

IBS Group delivers an excellent set of operational results

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IBS Group Holding Limited (IBS Group) announces its financial results for the first half of FY'2006, ended September 30, 2006, unaudited results for the nine months of FY'2006, ended December 31, 2006 and guidance for the full year 2006

Main Results for the first half of FY'2006 and nine months period of FY'2006

A significant input by every segment of the Group made it possible to achieve good financial results for the first six months and for nine months of FY'2006, which gives ground to lay a positive forecast through the end of FY'2006.

- The Group's revenue for the first six months of FY'2006 reached US\$291.0 million, a 23.9% increase compared with the same period of FY'2005.
- Based on the results for nine months of FY'2006, the Company successfully maintained the revenue growth rate, demonstrating a revenue increase of US\$109.5 million or 24.0% compared with the same period of FY'2005, to a total of US\$564.9 million.

In line with its strategy, in nine months the Group preserved its business focus on up-and-coming fast-growing market segments and increased the revenue from provision of services as a percentage of total sales from 44.4% to 47.2%.

IBS Group's financial forecast for FY'2006

The positive growth dynamics achieved in the first three quarters creates a confident outlook for the future and enables the Group to expect positive annual results.

According to the current forecast, the consolidated revenue (exclusive of VAT) for

Consolidated financial results for 1H FY'2006

US\$ mln	1H2006	1H2005	▲ ▼
Revenue	291.0	234.9	+24%

Consolidated financial results for 9M FY'2006.

US\$ mln	9M2006	9M2005	▲ ▼
Revenue	564.9	455.4	+24%

Consolidated financial results forecast for FY'2006.

US\$ mln	FY'2006	FY'2005	▲ ▼
Revenue	728.5	574.5	+27%
EBITDA	40.2	33.6	+20%
EBITDA,%	5.5%	5.9%	

Financial results for 1H FY'2006, IT services segment.

US\$ mln	1H2006	1H2005	▲ ▼
Revenue	101.0	78.2	+29%

Financial results for 9M FY'2006, IT services segment.

US\$ mln	9M2006	9M2005	▲ ▼
Revenue	218.6	175.7	+24%

Financial results forecast for FY'2006, IT services segment.

US\$ mln	FY'2006	FY'2005	▲ ▼
Revenue	276.7	222.8	+24%
EBITDA	22.9	18.3	+25%
EBITDA,%	8.3%	8.2%	

FY'2006 is expected at US\$728.5 million against US\$574.5 million. Compared with the preceding year, it is expected to grow at 26.8%, which is ahead of the IT market in Russia (25% according to IDC). The current forecast for consolidated EBITDA is at US\$40.2 million, a 19.6% increase compared with US\$33.4 million in FY'2005.

Information by Segments**IT Services**

IT Services are one of the priority development segments of the Group due to a huge demand in complex and sophisticated IT solutions displayed by the emerging Russian economy. Currently IBS company that represents the IT Services segment has the largest ERP practice in Russia, maintains leadership in consulting, implementation of business applications and IT outsourcing. The company has successfully achieved a unique level of customer base (over 750 new customers in nine months of FY'2006) and business diversification across various industrial segments.

The growth rates of infrastructure business brought about a natural need for business reorganization. This resulted in a consolidation of IBS expertise in infrastructure integration to advance a new class of replicated solutions and generally to grow business efficiency in infrastructure integration.

A smart use of strategic advantages and effective management provided for high financial results. As of the end of the first six months the revenue rose 29% to US\$101.0 million compared with US\$78.2 million in the same period of the previous year. The segment's portion as a percentage of consolidated revenue was 34.7%. The revenue for nine months of FY'2006 totaled US\$218.6 million, more than doubling in just one quarter.

The segment's management team currently faces a major challenge of reinforcing the leadership position, maintaining the growth rates and further diversifying the business. Therefore IT Services segment places focus on the development of new practices and technologies and strives to actively participate in market consolidation.

Thus, in August 2006 IBS company completed an acquisition of equity stake in Budget Financial Technologies ("BFT"). BFT business is of great interest to IBS as a unique practice of budgeting systems development for regional and municipal organizations. In turn, BFT was given an opportunity to present integrated solutions to customers through combining its own developments with the widest range of services offered as part of IBS portfolio.

The revenue for FY'2006 is expected to total US\$276.7 million, a 24.2% increase compared with the same period of the previous year. EBITDA is forecasted at US\$22.9 million against US\$18.3 million in 2005 while the EBITDA margin may reach 8.3%.

Financial results for 1H FY'2006, Offshore Programming segment.

US\$ mln	1H2006	1H2005	▲ ▼
Revenue	25.8	16.1	+60%

Financial results for 9M FY'2006, Offshore Programming segment.

US\$ mln	9M2006	9M2005	▲ ▼
Revenue	43.5	26.7	+63%

Financial results forecast for FY'2006, Offshore Programming segment.

US\$ mln	FY'2006	FY'2005	▲ ▼
Revenue	61.4	38.1	+61%
EBITDA	7.9	5.2	+52%
EBITDA,%	12.9%	13.5%	

Offshore Programming

Offshore Programming represented by Luxoft remains the fastest-growing segment at IBS Group. The company undergoes a continuous development process, constantly expanding its return customer base. Luxoft currently implements a variety of projects for corporations such as IBM, Deutsche Bank, Boeing and Dell. In the first six months of FY'2006 Luxoft successfully expanded its customer profile, having attracted new customers, i.e. Harman/Becker, the major developer of navigation, security and entertainment systems for motor-car vehicles, and UBS bank, one of the largest financial institutions worldwide.

In fall 2006 the company launched a sales office in London. This will enable the company to grow the quality of cooperation with the existing customers and promote further expansion of Luxoft's European practice.

Quite recently a new development office has been started in Canada, which will allow Luxoft's American customers to fully leverage the advantages of near-shore business model. The company business in the United States of America was expanded with a successful completion of ITCI integration. ITCI is a New York based company acquired in 2005. The company continues to actively expand its operations throughout the Russian regions and the CIS. The company has a headcount of over 2,000 employees, and growing. The Russian Chamber of Commerce and Industry has recommended Luxoft as the country's best employer.

Several international awards received by Luxoft during the year served to yet again attest high quality and unique nature of the company's developments:

- Based on the research by NeoIT, an international consulting company, Luxoft was awarded in the nomination "The Best Project of the Year in Financial Industry" for CRP system implementation project for Deutsche Bank, a leading investment bank. The same system was later on recognized once again as the most innovative and successful project in client communications.
- Luxoft is the only Russian company in "Top 50 Best Managed Global Outsourcing Vendors 2006", (Brown-Wilson Group rating).
- Luxoft is on the third position in "Global Services 100" rating prepared by the Global Services Magazine and NeoIT in the Eastern-European services companies category.

- The BusinessWeek magazine named Luxoft the best outsourcing company in Russia and the Eastern Europe.

Based on NeoIT estimates the annual growth rate of the software development outsourcing market in Russia will be at 40% to 50% in 2006-2007. Luxoft is currently already growing ahead of the market. The company's revenue for the first six months of FY'2006 rose 60.2% and totaled US\$25.8 million compared with US\$16.1 million for the first six months of FY'2005. Based on nine months' results, the segment's revenue grew 62.9% to US\$43.5 million compared with US\$26.7 million in the same period of the previous year. Using a conservative approach, IBS Group expects the segment's revenue to reach US\$61.4 million as of the end of FY'2006, a 61.1% increase compared with FY'2005.

The company expects EBITDA to be at US\$7.9 million in FY'2006, up 51.9% against the previous year.

Hardware Products

Hardware Products segment is represented by Depo Computers, the leading Russian PCs, workstations and servers developer and manufacturer. The company significantly expanded its capabilities during the review period since the beginning of FY'2006.

For the first time in its history Depo Computers made a major investment in an advertising campaign aimed at promoting its national brand DEPO. The campaign was successfully launched in August 2006 in the streets of nine major Russian cities (Moscow, Ekaterinburg, Kazan, Krasnodar, Krasnoyarsk, Novosibirsk, Rostov-upon-Don, Samara and Chelyabinsk) and aims at growing public awareness of the new DEPO brand positioning as "the First Russian Brand of the World Class!". In addition to outdoor advertising Depo Computers' commercials are running on the federal TV channels.

In December 2006 Depo Computers finalized negotiations on the acquisition of SoftKey, a company specializing on software sales online. In a short time SoftKey project turned into one of the best online stores selling software in Russia, the Ukraine, Kazakhstan, Belorussia, Bulgaria, Israel, Poland, the Baltic states and Moldova, and the leading Russian distributor in eCommerce. The merge will enable SoftKey to further expand its customer base by offering new services to DEPO hardware buyers. Besides, the merge will make it possible to better satisfy the requirements of Russian users of DEPO hardware in both corporate and household sectors. Implementing new software downloading technologies will help the Hardware Products segment to extend the list of offered software, to grow the quality of after-sales service and to ensure a significant increase in revenue generated by the company following the PC sales.

Financial results for 1H FY'2006, Hardware Products segment.

US\$ mln	1H2006	1H2005	▲ ▼
Revenue	168.7	148.6	+14%

Financial results for 9M FY'2006, Hardware Products segment.

US\$ mln	9M2006	9M2005	▲ ▼
Revenue	309.8	265.3	+17%

Financial results forecast for FY'2006, Hardware Products segment.

US\$ mln	FY'2006	FY'2005	▲ ▼
Revenue	403.3	329.5	+22%
EBITDA	15.0	13.8	+9%
EBITDA,%	3.7%	4.2%	

The Hardware Products segment demonstrated good financial results for the first six months of FY'2006: the revenue totaled US\$168.7 million, a US\$20.1 million or 13.5% increase compared with the same period of FY'2005. Based on nine months' results alone, the segment's revenue growth rate rose to 16.8% compared with nine months of FY'2005 and the revenue totaled US\$309.8 million.

The current revenue forecast for the Hardware Products segment for FY'2006 is at US\$403.3 million, a 22.4% increase compared with FY'2005. EBITDA forecast is at US\$15.0 million, a 9.0% increase against the same period of the previous year. The modest EBITDA growth rate is mainly due to a one-off increase in DEPO brand advertising expenses.

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).

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.
3. With a view to significant seasonal fluctuations of EBITDA the company only publishes the EBITDA forecast for FY'2006.

Legal Disclaimer

- This press release contains certain forward-looking statements regarding the anticipated market evolution and future prospects of IBS Group Holding. While these statements are based on the company's best estimates as of the date hereof, the actual results may vary due to market conditions, the action of competitors, consumer demand, economic conditions and other factors

- Certain numbers in this presentation are based on non-audited financial statements. The company makes no representation, direct or implied, that these figures are true and correct, and you should not rely on these numbers as having been audited or otherwise independently verified. Certain numbers may be presented differently once audited, and the company takes no responsibility and accepts no liability for such changes and is under no obligation to provide the final audited financial statements to you once the audit has been completed
- Neither this presentation nor its contents constitute an advertisement of any securities or an offer to sell or a solicitation of an offer to purchase any securities in the United States of America, EU, Canada, Japan, Australia, the Russian Federation or in any other jurisdiction.

Combined Financials

US\$ mln	1H2006	1H2005	▲ ▼	9M2006	9M2005	▲ ▼	FY'2006	FY'2005	▲ ▼
IT Services									
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EBITDA							22.9	18.3	+25%
EBITDA,%							8.3%	8.2%	
Offshore Programming									
Revenue	25.8	16.1	+60%	43.5	26.7	+63%	61.4	38.1	+61%
EBITDA							7.9	5.2	+52%
EBITDA,%							11.0%	13.5%	
Hardware Products									
Revenue	168.7	148.6	+14%	309.8	265.3	+17%	403.3	329.5	+22%
EBITDA							15.0	13.8	+9%
EBITDA,%							3.7%	4.2%	
IBS Group									
Revenue	291.0	234.9	+24%	564.9	455.4	+24%	728.5	574.5	+27%
EBITDA							40.2	33.6	+20%
EBITDA,%							5.5%	5.9%	

- With a view to significant seasonal fluctuations of EBITDA the company only publishes the EBITDA forecast for FY'2006.