cost management and substantial cost optimisation efforts enabled us to improve, rather than just to maintain the margin despite of such an impressive growth."

3. Operating Results by Business Segments

IT Services segment: IBS IT Services

This business segment is represented by IBS IT Services, the leader in the Russian IT services market.

Revenue of IBS IT Services for FY'2007 totalled **\$441.1 million (growth of 63.1%** compared with FY'2006).

- o Borlas revenue for the five months (November 2007 through March 2008) is consolidated in IBS IT Services revenue.

IBS IT Services, whose principal activities are in IT and management consulting, implementation of business applications, development of IT infrastructure, maintenance and IT outsourcing services, is Russia's **top IT services vendor** (according to *Russia IT Services 2008-2012 Forecast and 2007 Vendor Shares*, the latest IDC analytical report presented in September 2008).

In recent years, IT services market has demonstrated outstripping growth rates, fuelling the overall IT market development in Russia.

More specifically, **business applications implementation**, the key IT services market segment, grew **58.7%** in 2007 (according to *Russia Enterprise Application Software 2008-2012 Forecast and 2007 Vendor Shares*, the latest IDC report presented in August 2008).

Based on IBS IT Services operating results, the company **maintained its leadership and continued to grow fast** in 2007 in the evolving environment marked by IT services market consolidation and a growing number of customers going global and pro-actively tapping the capital markets. Those trends drove the customer need for transparency and management efficiency. These are the objectives that the company successfully accomplished in its complex IT projects. In this environment the company continued to benefit from its major competitive advantage of **unique industry expertise** and the ability to deliver upon essentially any important business objectives posed by its customers within a **single integrated project** while exercising efficient management of all subcontracting activities.

In FY'2007 IBS IT Services maintained and reinforced its position as the **market leader in complex IT projects for top companies and organisations** in Russia and Eastern Europe.

The company gained new customers including VTB Leasing, Prodimex, Genser Group, ROLF Group, ALRO Group (Romania), OGK-1, OGK-5, Troika Dialog, Russian Agricultural Bank, EMG (European Media Group), Mostransgaz and many others.

The company continued its long-term relationships with the Russian Federation Federal Taxation Service, the Federal Registration Service, the Federal Real Estate Cadastre Agency (Rosnedvizhimost), the Federal Agency for Education (Rosobrazovanie), Health Care Department of Moscow, LUKOIL, Samaranefteprodukt, Yamburggazdobycha, SUAL, Severstal, UNIMILK, Mechel, RAO UES of Russia, TNK-BP, VTB Bank, Tyumentransgaz, TVEL, Gazprombank, the Higher School of Economics, Sechenov Moscow Medical Academy, Moscow State Institute of International Relations (MGIMO), Plekhanov Russian Academy of Economics, and other big companies and organisations.

The company's business showed sustained consistent growth in **the oil and gas industry** and **the public sector**, which accounted for the largest portion of the company's revenue in FY'2007. The company's business also experienced dynamic growth in a number of promising emerging segments, such as **finance, energy and utilities**.

Among solutions and services provided by IBS IT Services in large IT projects, **IT strategy development, implementation of ERP, business analytics, data consolidation** and **MES solutions** were in greatest demand.

The merger with Borlas Consulting Group was undoubtedly a key development for IBS IT Services in 2007. The formal completion of the transaction was announced in late October 2007, and now the merger has been essentially executed. All back office functions (marketing, HR, finance) and the sales unit have been fully integrated. A consolidated product portfolio has been developed. All key top managers of Borlas became part of the management team of the consolidated company.

The merged company commands **unique financial, human and technology resources** and employs about 3,000 people (including over 1,000 certified consultants). The company controls approx. 7% of the IT services market (IDC, 2008). IBS IT Services has Russia's biggest implementation practices for SAP and Oracle solutions, the two global ERP market leaders, and accounts for about 21% of the Russian market for business applications implementation.

In addition to Borlas integration, the company established a dedicated unit to provide **services to educational institutions** in response to a growing number of big IT projects in that segment.

The company's business and profitability growth in FY'2007 was enabled by a **flexible cost management system** and an integrated **personnel reproduction programme**.

More specifically, **IBS Academy**, the company's core personnel training programme, was further developed in 2007 through the launch of **IBS MD Programme**, the new unparalleled educational programme for graduates, which complemented nicely the existing relations with a broad range of higher education institutions (the Higher School of Economics, Moscow Engineering Physics Institute (MEPHI), Moscow State Institute of Electronics and Maths (MIEM), the State University of Management (GUU), Moscow Institute of Electronic Technology (MIET), Moscow Power Engineering Institute (MPEI), Plekhanov Russian Academy of Economics, Perm State Technical University, Perm State University) which ran basic departments and practical training programmes of IBS IT Services in 2007. The IBS Master's Degree Programme is currently implemented at two higher education institutions – Moscow Institute of Physics and Technology and Moscow Institute of Steel and Alloys.

The programme is unique in that it **offers training in fundamentally new disciplines that are in demand in the IT market** but are not currently offered by any Russian higher education institution. The programme trains **system architects, system analysts**, and **enterprise management consultants**.

In FY'2007 IBS IT Services continued to develop efficient **partnerships with global enterprise IT market leaders**:

- IBS IT Services confirmed its top preferred partner levels with SAP and Oracle;
- IBS IT Services became the first Russian company named the best Cognos partner in Eastern Europe;
- IBS IT Services received the Public Sector Partner of the Year award from Cisco;
- IBS IT Services was named HP Software business partner of the Year in Russia.

4. Software Development segment: Luxoft

This business segment is represented by Luxoft, the national leader in software development and export.

Luxoft **Revenue** for the **FY'2007** totalled **\$97.4 million (growth of 51.2%** compared with FY'2006).

This company (with a CAGR in excess of **60%** in the past four years) has been growing mainly due to its continued global expansion, industry expertise growth, customer diversification and efforts to retain key personnel.

In terms of strategic development, Luxoft focuses on optimising and concentrating its production operations around the core areas of vertical expertise, improving service quality and expanding geographic presence.

In FY'2007 Luxoft gained **26 new customers** including global finance and telecommunications leaders such as **Merrill Lynch** and **Alcatel-Lucent**.

Luxoft continued its relationships with top multinational corporations in key vertical industries such as IT, heavy industry, energy and utilities, aviation, finance, including **Boeing, Deutsche Bank, IBM, Dell, UBS, T-Mobile, Areva** and many others.

FY'2007 saw noticeable growth in demand for Luxoft solutions from **the 'local' market – Russia and Ukraine** – which is generally in line with the global trend for wider use of outsourcing as the IT markets mature.

In addition, in FY'2007 Luxoft's customer base became more diversified with the company's revenue distributed more evenly across customers and key geographies than in the previous financial year.

In FY'2007 the company successfully implemented its plans for further **geographical expansion and business development**, more specifically:

- prepared for the launch of the company's development centre in Vietnam (opened in April 2008);
- launched offices in Germany and Switzerland;
- expanded its office in the UK;
- launched a development centre in Dnepropetrovsk (Ukraine) and expanded the development centre in Vancouver (Canada).

Geographical proximity to its customers ('near-shore' model) is currently one of a major Luxoft business advantages in the software development outsourcing market.

In FY'2007 Luxoft became **Europe's first company** to be appraised at the top **5th software development maturity level** of the new version of the CMMI. DEV v 1.2 standard. The CMMI® 1.2 maturity level 5 appraisal gives the company substantial competitive advantages for serving top customers in the global custom software market.

5. Computer hardware manufacturing and supplies segment: DEPO Computers

This business segment is represented by DEPO Computers, the leading player in the Russian PC market.

Revenue of DEPO Computers for **FY'2007** totalled **\$516.2 million (growth of 30.7%** compared with FY'2006).

The company has been the largest domestic market desktop PC manufacturer in the last two years according to Gartner and IDC. In 2007 DEPO Computers **expanded its market share** in the desktop PC segment to **8%** (cf. 5% in 2006).

In October 2007 DEPO Computers reached a significant milestone in business development, having produced its **one millionth PC**.

In FY'2007 the company showed substantial **business growth** in the **direct corporate sales** segment. In addition, there was marked growth in the **small and medium-sized business** segment and **regional retail sales**. DEPO Computers is currently the only company with a specialised regional dealer network for sales to small and medium-sized businesses.

In terms of products, FY'2007 saw **growth in sales of servers** and powerful industrial **workstations** (including those certified for CAD/CAM solutions). More specifically, the company was selected as one of the key vendors of server solutions for **Yandex, the leading player in the Russian web segment**.

In FY'2007 one of the core business priorities of DEPO Computers was a broad range of efforts to improve cost management efficiency, in particular

- Improving PC reliability (components unification, components variety reduction, standardisation of model range development, further optimisation of quality control). In FY'2007 the company confirmed the ISO 9001 certification of its manufacturing process.

- Improving service quality (substantial reduction of warranty repair periods, enhanced operations of and spare parts supplies to service centres)
- Regional relocation of certain information and support services (such as the call centre)
- Development of the company's information systems to increase personnel productivity

Thus, in FY'2007 IBS Group continued its successful development, reinforced its position as the leading player in the Russian IT market and improved its profitability while most of the companies of the Group demonstrated business growth rates substantially ahead of the market-average.

About IBS Group:

IBS Group is Russia's leading player in the hi-tech market with strong positions in consulting, business applications implementation, IT outsourcing, software development, and PC manufacturing. The Group pursues three principal lines of business, i. e. IT services (IBS IT Services), offshore programming (Luxoft), and hardware manufacturing and distribution (Depo Computers). IBS Group has business operations in Russia, the CIS, Europe, USA and Canada and is among Russia's Top-100 companies by sales of products and services. The total headcount approximates 6,000 employees. About 35% of the Group's share capital is held by institutional investors. Shares of the Group are listed on one of Europe's biggest stock exchanges in the form of global depository receipts (GDRs).

For further information on IBS Group please contact:

Gamid Kostoev

Director

Corporate Communications

Office +7 (495) 967 8080

Mobile +7 (903) 720 6078

Fax +7 (495) 967 8081

E-mail gkostoiev@ibs.ru

Dmitry Ivanov

Director

Investor Relations

Office +7 (495) 967 8087

Mobile +7 (916) 618 4034

Fax +7 (495) 967 8099

E-mail dvivanov@ibs.ru