

FY2005 Financial and Operational Results

Contact details:

Lada Scherbakova

PR Director

Tel. +7 (495) 967 8080
Fax +7 (495) 967 8081
E-mail LShcherbakova@ibs.ru

Dmitry Ivanov

IR Director

Tel. +7 (495) 967 8000
Cellular +7 (916) 618 4034
Fax +7 (495) 967 8099
E-mail DVivanov@ibs.ru

US\$ million	2005	2004	Growth
Revenue	574.5	529.9	8.4%
EBITDA	33.6	19.5	72.7%
EBITDA margin	5.9%	3.7%	

Revenue of IBS Group Holding (IBS Group) for financial year 2005 totaled US\$574.5 million. The Group's growth rate in strategically important segments significantly exceeded the market trend and reached 47% in IT services and 60.3% in offshore programming.

Main Results for the Financial Year

Based on the consolidated financial statements for FY2005 (ended March 31, 2006) prepared in accordance with the US GAAP and verified by independent auditors, IBS Group's revenues from sales of products and services grew 8.4% in the reported period and totaled US\$574.5 million. The Group's EBITDA increased by US\$14.1 million or 72.7% compared with the previous financial year and totaled US\$33.6 million. EBITDA margin was at 5.9% compared with 3.7% in FY2004.

A shift in business focus towards higher margin and faster growing market segments had a significant positive effect on IBS Group's profit margin. Following its business strategy IBS Group continued to increase the services revenue as a percentage of total sales while gradually phasing out low margin activities. In line with this strategy the Group demonstrated a considerable EBITDA growth in all its key segments:

- IT Services +77%
- Offshore Programming +84%
- Hardware manufacturing and sales +95%

According to Anatoly Karachinsky, President of IBS Group, "Our strategy to improve business efficiency and increase capitalization yields significant financial results and unveils the huge potential of the Russian high-tech industry. While succeeding in business, we have accumulated a unique human capital, the best team in the market, which we regard as our most important achievement. Our further efforts will focus on developing new lines of business, geographic expansion and investment in enhancing our HR potential. All these efforts are targeted at increasing the capitalization of IBS Group.

Information by Segments

IT Services: An Excellent Performance

US\$ million	2005	2004	Growth
Revenue	222.8	151.4	47%
EBITDA	18.3	10.3	77%
EBITDA margin	8.2%	6.8%	

IT services represent one of the Group's development priorities due to the key importance and high potential of this segment in the emerging Russian economy: business entities are becoming increasingly interested in state-of-the-art IT solutions designed to improve business efficiency and reduce costs. Significant investments and experience in the IT services segment provided IBS Group with a major competitive advantage and determined its time proven market leadership.

The share of this segment (represented by **IBS**) as a percentage of IBS Group's total sales grew from 28.6% to 38.5% in FY2005. There was a 47% increase in revenue from US\$151.4 to US\$222.8 million while EBITDA rose 76.7% and reached US\$18.3 million. The segment's EBITDA margin was at 8.2%.

The high financial results were achieved through effective management and leveraging a number of **IBS**'s strategic advantages including diversification of services across various market and industry segments, diversified customer base (over 400 clients in FY2005 with no single client accounting for more than 10% of business) and proactive sales policy (137 new clients in FY2005). The Company maintains leadership in most IT services market sectors, i.e. consulting, deployment of business applications, IT outsourcing, and runs the largest ERP practice in Russia (more than 400 consultants). In 2005 the Company was recognized as SAP Best Local Service Partner. As of the end of FY2005 the total headcount in the Group's IT services segment reached 1,700 employees.

Offshore Programming: Premier League Player

US\$ million	2005	2004	Growth
Revenue	38.1	23.7	60%
EBITDA	5.2	2.8	84%
EBITDA margin	13.5%	11.8%	

Offshore Programming (represented by **Luxoft**) is the fastest growing segment at IBS Group. In a matter of several years efforts by the Group's management allowed the company to take full advantage of the unique Russian competitive potential by establishing the offshore development centers that now compete successfully against Indian companies, the recognized world leaders in software development outsourcing.

The share of this segment in IBS Group's sales structure continued to grow and totaled 6.6% in FY2005 compared with 4.5% in the previous accounting period. As of the end of FY2005 its revenue equaled US\$38 million and grew at a rate of 60.4%. EBITDA rose 83.5% and reached US\$5.2 million. The segment's EBITDA margin was at 13.5%.

In 2005 **Luxoft** continued to expand its business both into the Russian

regions and internationally in Europe, US and certain countries within the CIS. An acquisition of ITCI, a US company, served to further reinforce **Luxoft's** position in the global marketplace. The merged company has over 1,500 employees headcount. As of the end of FY2005 **Luxoft** was the only Russian company to make it into the TOP 50 Best Managed Global Outsourcing Vendors List 2006 (a rating compiled by Brown-Wilson Group).

Hardware Manufacturing and Sales: Leading Brand

IBS Group has its own manufacturing facilities in the Moscow region and diversified sales channels, which enable it to promptly respond to customer inquiries and update the product line. The Group's leadership in this segment (represented by **Depo**) is supported with high manufacturing and sales growth indicators in both corporate and retail sectors. As of the end of FY2005 **Depo** is the largest Russian manufacturer (more than 200,000 PCs and servers).

In line with the strategy aimed at manufacturing and promotion of the proprietary product line while discontinuing low-margin business, revenue from hardware manufacturing and sales fell 11% and equaled US\$329.5 million. This segment's share as a percentage of total sales at IBS Group fell to 55.8% in FY2005 compared with 70.8% in FY2004. EBITDA rose 94.6% and totaled US\$13.8 million. EBITDA margin doubled from 1.9% to 4.2%.

About IBS Group

IBS Group is the largest company in the Russian high-tech market with a leading position in consulting, offshore programming, business applications implementation, IT outsourcing and PC manufacturing. The Group pursues three principal lines of business: IT services (IBS), offshore programming (Luxoft), hardware manufacturing and sales (Depo). The Group has business operations in Russia, the CIS, Europe and the United States and is among Russia's TOP-100 companies by sales volume. The total headcount is in excess of 4,000 employees. 35% of the Group's share capital are held by institutional investors. Shares of IBS Group are traded in the secondary market in the form of global depository receipts (GDR).

US\$ million	2005	2004	Growth
Revenue	329.5	369.8	-11%
EBITDA	13.8	7.1	95%
EBITDA margin	4.2%	1.9%	