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IBS Group announces the FY'2006 results: business of companies within the Group grew faster than the market, retaining the previous profitability level

FY'2006 revenue of the Group grew 26% compared with the previous financial year and reached \$721.9 million. EBITDA grew 18% compared with the previous financial year and reached \$39.7 million. Sustained high business results enabled companies within the Group to grow faster than the respective segments of the Russian IT market while retaining the profitability level. Main Results for the first half of FY'2006 and nine months period of FY'2006

IBS Group Holding Limited (hereinafter referred to as IBS Group) announces the audited FY'2006 results (April 1, 2006 through March 31, 2007) prepared in accordance with US GAAP.

IBS Group - main financial results

Consolidated revenue of IBS Group in FY'2006 reached **\$721.9 million**.

Revenue growth was 26% up from \$574.5 million in FY'2005.

Earnings before interest, taxes, depreciation and amortization (**EBITDA**) was **\$39.7 million** or **18% up** from \$33.6 million in the previous financial year.

EBITDA margin of the Group was **5.5%** (5.9% in FY'2005).

Commenting on FY'2006 results, **Anatoly Karachinsky, President of IBS Group** said: *"FY'2006 was a period of sustained development for the Group, with companies of the Group showing impressive growth while retaining the profitability level concurrently with major investments in further growth. Our expansion in terms of organization, human resources, products, technology and geography will continue in 2007."*

IBS Group business results by business segments

IT Services Segment: IBS Company

This business segment of the Group is represented by IBS Company, which is definitely Russia's leading player in the IT services market.

FY'2006 revenue growth of this Segment was 21% up comparing with FY'2005.

According to "Russia IT Services 2007-2011 Forecast and 2006 Vendor Shares", the latest report by IDC presented on September 4, 2007, IBS is Russia's biggest provider of IT services.

The core company's competencies are in management consulting, IT consulting, implementation of business applications, building IT infrastructures, maintenance and IT outsourcing services.

IBS results show that this company is successfully growing in an environment marked by changes in driving forces of the IT services market. The IT services market is now becoming to be driven by trends such as consolidation (merges and acquisitions in customer businesses) and globalization (with many customer companies becoming integrated with the global economy and consequently pro-actively tapping the global capital markets). Those trends lead to more complicated business objectives for large Russian companies as they seek now investor confidence and therefore need to be transparent and effectively managed.

Those objectives are currently successfully attained through complex IT projects carried out by IBS. In this environment IBS has the major competitive advantage of unparalleled industry expertise and the ability to deliver upon virtually any relevant business objectives of its customers in a single integrated project.

In the past year the ranks of IBS customers were joined by Rusdragmet (Highland Gold Mining Ltd), Miel, ALRO, SUAL, M-Video, Dixy, Uralmash, B.I.N.Bank, Investsberbank, Eurasian Bank of Development, Bashinformsvyaz, Electrostal, WRIGLEY Moscow, Volkswagen Group Rus, Rolf, ORIFLAME Cosmetics, Novartis Pharma, Sprandi, S7 Airlines and UTair airlines. IBS continued its long-term relationships with LUKOIL, UNIMILK, Mechel, RAO UES of Russia, TNK-BP, Tyumentransgaz, TVEL, the Higher School of Economics, Sechenov Moscow Medical Academy, Health Care Department of Moscow, the Federal Taxation Service of the Russian Federation, the Federal Registration Service and other large companies and entities.

IBS projects notably include migration of the corporate management information system to SAP ERP 2005 (the new version) carried out for OOO Yamburggazdobycha, the world's largest gas producing company. That project is unparalleled being Russia's first ever completed migration of a corporate information system having such a broad functional scope to SAP ERP 2005.

Preparations for the **merger with Borlas Consulting Group** were a key development for IBS in the past year. The merger will result in a consolidated company unique in its financial, human and technology resources with a total headcount of about 2,700 employees (including over 1,500 certified consultants).

The merged company will have over 50% of services as a percentage of total revenue (which is record high in the Russian market) and approximately 7% share of the IT services market. The merged company will possess the largest practices of implementing solutions from SAP and Oracle, the two global ERP market leaders, in the Russian market, and control up to 20% of the Russian market of implementing ERP solutions.

84 of Russia's top 100 companies are customers of the merged company.

In 2006 IBS had its SAP Preferred Partner level and top partnership levels with other vendors confirmed.

In 2006 IBS opened the Manufacturing Execution Systems (MES) practice, a new and successful line of business currently in high demand given the need to improve the quality of management of production processes.

The company expanded its geography coverage by opening its regional resource center in Perm city.

Top managers of IBS topped the 2006 ranking list of the Russian Managers' Association in the Information Technologies section:

Sergey Matsotsky, General Director of IBS, in the CEO category;

Ekaterina Prokhorova, HR Director, in the HR Director category;

Ekaterina Ilvovskaya, Marketing Director, in the Commercial Director/Marketing Director category.

Offshore programming services: Luxoft Company

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

FY'2006 revenue growth for this segment was 69% up comparing with FY'2005.

This company grew mainly due to its global expansion, industry expertise growth and efforts to retain key staff.

Optimization of production operations, concentrating production operations around the core areas of vertical expertise, improving the quality of services and expansion of geographic presence are strategic lines of development for Luxoft.

The past year brought the acquisition of IT Consulting International (now renamed to Luxoft Consulting), headquartered in New York, as part of efforts to implement that strategy. Since 1993 IT Consulting International has been providing outsourcing and staffing services to Fortune 500 top global companies. This acquisition significantly expanded Luxoft presence in the US, served to strengthen the company's expertise in services for financial institutions and brought the company's headcount to 1,800 employees.

In 2006 Luxoft gained 18 new customers including UBS, T-Mobile, Alcatel, New York Magazine, DirecTV.

Luxoft continued its relationships with top transnational companies in a variety of vertical industries such as IT, the heavy industry, the power, aviation, financial industries, etc.

In the past year the number of European customers of Luxoft doubled and the company successfully implemented plans to expand its presence in North America and Eastern Europe, with development centers opened in Canada and Ukraine in addition to the IT Consulting International acquisition. Thus, the company now runs offices in Russia, the US, Canada, the U.K. and Ukraine. Those prime locations serve to further improve the efficiency of working with customers requiring specialized software development services.

In the past year the company received a number of prestigious rankings and awards:

- Luxoft is the only Russian company to make it to the Top 50 Best Managed Global Outsourcing Vendors 2006 list featuring global leaders in outsourcing business management.
- Luxoft ranked first under the IT Outsourcing Product Engineering category in the Black Book of Outsourcing.
- Luxoft was named the best in the Financial Project of the Year category by the National Outsourcing Association.
- Luxoft featured on the 35 Rising Stars ranking list by the International Association of Outsourcing Professionals (IAOP).
- Luxoft was named the leading provider of outsourcing services in Central and Eastern Europe by the Business Week magazine.

- Luxoft also became Europe's first IT company having its quality management system certified as compliant with the requirements of 5 level CMMI SW/SE model.
- In Russia the company received the Best Employer of the Year award administered by the Chamber of Commerce of the Russian Federation and top recruiting and ranking agencies.

Production and supplies of computer hardware: DEPO Computers

This business segment of the Group is represented by DEPO Computers, the largest domestic PC producer.

FY'2006 revenue growth for this Segment was 20% up comparing with FY'2005.

According to the latest Gartner and IDC reports, this company is Russia's #1 supplier in the desktop computer market, commanding a market share of about 5% and, according to IDC, ranking third in the server market with only HP and IBM ahead.

One of the key developments of this company in the past year was the acquisition of SoftKey, a company specializing in software sales and one of the leading e-commerce distributors. Involvement of the two companies in a single production chain served to expand the range of software offerings, improve the quality of customer service and generate additional revenue through PC software sales.

In addition, Segment's structure was optimized through decrease of internal organizational units' number to optimize cost of business.

Technology results notably included the market launch in 2006 of the DEPO Sky thin client, a new product designed to set up automated workplaces in business entities and government institutions. Information systems based on DEPO Sky help to provide a high level of information security, simplify administration and cut workplace maintenance costs.

Recognition by consumers proves the success of this segment. The DEPO brand ranked third, losing only to global leaders Dell and HP and becoming the only Russian award winner, in the ready-made computer systems category of the sixth annual iXBT Brand 2006 – Readers' Choice contest based on a poll by the authoritative iXBT.com web portal.

Thus, in FY'2006 IBS Group continued its sustained development, reinforcing its position as Russia's leading player in the IT market, with IBS Group companies showing rates of business growth in excess of average rates of growth in the respective markets while retaining the previous profitability level.

About IBS Group

IBS Group is Russia's leading player in the high tech market and commands top positions in its segments of consulting, implementation of business applications, IT outsourcing, offshore programming and PC production. The Group includes three core segments: IT services (IBS), offshore programming (Luxoft), and production and supplies of computer hardware (Depo Computers). IBS Group conducts business in Russia, the CIS, Europe, the U.S. and Canada. IBS Group is among Russia's top 100 companies by the amount of sales of products and services. The total headcount is approx. 6,000 employees. 36% of the share capital of the Group is held by institutional investors. Shares of the Group are listed on one of the top European exchanges in the form of global depositary receipts (GDRs).

Important Information

1. Financial Year at IBS Group begins on April 1 and ends on March 31 of each calendar year.
2. Financial results referred to in this Press Release are taken from the Consolidated Financial Statements of IBS Group prepared in accordance with US GAAP.

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