

**RUSSIAN SOFTWARE
DEVELOPING INDUSTRY
AND SOFTWARE EXPORTS**

6th annual survey

With support from
The Ministry of Telecommunications
and Mass Communications
of the Russian Federation
APKIT Association

OUTSOURCING-RUSSIA
discover the Russian IT-potential

RUSSOFT Association
2009



Dear friends,

Let me share with you the results of the 6th Annual Survey of the Russian software export industry prepared by RUSSOFT Association.

The results of this survey greatly differ from the results of the previous research and forecasts made in the 2008 report. Certainly, the major factor that affected the software industry in Russia in 2008 was the global economic crisis. It is its impact that caused changes registered during the analysis of information obtained in the framework of the present survey. We managed to identify these changes owing to the representative sampling of export enterprises (around 11%), consistent use of the same methodology, diversity of sources used and the experience of the invited analyst – Mr. Dmitry Zhelvitsky, Open Systems Publications.

The crisis led to serious problems in the industry, primarily – the decline in the IT market all over the world, which caused difficulties for providers of software development services and program products in the global market. Eventually, in 2008 exports of software and software development services decreased drastically (from 52% to 21%). We failed to hit the target of USD 3 bn of exports, its volume reaching the level of USD 2.65 bn. It can be said, that ultimately the crisis delayed the development of the industry for 1-2 years.

At the same time, the Russian industry of software development is growing at a much faster pace than the average growth rate in the world. Steady growth dynamics of Russian export industry at the level of 21% in 2008 – the year of the crisis – speaks of a robust stability margin based on the ability to solve non-standard science-intensive tasks under tight deadlines and in tough competition.

The clarification of the situation driven by the global economic crisis leads to the conclusion that apart from the negative impact on the IT market, the crisis has also produced positive results for the Russian industry:

- reduced need in a new staff,
- lower lease rates for premises,
- overall reduction of expenditures in Russia due to the national currency devaluation (up to 25%).

All these factors enabled to restructure the staff and improve its efficiency as well as reduce the costs of production and, therefore, enhance the competitiveness of the Russian industry in the global market.

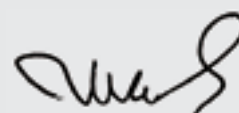
We are offering for Your attention our report that is intended to give insight in the Russian software export industry, its current trends in the time of the crisis and new opportunities to use Russian high-tech resources and solutions for the effective development of your business even during the crisis.

We express sincere gratitude to those who have participated in the survey and thus provided a comprehensive, adequate and reliable source of information on the Russian software export industry.

Editor-in-chief of the 6th edition,

President of RUSSOFT Association

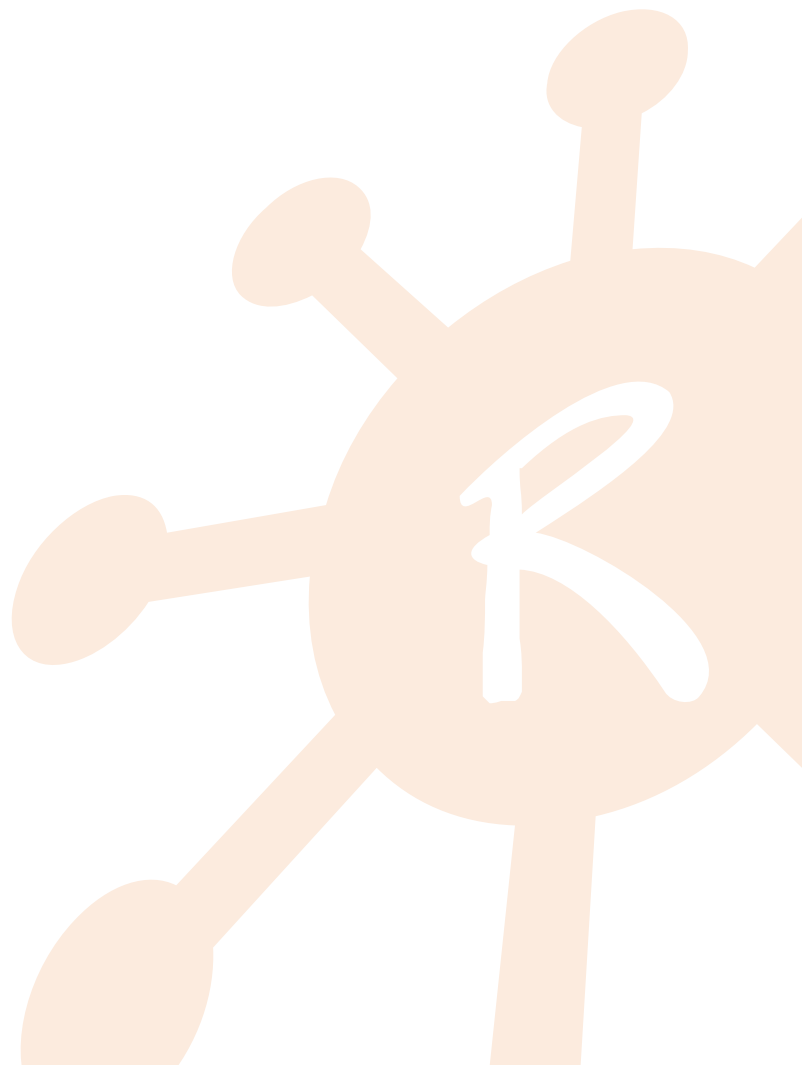
Valentin Makarov



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METHODOLOGY



As in previous years the survey conducted by RUSSOFT Association started with the polling (questionnaires) of the database of 1,400 Russian companies and organizations involved in software development. The results of this poll serve as the basic information. However, the major part of data required for the survey describing the situation in the industry and different markets was obtained from other sources.

Primarily, this includes ratings of authoritative analytical agencies, reports of research companies, data of foreign associations of software developers, publications in Russian and international Mass Media as well as information from Russian software companies.

After the report was prepared the text and conclusions were verified by experts. Additionally, they commented on some of changes identified. As a rule, our experts are CEOs of companies – active members of RUSSOFT Association.

Before the survey the database of Russian software development companies and organizations was updated. This work was performed by the agency Opinion&Marketing Research specializing in marketing research. Later the same agency arranged the poll of company management through questionnaires.

The updated database includes around 1,400 companies and organizations. In February-April 2009, the marketing agency sent out questionnaires prepared by RUSSOFT Association to all available addresses. We received filled in forms from 149 companies, 106 of them exporting software. This was complemented with data on 8 major companies surveyed in the framework of the research made in February-March 2009 by request of the Finnish company Ardin Software with the financial support of TE-KESKUS and TEKES to collect information about 15-20 major outsourcing companies in Russia and Belarus.

Therefore, the total number of respondents was 157, 114 of them – export companies. The sample of companies involved in software exports

exceeded 11%. It has not considerably changed over the whole period of surveying. Many companies cease to exist, but their places are occupied by new ones.

The number of questionnaires correctly completed by exporters increased around 20% against year-on-year, which enables to more accurately reflect the situation in the industry. To some questions answers very given by not all of 157 respondents, this was also the case with previous surveys. Nevertheless, the number of respondents is usually quite big to consider the sample acceptable to adequately represent the total population.

During previous surveys we admitted questionnaires only from companies making revenue from software export. This year the group of respondents was expanded owing to a number of software development companies selling their services and products exclusively in the Russian market. Nonetheless, practically all tables are based on the results of exporter survey. Otherwise, correct comparison with the previous survey data will be impossible.

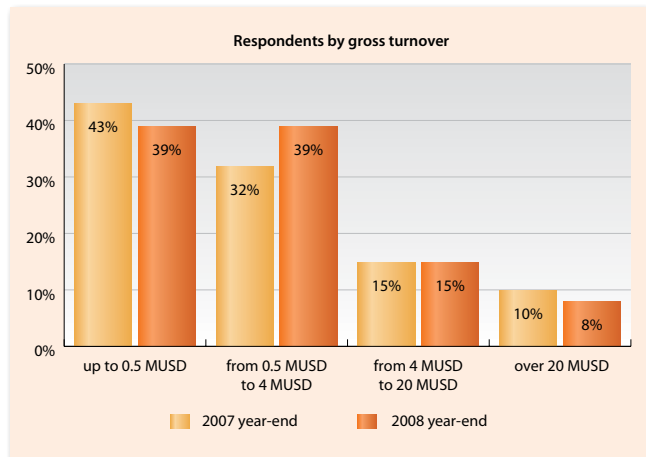


The answers of non-exporting companies were mainly used to get information concerning the Russian market and plans to enter external markets.

The questionnaire remains basically unchanged from year to year. This allows to identify current trends in the industry. However, certain changes have to be introduced in the questionnaire. Thus, for instance, this year we added a pressing question about the influence of the world crisis on business based on software development. Moreover, the categorization of respondents by turnover was slightly changed following their rapid growth in recent years. If before companies with a turnover over 10 MSUD we classed as major, now this relates to companies with the turnover over 20 MUSD.

We remained the classification by the export share in gross revenue, but in the majority of cases it was sufficient to analyze the results of two groups of companies, with this share over 51% and less than 50%.

Generally, the distribution of respondents by cities is different year-on-year. If we exclude 2008 data



these changes are not that significant and are quite natural. For instance, the reduced share of Moscow companies can be caused by the actual decrease in their number. In Moscow major companies grew much faster than in other cities. Especially, they increased at the expense of small companies: not all of them survived due to the outflow of key specialists.

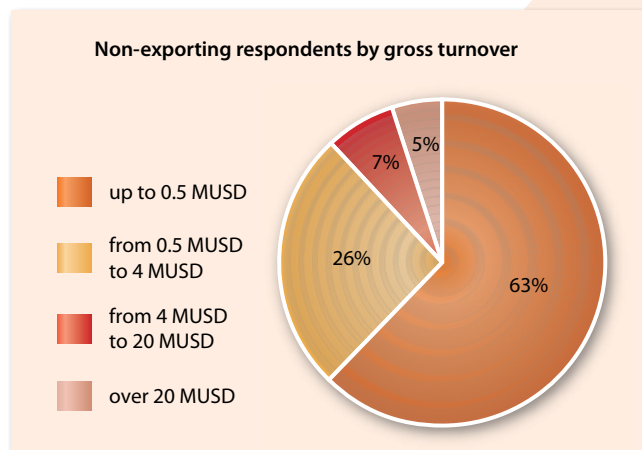
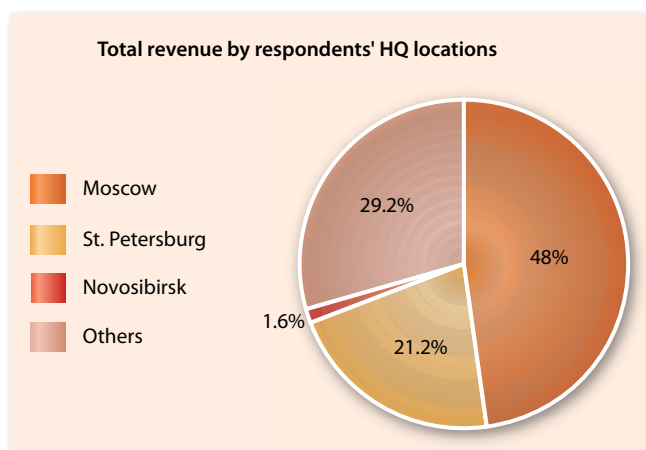
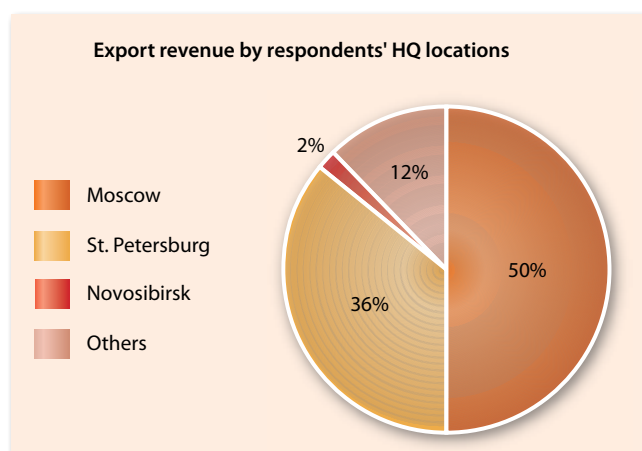
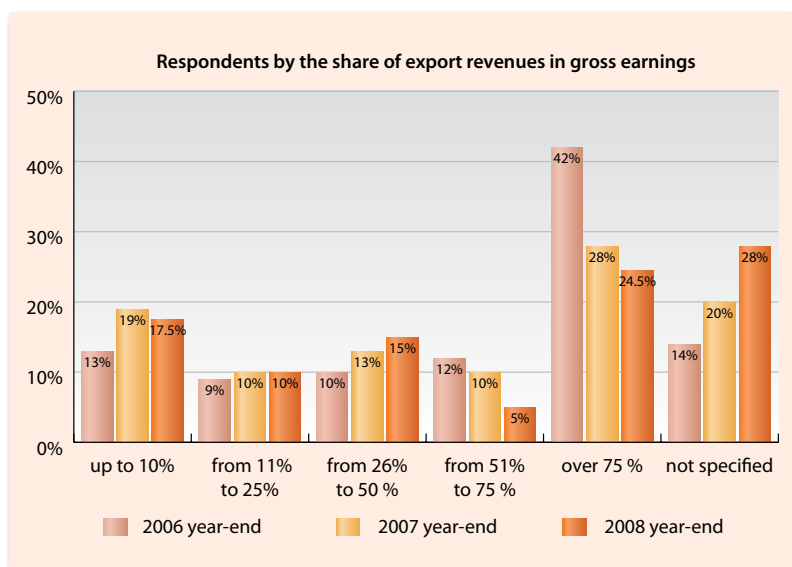
Gross turnover of Moscow companies greatly exceeds this indicator for St. Petersburg companies, although their number is almost the same. It should be noted, that the distribution of gross revenue and export relates to respondents only. The analysis of the correctness of sampling by each city was not made. Anyway, such analysis is unlikely to considerably alter the distribution.

The representation of companies with different turnover remains practically the same against year-on-year. The increase in the number of respondents was stimulated by small and mid-sized companies.

The companies participating in the survey are not exporters and mainly represent small business.

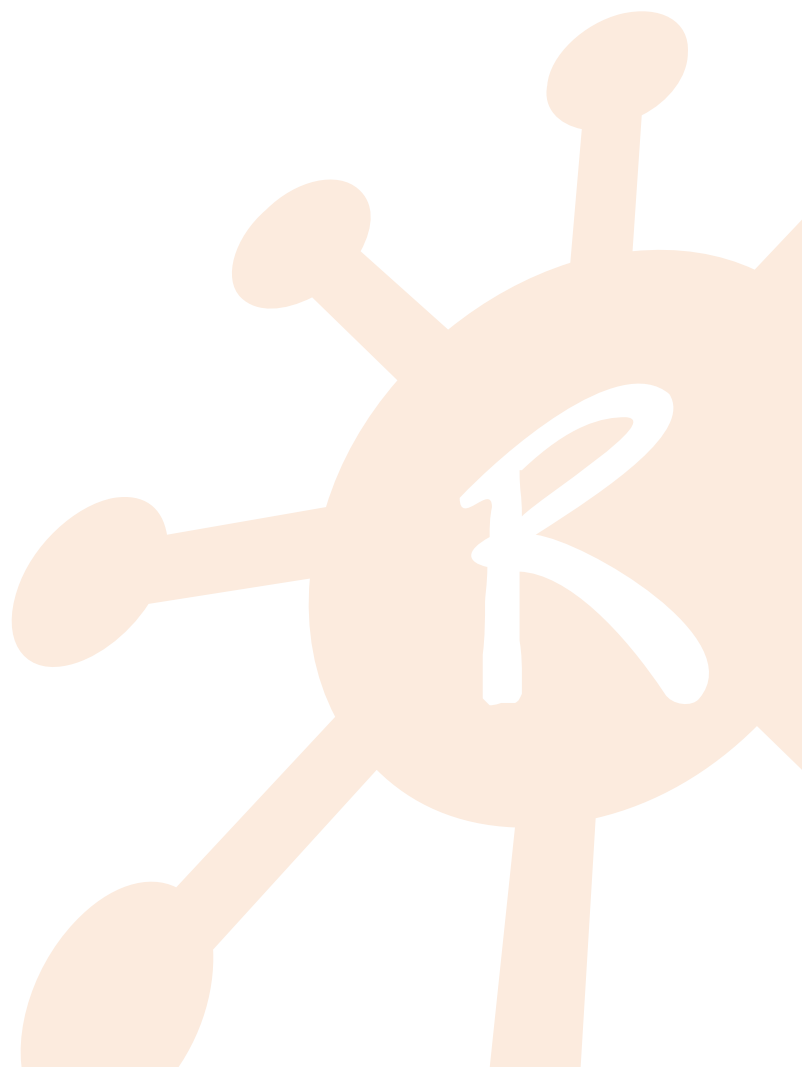
It may be assumed that the number of respondents expanded owing to companies mainly oriented at the home market rather than export.

Probably, the vast majority of companies that have not indicated their share of exports in total revenue offer their services chiefly in the Russian market.



CHAPTER 1.

POSITION OF RUSSIA IN THE GLOBAL MARKET OF SOFTWARE AND SOFTWARE DEVELOPMENT SERVICES



Global economic turbulence creates favorable conditions for companies and countries to move in the rating of world market leaders. However, radical changes are unlikely to be seen in the coming 1-2 years because the advantages of this or that country in the field of software development are gained over the years, to be more exact – over decades.

The crisis makes business more flexible to find new options for partnership with international service companies. World leading analysts expect the emergence of new customers who are reducing their own IT services and outsource these functions instead. Therefore, service companies have chances to become more remarkable in the market and lay the foundations to strengthen their positions in future.

In the current context the significance of country image is growing (i.e. prevailing notions among potential partners and buyers related to opportunities of software development in its territory). In the short-term perspective the image may influence the projected re-distribution of orders greater than other more substantial factors. In this area Russia has the largest resources, since mainly due to political games in international Mass Media there was formed a negative image of Russia that has nothing to do with the reality, but the appropriate reaction of state authorities has not followed yet.

This situation definitely affects the Russian economy and exports. The Government can and should take measures to improve the country image, which is being done to the extent possible. In 2009, the budget provides for RUB 49 bn (USD 1.4 bn) for country image improvement, that is 30% against year-on-year. However, these funds are distributed and used without any contact with the real sector of economy leading to low efficiency of such investments.

Certainly, all current economic problems in Russia should not be explained by negative publications and low ratings alone. For instance, a sharp decrease in foreign investment is caused by equally important factors. First, it is the fall of oil prices that Russian economy and stock market capacity depend on. The second reason is that due to the crisis many foreign companies had to cover losses of their headquarters at the expense of Russian offices. Another important factor was the growing foreign currency debt faced by Russian enterprises due to a sharp devaluation of ruble at the end of last year. Probably, it is also important that banks became much more cautious granting credits. The panic on the financial market, though largely artificial, has also played its role.

In particular, some Mass Media persistently drew analogies with the 1998 crisis in Russia. At that time the national currency devalued 4-5 times in the course of several months. This comparison is incorrect, since 10 years ago the situation was absolutely different as well as the reasons for the crisis. In the past years the Russian economy has become more robust and its

regulation more professional and independent from major companies and banks that acted destructively prior to the crisis in 1998. Moreover, the government now has more tools to mitigate effects of the crisis on the economy owing to gold and currency reserves that enabled to restrain the panic in the currency market.

Actually, in 4-5 months the ruble depreciated against the dollar by around 50% and by a third against the euro. In March 2009, the currency rate stabilized and since then has not significantly changed. Also, it should be taken into account that the ruble returned to the level of about 8 years ago. At that time the exchange rate was approximately 33 rubles to dollar, that is almost the same as in spring 2009.

As a result of the global crisis Russia's GDP decreased by around 10% and the capacity of different markets reduced from 10% to 40-50%. However, this was preceded by a comparable growth and the data adduced here relate only to Q1 2009.

Most likely, the year-end reduction would not be that significant. It is not impossible that the growth in Q3-Q4 would compensate for the Q1 reduction.

Consequently, nothing dramatic has happened to the Russian economy, yet. As a rule, the situation in other countries is either slightly worse or better. It is quite possible, that the ruble rate could have been fixed at a higher level were the actions of the regulating authority more successful and were the Mass Media not spreading panic. The slump in production could have been also less significant has the Government adopted measures to support and the real economy and reduced refinancing rate of the Central Bank of the Russian Federation as it was done practically all over the world. But we can only guess.

Clearly, the expectations of disastrous consequences of the crisis for Russia are not justified. Therefore, Russia's economy despite being developing and dependent on fluctuations of prices on raw materials is quite stable.

Notwithstanding, industry analysts evaluating political and economic environment in the country still place Russia on the lowest positions in their ratings compared to all its competitors. Probably, they mainly rely on conclusions prevailing amid other experts who specialize in analyses of the global economy or national economies or political situation in individual countries. However, the credibility of these experts is already undermined, because on the verge of the crisis they saw no reconditions for economic turmoil.

Here, it is appropriate to remind of a grave mistake made by experts of the International Monetary Fund, who predicted a drop in GDP in Russia at the year-end 1999. In 1998, Russia faced more serious economic issues than during the present crisis. However, instead of recession the economy started to boost. IMF experts could not foresee the development of the situation in the country even for several months ahead.

Managers of international companies that are unaware of the real state of affairs trust expert evaluations of the political and economic environment in Russia as well as publications in which the country image may produce only negative impressions. This results in decisions on order placements be made not in favor of Russian companies, or it may happen in the near future.

At the same time, company directors who have been seriously considering different options to place orders on software development need unbiased additional information about Russia. They are quite well-informed about the possibility to successfully cooperate with Russian service companies. At least half of the largest world companies (according to ratings compiled by different newspapers and magazines) are placing orders on software development in Russia.

And several dozens of major Western companies have established their own development centers in Russia.

Companies that set up centers for research and development in Russia:

Alcatel, Allied Testing, AVIcode, Borland, Cadence, Design Systems, Chrysler, Columbus IT, Dell, Digia, EGAR Technology, EMC, EMS, Ericsson, Google, Hewlett-Packard, Huawei, Intel, InterSystems, Jensen Technologies, LG Softlab, Motorola, NetCracker, Nival Interactive, Quest Software, RD-Software, Samsung Research Center, Scala CIS, Siemens, SmartPhoneLabs, Sun Microsystems, Tagrem Studio, Teleca, T-Systems

Nevertheless, the negative image rooted among a wider audience poses problems for the Russian service industry. Before the crisis the growth of Russian exports of software and development services was restrained by the shortage of staff rather than by country image unfavorable for the promotion of solutions and services.

But then when sales increase by 40-50% annually, it is irrelevant to speak of something restraining growth. Anyway, it was difficult to grow at a faster pace. Generally, it is considered that a company should not grow more than 30-50% per annum to maintain its controllability.

Therefore, a negative country image was an obstacle for Russian exporters in the field of software development, but less significant than the lack of human resources and, therefore, it could not lead to a serious slowdown.

Russian developers of ready-made solutions and software products can also improve their positions in the global market owing to the country image. If previously they paid little attention to it preferring

to rely on product quality, now reaching the level of strategic competition the country image has become for them as important as for service companies.

A more detailed analysis of the influence of the crisis on Russian software exporters is provided in Chapter 3. Here it can be said that economic turbulence affected them less than the Russian economy in general.

MASS MEDIA, ANALYTICAL REPORTS AND CONFERENCES

There is nothing dramatic in the very fact of the increased negative information flows about the country (the previous wave almost coincided with the beginning of the crisis and was caused by deterioration of relations between Russian and the USA), such bursts of information activity unfavorable for Russian exports were observed before, too. Moreover, this negative influence is partially compensated by the increased number of records for Russian software developers in different foreign Mass Media. This increase is proved by links to the articles at the websites of Russian companies.

For certain companies the number of records at least doubled over the year mainly owing to the fact that the scope of newspapers and magazines containing them was considerably expanded by local, specialized and highly specialized editions. Last year's report named publications in such popular Media as BusinessWeek, Financial Times, The Wall Street Journal and BBC. In the period from spring 2008 to May 2009 there haven't appeared any new articles about achievements of Russian software companies. Partially this was due to the absence of breaking news in the industry compared to the scale of the global economic crisis.

Around 2005 Russia together with Eastern Europe showed to be a real alternative to India in the field of outsourcing related to software development. This led to a surge of articles in the above editions. In recent years the situation has not changed and there have not appeared other significant factors arousing interest in Russia. The cause for that has to be even more important, since the subject of the crisis has occupied practically all space in Mass Media.

However, if we start a search in the Internet by words «software» and «Russia», these Mass Media would come up with a lot of articles mentioning Russia. Unfortunately, the majority of them speak of different threats – spam, viruses, cyber attacks and hackers. Moreover, these articles often proceed from dubious news leaving an impression that Russian developers are doing nothing but write viruses, crack websites or try to neutralize anti-spam protection. However, these ideas are obviously false.

Certainly, Russian specialists have their «achievements» in this field, but not that outstanding.

For instance, in the majority of reports about developers of spam-filters and anti-viruses Russia is confidently preceded by China and the USA by the volume of spam.

Apparently, journalists of BusinessWeek, Financial Times, The Wall Street Journal and BBC are still guided by false ideas about Russia based on prejudices and stereotypes of past decades. For this reason Russian software companies, industry associations and state authorities have to provide them with more objective information about the country. But serious grounds for a publication in Mass Media oriented at the audience not limited by state borders are still more important.

This is easier to achieve with less popular editions. Based on the expanded list of editions referring to Russian software companies, last year was the most successful for us of all previous years. This list should be opened with editions that even if are excelled by Financial Times and The Wall Street Journal in terms of their world fame, this difference is very small. First of all, these include The New York Times, The Washington Post and Forbes whose publications mentioned such companies as Auriga and Luxoft. Apart from this Luxoft representatives gave interviews to CIO Magazine, Smart Enterprise, Infoworld and SearchCIO.

The company DataArt is also actively working with the press. Its operations are described on the pages of Global Services magazine, Aberdeen Group, Crain's New York Business, Business Week magazine, Waters Magazine, The Deal magazine and Travel Pulse.

The leader by the number of links to articles published from January 2008 to May 2009 is the company Parallels. Its website contains publications in the following editions: TechWorld, Network World, The Register, CNET, Linux Magazine, Computerworld, MacWorld, PC World, TechNewsWorld, ZDnet, Virtualization Journal, IT Week, InfoWorld, InformationWeek, eWeek, Wall Street Journal, Virtualization Review Magazine, Government Computer News, Boston «Tech Talk» radio, Inc. Magazine and Search Server Virtualization. Moreover, last year many of these Mass Media had reasons to refer to the company Parallels 2-3 times.

The Company Acronis connected with Parallels through a common founder also actively communicates with journalists of international Media (such as Computing, Dealer World, Blocks & Files, MicroScope, Channel Business Solutions, Var Business, Comunicaciones Hoy, PC Pro, Solutions and Data News).

The company PROMT is particularly interested in specific national markets. Therefore, there prevail links to articles where the company is mentioned by the local press: PC Expert (France), Personal Computer & Internet (Spain), Publishers Weekly (USA) and American website Output Links.

The activity of the company Astrosoft in the market of Finland was covered on the pages of Finnish

publications: IT Viikko (IT Week), Information week, Automaatioväylä (Automation Path) and Kauppalehti.

Exigen Services is mentioned in San Francisco Business Times but as a local company with its developers located in Europe. There are no clarifications that they are mainly working in Russia, but such articles can also contribute to the promotion of the country in the software market. What is more, Exigen Services was noticed by the journalists of TMCnews, Bank Systems & Technology and International Business Times.

Last year several articles related to Russian companies appeared in IT Europa and EE Times Europe.

In autumn 2008 an article about Russia describing it as an alternative to India appeared in IT examiner. This subject is being dwelt upon by Asian editions (The Hindu, Asia Times). Generally, the Asian press is more loyal to Russia compared to its Western European and American colleagues and more often depict options for cooperation rather than emphasize negative sides to Russian reality. Nevertheless, the vast majority of Russian software companies are oriented at sales in Europe and the US. Moreover, not everyone can succeed in the Asian market offering ready-made solutions, which is a complicated task for Europeans in general, and at the moment of all Asian markets Russian software development services probably may be in demand only in Japan. Due to this the loyalty of the Asian press has still little effect on Russian software exports.

In 2008 and early 2009 developments in the Russian software industry was to this or that extent covered on the pages of around 60 international publications: Aberdeen Group, Asia Times, Automaatioväylä (Automation Path, Finland), Bank Systems & Technology, Blocks & Files, Boston "Tech Talk" radio, Business Week magazine, Channel Business Solutions, CIO Magazine, CNET, Computerworld, Computing, Comunicaciones Hoy, Crain's New York Business, Data NewsNetwork World, Dealer World, The Deal magazine, EE Times Europe, eWeek, Forbes, Global Services magazine, Government Computer News, The Hindu, Inc. Magazine, InformationWeek, Information week (Finland), Infoworld, International Business Times, IT Europa, IT Viikko (IT Week, Finland), IT Week, Kauppalehti (Finland), Linux Magazine, MacWorld, MicroScope, The New York Times, Output Links (USA), PC Expert (France), PC Pro, PC World, Personal Computer & Internet (Spain), Publishers Weekly (USA), The Register, San Francisco Business Times, SearchCIO, Search Server Virtualization, Smart Enterprise, Solutions, TechNewsWorld, TechWorld, TMCnews, Travel Pulse, Var Business, Virtualization Journal, Virtualization Review Magazine, The Washington Post, Waters Magazine, Wall Street Journal and ZDnet.

Certainly, this list is incomplete, but generally it does reflect PR activities of Russian companies, areas

and markets of maximum sales. Interestingly, only around 10 of 20-25 major Russian software exporters actively communicate with journalists abroad. Probably, some do not track publications or do not put links on their websites. However, there can be only few of such cases. As a rule, companies having professional PR-managers in their staff perform intensive monitoring of publications.

Often what poses an obstacle for the news about a Russian company to appear in international Mass Media is the condition of non-disclosure of information stated in the contract or the project by the customer. For instance, the company DevExperts that specializes in software development for trading on a stock exchange and financial markets has no links to publications in American press because its USA partners consider confidential the information on solutions and platforms used.

Another problem is that in the majority of publications the links to which are provided by Russian companies these companies do not position themselves as Russian companies per se or try not to frequently mention the country of origin. For example, Parallels calls itself a transnational company. Its founder is a Russian immigrant who received citizenship of Singapore. The headquarters of Parallels are located in Switzerland. At the same time, the majority of company's developers are working in Russia.

There are quite many instances when the company affiliation with a certain country is difficult to determine. In this survey companies are considered Russian if they have a legal entity registered in Russia and software development is mainly performed in Russia.

But even purely Russian companies are rarely involved in the promotion of their native country in the global software market. This mainly concerns developers of software products produced for wide groups of users who do not associate Russian with the development of high-quality goods and products. If we speak of major customers, more often than not their managers are free of such associations. They know the strengths of Russian programmers and that Russia has successfully solved many complex technical tasks (e.g. related to implementation of space programs).

Thus, there is a vicious circle. Companies do not want to mention their origin for fear that it may cause reduction of sales. At the same time their achievements in international markets cannot change the negative attitude to Russia since ordinary users do not correlate this success with Russian developers. Finally, the negative image leads to the situation when companies do not emphasize that solutions promoted abroad were created in Russia.

This circle can and must be broken if we want Russian economy to become less dependent on world prices on raw materials through the increase of export share of high-tech companies. Probably, in

this case a strong marketing support of state bodies is absolutely vital.

The issues of the country image affects the export of high-tech companies representing various industries, and they cannot be solved by industrial groups since they have limited resources compared to governmental structures (here we would remind that in 2009 the budget allocated to promote the favorable image of Russia abroad amounted to USD 1.4 bn !!!), but without their participation the effectiveness of state funds to advance Russia in the global market is extremely low.

The conclusion regarding cooperation with the press is as follows: last year the number of publications considerably increased, but the number of records for Russian companies and software industry in foreign Mass Media can be at least several times more. Many companies (even quite large) are not involved in any PR activities. Moreover, there is no substantial marketing support on the part of the State.

Russia is far better represented at conferences and research on outsourcing in software development. If in international press publications mentioning software development in Russia are only occasional, any conference without participants from Russia cannot claim its international status. All surveys on global outsourcing market also necessarily mention Russia (sometimes together with Eastern Europe) as an alternative to India.

The Indian association NASSCOM on its website constantly refers to Russia and China as India's main competitors. For example, the section of last year's achievements says that Indian developers managed to increase exports despite the competition with Chinese and Russian companies.

Leading research companies, unlike journalists, are quite objective evaluating advantages and disadvantages of individual states. Unfortunately, they still fail to segment the world market of outsourcing services to clearly highlight the segment where Russian positions are particularly strong, and namely complex science-intensive projects requiring deep mathematical knowledge of specialists. If this segment could be measured and the share of every country determined, it is quite possible that Russian developers would be the leaders by total exports.

To repeat, analysts (probably due to the lack of objective information) often exaggerate certain problems in Russia. Thus, they think that by indicator of political and economic stability it lags behind its main competitors. But as a rule the evaluation of advantages and disadvantages based on different criteria leaves no doubts.

RATINGS OF RESEARCH COMPANIES

Russian software developers have been represented in international ratings of the best world service companies since 2002. Over this period the

number of Russian companies mentioned by rating specialists has been invariably growing. In recent 5-7 years about 10 Russian outsourcing companies have been included in the leading ratings. As a rule they were named in the top-100 of global companies as well as in several categories determined by different criteria applied to the service industry.

If the main criterion remains unclear based on the title of the rating, then the inclusion in this rating reflects the significance of projects implemented in the last year and the level of customer satisfaction. Although the turnover is of importance, here it's secondary.

Broadly speaking, in ratings published last year Russia's representation remained solid, but in some ratings it has reduced. This insignificant reduction in leading company ratings may be caused by several reasons. First, in recent years we have seen the re-orientation of a part of our companies at the rapidly growing Russian IT market. For rating writers this meant a declining activity of companies in the global market for they lack the adequate information about Russian market of IT services and, consequently, disregard operations of Russian providers there.

Second, many companies see no benefits from being included in this or that rating. Russian companies are becoming more open, but for the most part they are quite close compared to foreign competitors.

The third reason of the reduced Russian companies' representation in world ratings is the emergence of major companies in countries that were previously less remarkable in the world market of outsourcing services. Primarily, these include China, Brazil, Philippines, Mexico, Malaysia and countries of Eastern Europe.

The importance of every cause varies depending on the author of the rating. For example, if the main rating criterion is the company turnover or growth, then the main factor of non-inclusion is the unwillingness of Russian companies to disclose business information and lack of understanding of benefits from the communication with rating writers. In other cases all the above causes are equally important. The present survey analyses the following world ratings: The 2009 Global Outsourcing 100, The Black Book of Outsourcing and The 2009 Global Services 100.

In The 2009 Global Outsourcing 100 – the annual rating prepared by the International Association of Outsourcing Professionals (IAOP) the number of Russian speaking countries (Russia included) has increased year-on-year. Companies Auriga, DataArt, EPAM Systems, IBA Group, Luxoft and Mera Networks were joined by Reksoft that was already included in the top-100 of the world leading service companies (according to different versions). Moreover, last year Reksoft became one of 20 winners in the category Financial Services – Insurance.

Additional categories of The 2009 Global Outsourcing entered by Russian (or Russian speaking) companies

Best 10 Rising Stars in Overall Revenue	MERA Networks
By Industry Focus – Best 5, Rising Stars – Health Care	Auriga
By Industry Focus – Best 5, Companies – Automotive	IBA Group
By Industry Focus – Best 10, Leaders – Entertainment & Media	EPAM Systems
By Industry Focus – Best 10, Rising Stars – Entertainment & Media	DataArt, MERA Networks
By Industry Focus – Best 10, Rising Stars – Financial Services (Banking, Markets)	DataArt
By Industry Focus – Best 20, Leaders – Financial Services (Insurance)	EPAM Systems
By Industry Focus – Best 20, Leaders – Discrete Manufacturing	Luxoft
By Industry Focus – Best 20, Leaders – Technology (Hardware & Software)	EPAM Systems, IBA Group
By Industry Focus – Best 20, Rising Stars – Technology (Hardware & Software)	Auriga, Reksoft, Itransition, Intetics
By Industry Focus – Best 20, Rising Stars – Telecommunications	Auriga, DataArt, Intetics, MERA Networks, Reksoft
By Service Area – Best 5, Product Manufacturing Services	Luxoft
By Service Area – Best 10, Document Management Services	IBA Group
By Service Area – Best 10, Leaders – Research & Development Services	IBA Group
By Service Area – Best 10, Rising Stars – Research & Development Services	Auriga, DataArt, Itransition, MERA Networks, Reksoft
By Service Area – Best 10, Rising Stars – Information/Comm. Technology Services	Itransition, Reksoft
By Service Area – Best 20, Research & Development	Auriga, DataArt, Exigen Services, IBA Group
By Region Served – Best 5, Companies in Eastern Europe	EPAM Systems, IBA Group
By Region Served – Best 5, Companies in Russia	Auriga, Luxoft, Reksoft
By Region Served – Best 10, Rising Stars in Canada	MERA Networks
By Region Served – Best 20, Rising Stars in Western Europe	Auriga, DataArt, Intetics, Itransition, MERA Networks, Reksoft
By Region Served – Best 20, Rising Stars in UK	DataArt, Intetics, Itransition
By Region Served – Best 20, Rising Stars in US	Auriga, DataArt, Itransition

Source: The 2009 Global Outsourcing

The top-100 of The 2009 Global Outsourcing is divided into 75 “leaders” and 25 «rising stars». The «leaders» include EPAM Systems and Luxoft whereas other companies mentioned in the rating are considered the «rising stars». Evidently, the top-100 of the leaders according to The 2009 Global Outsourcing may soon be joined by Exigen Services – one of the major service companies in Eastern Europe. By its size it is comparable with EPAM Systems and Luxoft, but the latest IAOP rating marked it only in one additional category.

Russia (and companies close to Russia) has similar representation in The 2009 Global Services 100 – the rating compiled by Global Services Magazine and NeoIT. The top-100 according to this version includes EPAM Systems, Exigen Services, Reksoft, Mera Networks, Luxoft, Intetics and IBA, with only 5 of them registered as legal entities in Russia (EPAM Systems, Exigen Services, Reksoft, Mera Networks and Luxoft). A year before The 2009 Global Services 100 comprised 7 Russian companies. Auriga and DataArt dropped out from the top-100, but they remained among the winners in the category «10 leading companies of Eastern Europe». In this category 9 of 10 places were won by companies from Russia and Belarus. The Russian company Luxoft (that over a year significantly increased both its staff and turnover) was recognized as the leader of Eastern Europe.

Additional categories of The 2009 Global Services 100 entered by Russian (or Russian speaking) companies

Top 10 Service Providers: IT Services	EPAM Systems
Top 10 Service Providers: Outsourcing Product Development	EPAM Systems, Luxoft, Exigen Services, Mera Networks
Top 10 Service Providers: Eastern Europe	Luxoft, EPAM Systems, Exigen Services, IBA Group, Reksoft, Mera Networks, DataArt, Itransition, Auriga

Source: The 2009 Global Services 100

Authors of The 2009 Global Services 100 noted that in previous years they evaluated what companies performed better under a fair wind of the economic boom, but this year they analyzed how well companies can resist a strong crosswind. Nevertheless, parameters for the selection of companies remained the same: company size, client base and evaluations of clients, qualifications of managers and employees, staff turnover, investment in training and staff retention.

The number of Russian companies included in numerous ratings of The Black Book of Outsourcing has significantly grown. If a year ago these ratings mentioned only one company representing Russia (EPAM Systems), based on the results of 2008 they comprised 5 companies: Exigen Services, Reksoft, Luxoft, Auriga and EPAM Systems.

In the top-500 of the major software companies according to Software Magazine (Software 500)

The Black Book of Outsourcing categories headed by Russian companies by 2008 year-end

Top-10. Software testing & Quality assurance	Exigen Services (1 place), Luxoft (2 place), EPAM Systems (5 place), Auriga (6 place)
Top-10 into offshore: Eastern/Central Europe	Luxoft (1 place), Auriga (3 place), Exigen Services (4 place), EPAM Systems (6 place), Reksoft (8 place)
Top-10. Wealth management industry	EPAM Systems (8 place)
Top-10. Portal & Enterprise content management	EPAM Systems (1 place)
Top-10. Telecommunications industry	Luxoft (3 place)
Top-10. Outsourced software development	EPAM Systems (1 place)

Source: The Black Book of Outsourcing

remained only two Belarusian companies related to Russia (thus, they can partially represent Russia). Over the year EPAM Systems progressed from 227 to 190 place, and IBA Group appeared in this rating for the first time and ranked 260. Last year the Russian company Mera Networks reached 279 position in Software 500, but apparently its management decided not to disclose its key indicators (primarily, the turnover which determines the company ranking). Many Russian software companies (probably, more than a dozen) deserve to be included in the annual rating Software Magazine, but, apparently, they think it is unnecessary to strive for that.

Nor Russian companies are interested to be included in EMEA Technology Fast 500 – the rating compiled by the company Deloitte&Touche. It comprises 500 high-tech companies (not only IT developers) in the EMEA region with the highest annual growth rate in the past 5 years.

Russia's representation in Technology Fast 500 reduced from 5 to 4 companies. The rating was left by an outsourcing company Telma Soft and a systems developer for mobile operators Bercut. As for Telma Soft the explanation is very simple: it was acquired by the Swedish company Teleca and now works as its Russian branch.

In 2008, a Russian producer of electronic components Sitronics was included in EMEA Technology Fast 500 and won the 132 place right away. The highest growth rate among Russian companies is demonstrated by Progresstech LLC. Over a year it moved up from the 225 to the 114 place. Conversely, companies Luxoft and Armada descended from 327 to 343 and from 350 to 367 places, respectively.

By the number of companies represented in EMEA Technology Fast 500 Russia ranks 16 and is lagging behind many small states, though it should be included in the number of leaders if we evaluate its size and a quickly growing market capacity (before the crisis).

The problem is that the majority of Russian companies that may claim to have a certain place in

EMEA Technology Fast 500 are not ready to disclose information about their turnover. If a company is transparent, it cannot always (according to Deloitte's requirements) present its international audited financial statements for the past 5 years. Nevertheless, Russia's representation in EMEA Technology Fast 500 should be more significant in any case.

IMPACT OF THE CRISIS ON THE INDUSTRY

The impact of the global financial crisis on the software industry in Russia is obvious. However, it can't be said it is only negative, since there are factors that have positively influenced operations of Russian companies.

For the majority of exporters the main problem caused by the crisis is the shrinkage (or sudden reduction of the growth rate of individual segments) of the global IT market (including the market of software and development services).

The economic turmoil in Russia as such practically has not affected software exporters. Export software developers could not have suffered due to a reduced availability of bank credits because earlier they resorted to loans only infrequently. Russian banks are only learning to estimate risks of IT companies. There were single instances of borrowings from investment funds. Therefore, software companies had to rely on own financial resources (revenue) or resources of their headquarters (many companies are part of major IT holdings). Therefore, the disadvantage became an advantage because independence from external sources of financing enabled them to preserve stability in these difficult times.

The measures taken by the Government and the Central Bank helped avoid mass bankruptcy of banks. Therefore, monetary funds of companies remained secure on accounts and settlements are being regularly made (though some individual banks, not the major banks, faced temporary interruptions of operations). There difficulties with the delay in payments of companies that are partially oriented at the Russian market, but they have not shattered the financial stability of the majority of exporters. Nor have they led to significant reductions in turnover. With all that going, the situation in the Russian economy has stabilized and the majority of major exporters have a relatively small share of sales in the local market.

According to the poll of companies included in the rating The 2009 Global Services 100 service providers are mostly worried about fluctuations of currency rates. This issue was named by 68% of respondents. It is not known, what answer was given by the Russian companies included in this rating. But it is unlikely that they (as well as other Russian exporters) are seriously concerned about the ruble's fall against the dollar and

the euro. On the one hand, any sudden exchange rate fluctuation is undesirable for a progressive growth. On the other hand, reduced costs expressed in dollars or euros are welcomed by exporters. It allows to increase the revenue and enhances competitiveness on the global market.

Especially, that there are no grounds for the ruble strengthening. Even if the inflow of foreign currency grows, the Central Bank of Russia will most likely restrain the exchange rate at the current level to restore gold and currency reserves of the country that have decreased due to the crisis.

Major problems of exporters are primarily caused by the situation in the world IT market. At this, certain companies managed to grow during the toughest months. For instance, the crisis produced minimum effect on the turnover of the Kaspersky Laboratory that became a world leading developer of anti-virus programs. The world market of software products related to security is the last to be affected by economic turmoil.

It happened so that the major Russian exporters of replication software are present in the markets that have either reduced less than others or continue to grow. Here we speak of Q1 2009 because according to research companies' reports there was no sharp recession of the IT market in 2008. No significant fall is expected at the end of this year either. For this reason at the beginning of the year many of them hired new staff and maintained the same numbers of employees.

Some companies exporting software products managed to keep their sales growing by entering new markets. Even the leading Russian developers with consolidated positions in foreign markets have great potential for development in «unexplored territories». Probably, it is the crisis that prompted certain companies to more actively promote their solutions in new countries.

Russia's share in the global market of software products is barely discernible. For instance, even if it becomes bigger by half, it will be still close to zero (less than 1%).

Such an increase is quite possible, since the smaller the market share, the easier it may grow if this market shrinks. Especially that Russia's share definitely does not correspond to its potential and opportunities.

Gartner analysts do not expect a major decline in the software market at the year-end 2009. For example, according to Gartner's forecast made in March, the market of corporate software will increase by 0.3% amounting to USD 223 bn. If the economic situation aggravates and this forecast is reviewed the reduction of this market is unlikely to exceed 2-3%.

Generally, the situation for Russian software exporters is quite good. Evidently, some would maintain a high growth rate; some will have to put up with a decrease. Although some companies may face a decline, but the reduction of export revenues is unlikely to threaten the software products industry.

A slightly different impact of the world economy problems is observed in service companies. Only 6 of 20 major outsourcing companies in Russia (by export revenues) are planning to expand their staff in 2009 (as a rule, not more than by 10-15%). Consequently, the situation in the global economy has already influenced the revenues and plans of the majority of exporters.

The crisis affects the market of services with a certain delay due to a lengthy cycle of decision-making while placing orders on software development. Probably, this is why analysts do not make hasty forecasts related to the prospects of total revenue of service companies at the year-end 2009.

During the Gartner China Outsourcing Summit held in China in November 2008, Gartner predicted that the demand for IT services after a small decline would start growing even faster than before the crisis. Despite the reduction in IT budgets in the majority of world companies they will still need the support and development of own IT infrastructure as well corporate IT systems. The transfer of functions previously performed by own staff to service companies would bring the same result but at lower costs.

Based on scanty information a temporary reduction has already begun for service companies and has even passed its peak. Fluctuations on the global market mainly affect Russian outsourcing companies rather than software exporters. In fact, in the global market of software development services Russia is represented in a single segment. Its specialization is implementation of complex science-driven projects based on profound knowledge of mathematics. Hence, less chances to compensate for market fluctuations by increasing its share (at the expense of competitors). Moreover, service companies are objectively slower to enter new markets. Therefore, they have fewer opportunities to quickly compensate for losses due to the reduction of demand in the global market than product developers have.

So far Russian service companies have been oriented at service provision in the USA and Western Europe. Apparently, Russia has certain priorities in Western Europe – Germany (and German speaking countries) and Scandinavia (including Finland). To avoid the dependence on the situation in these countries it is necessary to expand the geography of business. Especially that according to Gartner forecasts, in future important competitive advantages will belong to those service companies who globalize. Such companies should be present in all major markets, offer services 24 hours a day in any corner of the world and optimize their expenses owing to a globally distributed structure of development centers.

At the same time due to the crisis Russian service companies got both a negative consequence as a decrease in demand for their services and a positive consequence as a resolution, however partial, of an old issue of search for new staff and high rent prices.

Due to the lack of quality office buildings lease rates in Russia are 2-3 times higher than in many Western European cities.

International development centers may get the same benefits from the reduction of lease rates and expenses on salaries for production personnel as Russian outsourcing companies. However, in the short-term perspective they will be more affected by global economic problems. Nearly all major high-tech companies owing these centers are facing hard times. They have started or are planning to reduce expenses, which may also involve Russian development centers.

It is not known about any mass dismissals of employees of international centers located in Russia yet (except for the Motorola center). The matter in question is only insignificant staff reductions. For instance, Sun Microsystems stated its cost reduction by 18% (for Russia this indicator was less than 10%). In its Russian development center Sun fired around 10% of employees (mainly of assistant staff and not developers).

The economic crisis has led to the sharp reduction of investment volume (especially foreign) in Russia. In part this is caused by the global problems faced by investors who saving their business today have suspended projects promising revenues in future. Partly, it happened due to the panic. However, the main reason of the reduced investment is the major drop in revenues from Russian export of raw materials.

However, as it was already motioned above, the reduction of investment does not directly influence operations of Russian software exporters. Previously they also attracted foreign investors on rare occasions and used borrowed funds for their development.

According to the plans announced by a number of companies, funds and banks it is after the crisis that it became possible to increase investments into software industry and high-tech sector of the economy in general. In the past 9 months the intention to invest in the IT sector in Russia was voiced by Microsoft, Cisco (together with UFG), Sun Microsystems, Russian software distributor Softline, Slavyansky Bank and others. The sums hereto range from USD 10 mln to USD 300 mln. The main recipients include small and medium-sized companies as well as start-ups.

The Finnish company Technopolis – the largest in Scandinavia operator of technology parks – announced the dates to complete the construction of the first phase of the Russian technology park. It will start to operate in spring 2010. It is planned to invest USD 50 mln in the first stage.

Probably, the announcement of certain investment plans simply coincided with the beginning of the crisis. Anyway it is good that companies at least to not reject their plans due to the crisis. Especially there are proofs that the crisis has indeed contributed to the implementation of some of the investment projects.

For example, the company Technopolis since 2005 has tried to build its first technology park in Russia

but could not overcome bureaucratic barriers for a long time. And active construction was launched only with the crisis. The president of Technopolis named a number of factors favorable for the activation of company's operations in Russia. These include the reduction of construction costs and the fundamental change in the attitude of officials to company offers.

The analysis of the situation leads to the following conclusion: the crisis may be beneficial for the Russian software industry rather than problematic if its negative effects are mitigated and positive are enhanced.

RUSSIAN ICT MARKET

In late 2008 and early 2009, the Russian ICT market dropped by 20-30%. Depending on the segment the indicators of this reduction greatly differ. For some types of technologies sales decreased by more than 30% whereas there is a little growth for others.

The changes in the Russian ICT market may seem disastrous for citizens of countries with a stable economy. However, it should be taken into account that the growth of this market in recent years is comparable with its current reduction. IT companies and communications enterprises rolled back to turnovers of the previous year. Plus, the period analyzed here includes only several months. At the year-end the reduction may be less significant. In spring the market has become more active and oil prices that the Russian ICT market depends on started to rise.

However, analysts do not to make optimistic forecasts, but are ready to review them any time, which they do once in 2-3 months. Some say that the IT market growth would resume in H2 2009, others – only in 2010.

Russian company executives also see positive sides of the reduced demand for their services and solutions. After a boosting growth there is a chance to revise the development strategy (earlier there was no time for this), optimize business-processes that were altered on the move accompanying the rapid company growth. Moreover, participants characterized by inefficient management have left the market.

Some software developers that successfully compete with world leaders in the Russian market received more stimuli to activate their operations far abroad. If previously the market presence in Russia and the CIS was sufficient for their rapid growth, now it's time expand in other markets. The first steps in the direction of Western markets were made by them before the crisis, but they were very cautious. These companies should compete as equals with the leading international companies in all markets to secure their future. Otherwise they can be forced out from the Russian market, too.

Working globally companies are less dependent on demand fluctuations (often unpredictable) in

certain markets. The situation in the Russian ICT market makes Russian software developers and service companies think about it. If at the year-end 2007 this market increased by 28%, in 2008 it slumped to 17% (Source: Russian Telecoms), and in 2009 this figure may become negative. Last year enterprises representing the ICT sector earned RUR 1.7 trln or USD 58 bn at the rate of the year-end 2008. The biggest part of this revenue went to mobile operators.

According to preliminary estimates of Russian Telecoms, the total revenue of communications enterprises by all types of operations amounted to RUB 1.2 trln (18% growth). Out of this sum RUB 0.8 trln fall on services provided to the public (annual growth also makes 18%).

According to the research conducted by KPMG, the majority of the largest telecommunications companies sequestered all their investment programs. 58% of respondents reduced investments up to 30%, and for 17% of other respondents it will range from 30% to 60%. But it should be remembered that many companies planned to cut their investment programs before the crisis because they heavily invested into the development of network infrastructure in the last 2 years, though they planned a smaller reduction.

Based on different estimates, the volume of the IT market in 2008 grew by approximately 10% (in 2007 – by 17-18%) and totaled around RUB 0.5 trln (around USD 19 bn taking into account the changing currency rate).

According to PMR Consulting, in 2008 the IT market in Russia grew by 9.3% to RUB 538.6 bn.

Similar growth was recorded by IDC – 10.5%. According to the estimates of this company, in 2009 Russian IT market will reduce by 22.1% (software sales will drop by 30.8%, equipment costs – by 28.4%, budgets on IT of the big business – by 25-30%). IDC expects the reduction in IT expenses (in dollars) by 20% and the IT market – by 22%, and PMR predicts the decline in the IT market by 14.2%.

The poll of IT companies conducted by the League of Independent Experts (LINEX) states, that Russian IT market dropped by 18% in Q1 2009. The segment of computer equipment decreased by 37% and made RUB 35.3 bn. The sales of network equipment and software declined by 6% and 3%, respectively.

The IT services segment has even grown by 13%.

According to LINEX estimations, total revenue of independent producers of computer equipment decreased over the quarter by 34%, distributors – by 27% and diversified IT companies – by 15%. Total revenue of independent producers of software somewhat increased – by 1%.

According to IDC, the IT services market in Russia grew by tens of percent annually, but in 2009 it is expected to drop by 28.4%. IDC thinks that in the situation of the crisis customers can optimize IT costs through outsourcing. In this connection, new international players came to the Russian market

(after the crisis began) and they are planning to provide services here (for instance, Finnish companies Forte Netservices and Elisa). Previously this market was also considered promising, because in the field of outsourcing Russia had a bigger lagging behind Western companies than in other areas.

According to IDC, in 2007 Russian companies spent on IT outsourcing USD 532 mln, which makes 12.1% of total Russian market of IT services. In Western Europe this indicator makes around 20%, and in the USA – 40%. Gartner's data state that IT outsourcing in Russia makes a little more than 10% of total volume of IT services. The nonprofit partnership Astra founded by major Russian IT services providers is planning to stimulate demand in the market of outsourcing services.

IT companies and analysts expect that in 2009 the share of the state would increase in the breakdown of costs. According to IDC, in 2008 state bodies spent on IT USD 2.96 bn with the volume of Russian IT market reaching around USD 24.6 bn. Therefore, the State covered 12% of total IT market.

SOFTWARE MARKET

Anti-piracy measures remain one of the key drivers for the growth of the Russian software market. According to the annual research of BSA and IDC, the volume of unlicensed software installed on computers in Russia in 2008 decreased by 5% against 2007. The level of piracy in Russia reached 68%, and in 2004 – 87%. During these years this indicator increased from 38% to 41% in the world in general, and remained the same in the European Union – 35%.

BSA and IDC take into account the total cost of software installed illegally. This does not mean that unauthorized software is actively used for its intended purpose according to its functionality. In many cases students and adolescents install it only to try a certain program. Commercial enterprises often install illegally (and therefore, free of charge) powerful and high-priced software despite being quite happy with the functionality of simple and inexpensive programs. Therefore, the real level of piracy in Russia, according to expert estimations, approximates 50%.

There are reserves for the market growth owing to the anti-piracy campaign. They are predetermined by the current piracy level (quite high according to all estimates) and also by unmet needs. By the level of informatization Russia approaches the developed states, but still the difference is big.

At the same time, analysts do not expect the Russian software market to grow in 2009. According to the IDC forecast, software sales will drop by 30%. In 2007, this market increased by 40% and totaled around USD 3.2 bn. In 2008, the growth was 10.5%. The Mass Media published the estimates, performance results and forecasts of the leading IT companies. The revenue of a major Russian software

developer 1C increased only by 8% in 2008, though in 2007 its sales almost doubled (source: Vedomosti as of May 15, 2009). In the first 4 months of 2009 this indicator decreased by 14% in rubles and by 39% in dollars. However, 1C sales of business software (ERP-systems, automated accounting systems, etc) grew by 20% in this period. In January-April 1C sales of multimedia and game products decreased by 32% due to difficulties with availability of loans faced by retail shops.

ABBYY's sales through retail and reseller channels dropped by 48%. Anti-virus and anti-spam software proved to be crisis-resistant – the growth was 23%.

In 2008, the volume of the Russian software market of data protection, recovery and modeling amounted to USD 21 mln. According to forecasts of the American developer CA, in 2008-2012 this market would grow by 10% annually and by 2012 will attain USD 30 mln (source: CNews as of March 4, 2009).

Additionally, CNews portal reported that the turnover of the company Salesforce.com specializing in CRM applications provision doubled in from April 2008 to April 2009.

The Finnish company Elisa entered the Russian market with the similar offer in April 2009 expecting the increase in demand for CRM applications in Russia.

Managers of the Russian branch of Microsoft as well local partners of this vendors anticipated the economic revival of the Russian software market already in June-July, but this hasn't happened. Several partners evaluated the decline in sales of Microsoft solutions in H1 2009 by 50%. However, the vendor stated that sales reduction was far less – only 10-20%.

According to the data of Sofkey, a major Russia software distributor, the sales of software for corporate clients dropped by 50% against year-on-year. Producers of information security products (primarily anti-viruses) retain the same pre-crisis volume of business. The crisis also has not led to the reduction in virtualization systems sales.

According to Anti-Malware.ru, in 2008, the market volume of anti-viral software in Russia would amount to USD 210 mln, which is 57% more year-on-year. Anti-Malware.ru predicts that in 2009 this market will continue to grow but at a slower rate than in recent years. The growth will unlikely exceed 30%.

According to IDC, the Russian market of information security systems increased by 46.7%.

RUSSIA IN WORLD RATINGS

According to the World Economic Forum, in 2009 Russia ranked 74th by the level of development of Information and Communication Technologies (ICT) in the rating with the record of 134 countries participating. The report of the World Economic Forum was devoted to the theme «Mobility in a Networked World» and focused on interrelations between mobility and ICT.

The Networked Readiness Index (NRI) measures the propensity for countries to exploit ICT by three parameters: the environment for ICT development, the readiness of the community's key stakeholders (individuals, businesses and national governments) to effectively use ICT, and finally the actual usage of ICT.

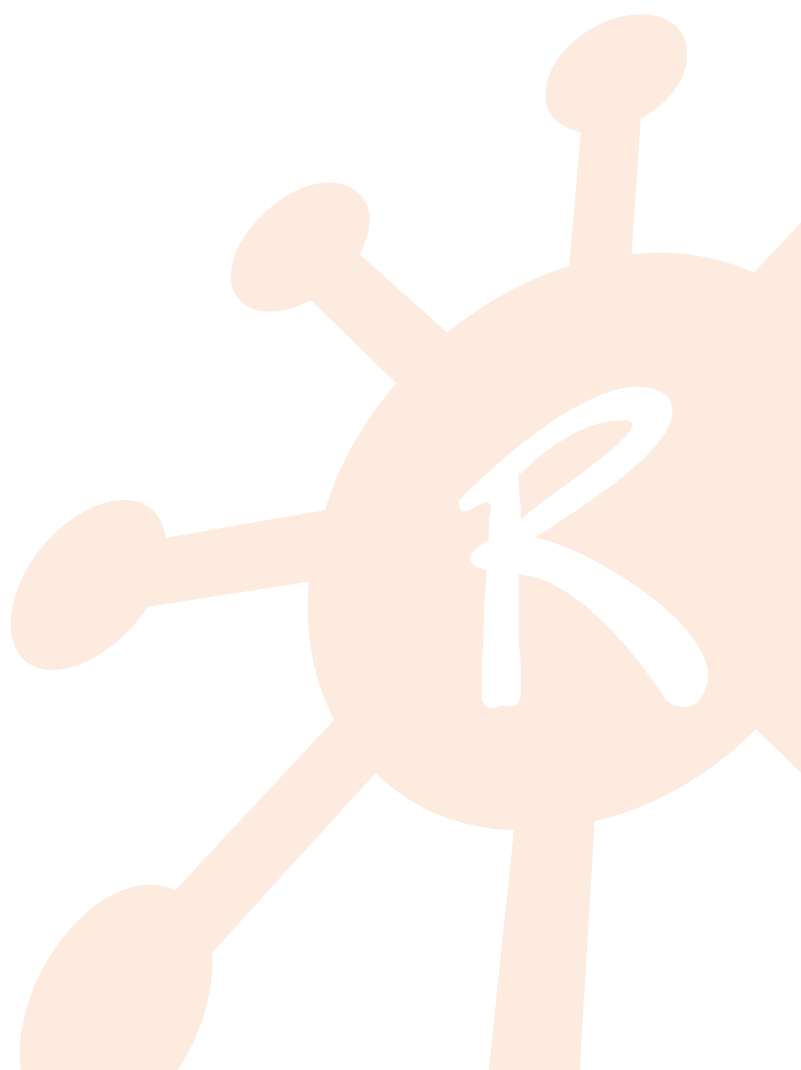
However, we consider the rating of the International Telecommunication Union more reliable. It also evaluated the development of the infocommunication sector including 154 countries.

Russia got the 50th position. The experts of the union estimated Russia's level as high. To determine the level of ICT development a complex system of 11 indicators was applied: it concerns the availability of technologies, their use and IT skills of the population in each individual country.

The 50th place seems more realistic for Russia. Given a rapid growth of the Russian market of mobile communication there are chances to advance in these ratings.

CHAPTER 2.

VOLUME AND STRUCTURE OF RUSSIAN SOFTWARE EXPORT



The total revenue of all Russian companies from sales of software products, software development services, implementation and maintenance of information systems (including revenues of their international development centers) amounts to approximately USD 5.5 bn at the year-end 2008.

In 2008, the volume of software export increased by 21% and made USD 2.65 bn. This was the smallest growth in the whole history of the survey. Since 2003 this indicator never dropped lower than 28%. The Compound Annual Growth Rate (CAGR) of software sales by Russian companies abroad in the period from 2002 till 2007 was 44.3%.

Obviously, the slowdown in the growth rate was caused by the crisis. According to the most optimistic estimates, in 2009 software export will not increase more than by 10%. It is not impossible that there would be no export growth whatsoever.

On the basis of respondents' expectations the poll allows to make a forecast for 2010. The companies hope for the improvement of the market situation and for the average growth by 18%. However, it becomes difficult to make forecasts based on anticipations changing every month.

Before the global crisis forecasts based on evaluations of company executives enabled to make quite accurate predictions that differed from the final result maximum by 10% in either direction. Such deviations are quite acceptable given the complexity of forecasting. Anyway, we could speak of the sustainable growth in the foreseeable future, and this prediction would always come true.

The 2008 results have shown that in the situation of the crisis the prediction method based on company expectations brings incorrect results. Instead of the forecast export volume of USD 3.35 bn and growth by 52% final figures were only USD 2.65 bn and 21%, respectively. The growth of exports by 21% looks quite substantial, but only for the economies with a developed IT industry. To realize its potential in the field Russia should grow by 30-50% at least for several years.

At the moment it is difficult to understand all reasons of a reduced growth rate. Certainly, the impact of the crisis cannot be denied, however in 2008 software export could be affected by other factors, too.

Due to the duration of the current projects the crisis hit the revenues of Russia service companies closer to the year-end. The world market of ready-made solutions and products also started to decline in late 2008. Therefore, the growth rate reduction from the expected 52% to 21% is unlikely to be caused by the crisis alone.

It should be noted, that in 2007-2008 several major service companies ceased to see any prospects in the expansion of their offices and establishment of new development centers in Russia. The Russian labor market faced problems in finding sufficient numbers of specialists to maintain the growth rate at

the same level. If salaries had to be further increased, developers would have become uncompetitive in the global market of software development. That is why such companies as Luxoft and Exigen Services opened their development centers in South-East Asia (in Vietnam and China, respectively).

In future production sites in Asia can become a source for significant growth of certain companies. At the same time, at the initial stage it is planned to increase the staff carefully following the synchronization of works of teams located in different parts of the world in different cultural environments. Nevertheless, Russian companies need to globalize and, therefore, be represented in all important labor markets of the world.

The growth of foreign development centers will require training of a big number of qualified specialists able to participate in international projects. In the coming years changes in the education system, employment of the population, tax legislations and a more substantial state support of the industry in other areas may help to considerably increase the inflow to the Russian market of developers with qualifications and costs that would satisfy export companies.

Russian programmers are still earning at least 2-3 times less than their colleagues in the USA and Western Europe. But Russian export companies have other expense items that make this competitive advantage less significant. Moreover, they compete mainly with companies from the countries where the level of payment, tax burden and lease costs are much lower than in Russia.

Due to the crisis staff costs and costs on office lease in Russia have considerably decreased. This has already positively influenced the growth of software companies, and if these costs remain at such levels, we can expect that the positions of Russian companies in the global market of IT services would also maintain. But if the State raises taxes, then all the benefits obtained owing to the crisis will immediately disappear.

The impact of the staff issue on the reduction of export growth rate is also proved by the discontinued mass transfer of employees from small companies to larger enterprises. The share of dismissed staff in small and larger companies is almost the same. Experts and company executives started to speak of the staff issue as a threat to future growth of the industry already long ago. Nevertheless, during the market growth the number of specialists involved in the software sector was constantly growing (partially owing to employees moving to Russia from the neighbor states). Software export was also booming. All that created an illusion of absolute prosperity for Russian officials. They forecast export volumes for many years ahead proceeding from the current growth rate thus reporting on the actual state of affairs in the supervised industry.

It should be taken into consideration that export growth decreased more than total software exports.

Instead of a 52% rise in export of services in 2007, last year's growth was only 16%. The indicator of the growth of total software exports was higher owing to a faster growth of sales of program products and ready-made solutions. It reached 26% at the year-end 2008. The share of products and ready-made solutions that was increasing in the 2 previous years continued its accelerated growth.

In the context of export growth of product developers and service providers the minimum growth is demonstrated by international centers of research and development. Conventionally, we joined this source of export revenues with the income of Russian universities and research institutes in the field of software development, because in most cases they receive export orders for science and research projects. Sometimes universities sell ready-made solutions abroad, but these mainly include customized R&D works (the survey considers only those activities of universities and research institutes that are directly related with software development).

The estimation of exports of international development centers and export revenues of universities and research institutes is the most complicated to determine the volume of Russian software export. International corporations rarely

disclose the sums they invest in the work of their Russian branches, as well as in case with the majority of Russian universities and research institutes. Furthermore, the programs for which universities get grants are sometimes difficult to classify as research or education per se.

Nevertheless, some data on the number of employees, revenues, growth of investment and its absolute value are still available. These data make it possible to evaluate export revenues of international development centers, universities and research institutes corresponding to an acceptable error that is higher than for sales of product and service companies in external markets.

PRODUCTS AND READY-MADE SOLUTIONS

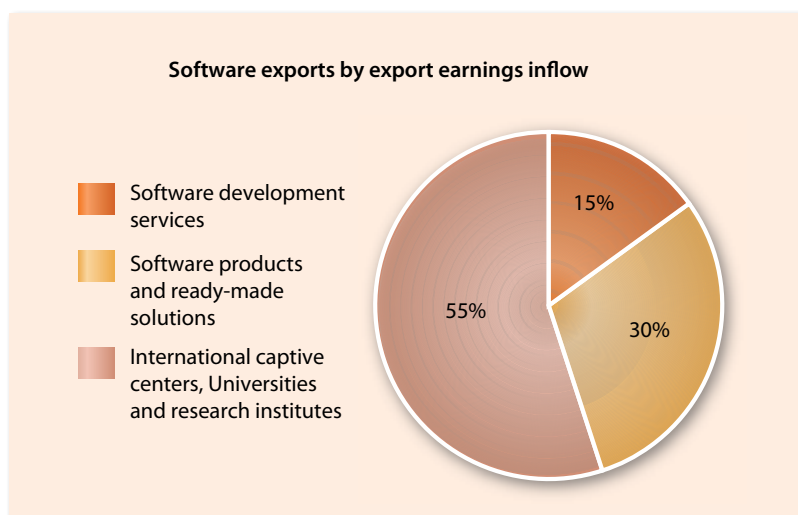
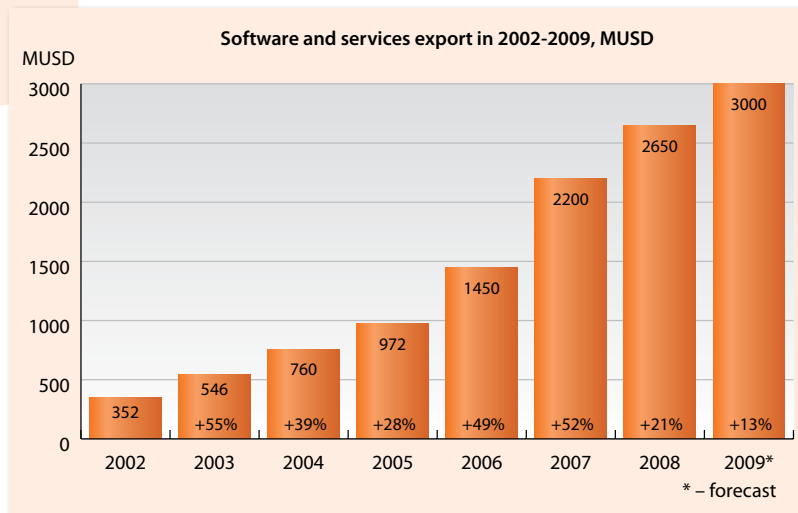
Volume – USD 800 mln. Growth – 26%.

The bigger part of total export of Russian product companies is ensured by several companies including: Kaspersky Lab (antivirus programs), Transas (navigation systems, vessel traffic management systems, marine and aviation simulation systems), CBOSS (end-to-end automation of telecommunications companies based on the development of innovative convergent IT solutions), SWSoft (now Parallels, virtualization and automation programs) and ABBYY (electronic dictionaries, text recognition systems).

A bit less than a third of total export of Russian software products falls on a single company – Kaspersky Lab. In 2008, it earned in external markets no less than USD 260 mln. Its total revenue at the year-end 2008 soared by 80% and reached USD 361 mln. In the global market of information security software Kaspersky Lab ranks 12th, but as reported by the company itself by the revenue of anti-virus software it has won the 4th place in the world.

The revenue of Transas amounted to USD 250 mln. Since there are no data for 2007 the exact growth is unknown. Based on the size of turnover in previous years its growth should be around 25%. The company does not disclose its revenue structure. It is known that in the past years export approximated a half of company turnover. Transas is partially an instrument-making company, but the basis of its surplus value is formed by software products developed by its specialists.

The equipment produced by Transas is installed on 7,000 commercial vessels, which makes 20% of the world's fleet. The company controls up to 40% of



the global market of marine simulation systems, 1/3 of the global market of marine electronic charts, and it has equipped over 400 airplanes and helicopters with its flight navigation systems. The company staff is more than 1,800 people.

The company ABBYY announced only its turnover growth in 2008 that made 11%. The number of its employees increased over the year by 50% – to 900 people mainly owing to the research and development department. The company also stated, that in 2008 it sold 12 mln licensed products all over the world. Last year the company entered 30 new markets where it was not represented before. Generally, in 2008 ABBYY's products and technologies were delivered to customers in 132 countries.

Although ABBYY and other major companies do not officially disclose data on their profit, their revenue can be estimated approximately based on the information available in the Internet about intervals in profit made and the turnover growth.

Apart from these we should also name companies with leading positions in their segments either in the global market or in the markets of certain economically developed countries, but most likely their turnover is significantly lower than that of the above major Russian exporters of software products. These include PROMT (automated translation systems), Speech Technology Center (speech recognition and speech synthesis systems) and Agnitum (computer protection software against viruses and other malicious software).

Speech Technology Center became famous for its Dictaphone (the size of a clip) that was included in the Guinness World Records Book. The company is mainly involved in software development and design, and assembles its devices in South-East Asia and Russia.

In certain segments of the global market Speech Technology Center ranks among three top-leaders and is the world leader in the segment of the connected Russian speech recognition. Products of the company Agnitum are regularly included in the number of the best anti-virus products in the world according to testing results of independent laboratories and specialized editions. For example, during the testing of solutions on the basis of a Windows platform that was done since August 2008 by the British magazine Virus Bulletin and that involved 45 products of different producers, only 5 of them including Outpost Security Suite Pro by Agnitum passed all tests and got 5 prizes in a row. Agnitum is a Kaspersky Labs competitor, but its turnover is at least by an order less (as well as the turnover of another producer of anti-virus programs – DrWeb of Igor Danilov's Laboratory).

PROMT is a world leader in the field of automated translation. Automated translation systems produced by PROMT were awarded prizes in many European countries. In Europe these systems have significant market shares of tens of percents. In summer 2008, its controlling stock was bought by a powerful Russian

commercial structure Renova Capital able to support the geographic expansion of its operations. For instance, PROMT's representative office was opened in the USA last autumn.

Other major exporters are 1C (accounting systems, business management systems, games), ASCON (CAD/CAM/CAPP/PDM systems), DocsVision (document management systems), Bercut (solutions for mobile operators) and Paragon Software (software to work with data on optical media and hard disks, localization systems and handwriting recognition systems, multilingual dictionaries, office and game applications for smartphones and communicators).

1C, ASCON and DocsVision are also still earning the larger part of export revenues in the territory of the former USSR, but are making attempts to enter new markets. 1C is the leader in Russian markets of accounting systems and ERP systems. Its turnover is evaluated at USD 400 mln. In 2008, ASCON made USD 30 mln, which is 10% more against year-on-year. DocsVision grew 1.5-2 times annually and its revenue is still measured in millions. Based on projects implemented Bercut earns its biggest revenue from the delivery of solutions to mobile operators in the CIS. Its turnover is USD 25 mln.

Paragon Software has a broader geography of operations (its offices function in Europe, USA and Japan). However, it is still impossible to provide even an approximate estimation of its turnover.

Most likely, the list of the leading and influential exporters can be expanded with many fast-growing companies making a big part of revenue from exports are trying to hide or not to remind of their Russian origin. Only when they start to actively sell their solutions in Russia or their staff is estimated at hundreds of developers they become noticed in their country.

Already now it can be said for sure that in the near future there would emerge in Russia big new producers of software products and ready-made solutions, because in recent years there has appeared quite a few promising start-ups in this area. Not all of them will survive and turn into major companies, but some would probably reach the level of turnover measured at least in millions of dollars. Partially, these start-ups were launched by managers who previously worked in outsourcing companies or international development centers.

At the moment the situation is quite favorable to enter the global market for small and newly formed developer teams. The Internet has considerably shortened the way to a foreign customer. A producer may offer its solution as a try&buy version at a popular hosting (for instance, download.com), and the product may be downloaded by thousands of potential clients.

One of the very promising niches is software development for mobile devices (telephones, smartphones and communicators). The software market for mobile communications is being growing

despite the crisis and start-ups have more chances to win popularity there than on the market of desktop applications where the leaders were determined long ago.

It is quite possible that the total export of product companies exceeds the above USD 800 mln. The growth may also be a little higher than 26% owing to the creation of new companies and developer teams making sales through the Internet. Exports volume of many small companies may be underestimated due to a small sample and rarely disclosed profits.

Moreover, there are products that are difficult to categorize. For example, ordinary pictures for mobile phones can hardly be considered software products because their development is primitive in a developer's opinion. However, such solutions are sold in numerous copies earning quite a big income. The turnover for such simple products sold by Russian companies and individuals abroad has not been calculated yet. Probably, in future it will be reasonable to turn to research companies to make relevant estimates.

Unless new sources of information about product exports are found, it can be stated that at the year-end 2008 it amounted to no less than USD 800 mln.

In 2009, despite encouraging news for individual companies the growth of this indicator will probably be far less than 26%. For the majority of export companies that disclosed information on the turnover growth the revenue increased by approximately 10% in 2008. Only owing to Kaspersky Lab and 2-3 more major developers total export growth for all companies reached about 30%.

Probably, Kaspersky Lab will remain among leaders by its growth rate because the anti-virus market was the least affected by the crisis. Nevertheless, company executives expect a major decline in the growth rate.

SWSOft (Parallels) is likely to have good indicators because the global software market of virtualization developed by this company continues to rise. According to Gartner, it will increase 1.5 times in 2009.

The visit of the Russian president to the countries of Africa and Latin America may also positively influence export revenues. During this international tour the head of the state was accompanied by several software companies looking for new markets, although it will be quite difficult for them to succeed in these quite complicated markets.

In 2009, ASCON planned to start to actively promote its solutions far abroad. But due to the shrinkage of the Russian IT market its sales in Russia also dropped which led to the reduction of its marketing budget. The company will still start entering new markets but less actively than was intended before the crisis. Apparently, the plans of some other Russian developers were revised in a similar way.

Many product companies expect a minimum growth and do not exclude the decline in sales. There are grounds for the assumption that the Russian

export of products and ready-made solutions is unlikely to surpass 10-15%.

Despite 2008 was marked for a significant export growth of product companies, their total sales abroad are comparable with the sales of 2-3 major Western software companies in the Russian market. The largest and the most successful Russian developers of replication software are very far from the top positions of the world rating. Their turnover makes only several percent of the annual revenue of world leaders. Therefore, it is incorrect to evaluate their status and prospects only on the basis of a high growth rate.

INTERNATIONAL SOFTWARE DEVELOPMENT CENTERS, UNIVERSITIES AND RESEARCH INSTITUTES

Volume – USD 400 mln. Growth – 4%.

In 2008, the number of international centers for research and development in Russia has not changed. It was not expected that new centers were set up, because the majority of computer and telecommunications corporations are already represented in Russian by their branches involved in software development and research.

None of the major companies reported a significant increase of its staff of programmers and researchers. There is no information on big reductions of staff (apart from dismissals in Motorola's development center) either. In some Russian branches of international companies the number of employees has slightly decreased. However, this mainly happened at the year-end 2008 and dismissals concerned not more than 10%.

At the same time the cooperation with universities and research institutes was expanded. According to data available, in 2009 the share of this consolidate source of export revenues will drop. Although certain corporation are still extending cooperation with universities, average headcount of staff in international development centers will be less in 2009 against 2008. Probably, the financing of these centers will be affected by the reduction of average salaries in the software industry.

EXPORT OF SERVICES

Volume – USD 1,450 mln. Growth – 12%.

There was enough information available to estimate the volume of export services since the poll ordered by RUSSOFT Association mainly involved service companies. Only 5 companies out of 114 exporters made total revenues from sales of software products.

18% of respondents disclosed information on turnover at the year-end 2008. At the same time all companies indicated time periods for revenues

earned. There is information on revenue growth, export share and the number of staff for the majority of respondents. It turned out that the larger the company, the more often it discloses information on its total revenue. For the major companies export volume was in fact calculated as the sum of export revenues by each company, that actually do determine market trends.

The data obtained during the poll allow to estimate the export of services with quite exact precision. A 10-15% error in such calculations is quite acceptable and does not play a major role.

According to statistical data published on the website of the Central Bank of Russia, at the year-end 2008 exports of computer services in the breakdown of the expanded classification of services (according to the balance of payment methodology) amounted to USD 1,549 mln with 93% falling on far abroad countries. The revenue from the sales of services abroad increased by 65% against 2007. It may be assumed that the major share of exports of computer services is constituted by software development.

Therefore, official statistics quite adequately correlates with our estimations. According to the Central Bank estimates, the export growth of IT services was 21% and not 65%, but such divergence is explained by the fact that in 2007-2008 many development companies took the advantage of social tax benefits and stopped hiding their revenues.

Quarterly data on computer services export confirm the version that a small decline in export revenues of outsourcing companies began only in Q4 2008 (compared to Q3 revenues decreased by 2.5%).

The sharpest decline was registered in the first 4-5 months of 2009, but already in early summer many service companies improved their situation and started to sign new contracts. Since there was no considerable reduction in export volume at the beginning of the year and an increase is expected in H2, it can be assumed that the growth of export revenues of Russian outsourcing companies would approximate 10% provided new economic turmoil does not affect the global IT market.

Companies with the export share in total revenue over 51% are more optimistic about the revenue growth in 2009 than companies mainly oriented at the Russian market. The major companies expect that they will grow slower than businesses with the turnover less than 20 MUSD. At the same time, companies with the turnover less than 0.5 MUSD envisage minimum growth. During previous surveys these companies hoped to be the fastest-growing, but their actual growth was always the smallest. According to 2008 results, companies with the turnover more than 4 MUSD again increased more than companies with smaller revenues. According to the 2009 poll, the highest growth is expected for companies with the turnover from 4 MUSD to 20 MUSD.

THE GLOBAL SOFTWARE MARKET AND WAYS TO INCREASE SALES FOR RUSSIAN PRODUCERS

The situation in the global software market is not that bad as in the Russian market. If in Russia analysts forecast the decline by no less than 20-30% at the year-end 2009, global software sales should sustain at the 2008 level. According to Gartner, the growth will be 0.3%, whereas Forrester Research version is – 0%. Given the acceptable error these forecasts are absolutely identical.

If costs on IT and the whole IT market should decrease by 3.8% (Gartner) and 3% (Forrester Research), respectively, software companies should be quite happy with the current situation in the global market.

According to different estimations, in 2008 costs on software acquisition all over the world amounted from USD 222.6 bn (Gartner) to USD 388 bn (Forrester Research). The share of Russian software companies can be approximately estimated, too. It makes 1.5-2.5% (in this case we can take into account both exports and sales in the domestic market). This share quite realistically reflects the role of Russia's resource economics in the world, but does not fully correspond to the potential of Russian software companies.

The existing level of programmers' skills allows to anticipate bigger sales.

The situation in the global market in 2009 is largely affected by the crisis, which gives opportunities to make a change.

A significant reduction of the Russian software market is probably only temporary, but it makes our companies developing software products and replication solutions to more seriously study external markets.

Previously many of these companies grew so rapidly owing to sales in Russia that there was no urgent need to aim at international markets. Certain markets of developing countries were altogether ignored and the interest was shown only in Europe and the USA. The crisis encourages these companies to look for new opportunities to boost their sales all over the world; despite they do not always possess enough resources for marketing campaigns and promotion of their products abroad.

Now the state support for international marketing activities of Russian product companies is especially important. Such support is being given, but only insufficient and at intervals.

The situation in the global market of IT services is quite ambiguous. Judging by the reduction of staff in a number of companies, there was a decline in demand in the IT services market in H1 2009. But then based on information about new contracts with major providers the demand has recovered approximately at the level of last year already by June.

According to the Gartner poll, over 70% company executives in Western Europe responsible for IT services indicated budget restraints and costs reduction as the main priority for 2009, which is 17.5% more against 2008. Many of these executives rely on outsourcing as a real way of business optimization. Moreover, a big proportion of respondents (36%) are only learning to use outsourcing.

Simultaneously, the crisis forces clients to require discounts, which may lead to price wars. Gartner expects that by 2010 the cost of IT outsourcing services would drop by 5-20%.

Apparently, Russian companies have higher costs on developer salaries than their competitors in South-East Asia (mainly China and India). But they have certain advantages – higher qualifications of staff, geographical and cultural proximity to key markets (Europe and USA), which results into lower total costs of projects.

Additionally, the fall in the ruble led to the decrease in salaries expressed in dollars while major Russia's competitors have not faced the devaluation of national currencies. In the course of price wars the changes taking place in the money market are still in favor of Russia developers. The reduction of lease costs on premises also improves the competitiveness of Russian software companies. Another plus is the increase in the number of programmers on the labor market due to the reduction of IT services by Russian enterprises.

The attractiveness of internal markets of IT services is growing for Chinese and Indian companies, since unlike the Russian market these markets are continuously growing (or there are big hopes for their growth).

China. According to preliminary data, last year Indian export of IT services grew only by 15-20%. Some Indian companies are confident that the growth rate of previous years would never be achieved.

«Notorious» cancellation of services is also not in favor of India. For example, at the end of the last year the World Bank broke a contract with the Indian company Satyam Computer Services referring to its inefficiency. Moreover, major Indian companies have to increase the number of US citizens in their offices due to the decreased quota for foreign manpower. Consequently, the cost of services provided by Indian companies in the US is likely to slightly grow.

In any case, Russia will be unable to compete with India by the volume of IT services export due to a significant difference in the number of population and specialization on software development in the niche of high-tech services. If, according to NASSCOM, there are 2 mln people in India involved in IT services export, in Russia only 50 thousand people work in software development for export. Fortunately, the major part of employees in Indian outsourcing export companies operate in areas of no interest for Russian companies (IT infrastructure provision and maintenance, BPO).

In future it will be possible to make comparisons with India by the total export of software including products and ready-made solutions. With a sufficient state support Russian companies can export to external markets to the total sum of USD 10-20 bn in the coming 5-10 years.

Only China can claim to the leadership of India by its volume of IT services. The Chinese software industry is rapidly growing owing to a strong state support.

The Ministry of Industry and Information Technology of China stated that the export volume of Chinese software companies increased by 54% in the first 5 months in 2009. Owing to a well-established system of mass education of IT specialists China may overtake India by the volume of services provided in the near future.

Yet, Russian companies do not feel a strong pressure of Chinese developers for being involved in usually more complex projects that require experience and expertise of executors. China still lacks this experience, but with time this drawback can be eliminated.

Major revenues from IT services export is earned by Philippines, Brazil and Mexico, but at the moment Russian

developers rarely intersect with these software companies in the global outsourcing market. More often Russian companies compete with companies from Eastern Europe because their advantages and disadvantages are similar in many respects. After the entry of a number of Eastern European countries

Russia's Indicator in the context of changes on the Global market

	Growth in 2007	Growth forecast for 2008	Growth in 2008	Growth (downfall) forecast for 2009	Source
Consolidated IT budget of global companies and organizations	2,7%	3,0%		-3,8%	Gartner and other sources
Global IT market	6%	5%	8%-8,2%	-3%	IDC, Gartner, Forrester Research
Russian IT market	18% (24,5%)	29%	10,5%	-22,1%	PMR и IDC
Russian software market	40%	53,7%	26%	-30,8%	IDC
Global software market	11%	8%	10,3%	0,3%, 0%	Gartner, Forrester Research
Russian software export volume	52%	52%	21%	13%	RUSOFT

The world market is being still dominated by India. According to NASSCOM, in 2007 its revenues from IT services exports topped USD 40.8 bn. India will retain its leadership in this market in the coming years, but its share is steadily decreasing. This is caused, among other things, by a faster export growth of Russia and

in the Schengen area programmer salaries in these countries increased and the freedom of movement resulted in the migration of big groups of developers from Eastern Europe to Western countries with higher living standards.

The table presenting general information about key IT services providers gives a general idea of Russia's positions in the market. Practically all data were provided either by national association or state bodies. Probably, evaluation designs are essentially

different as well as their ultimate objectives. Mexico and Philippines need to be singled out from the above countries since they are mainly involved in service provision in the area of BPO and are significantly lagging behind BRIC by the volume of services in software development.

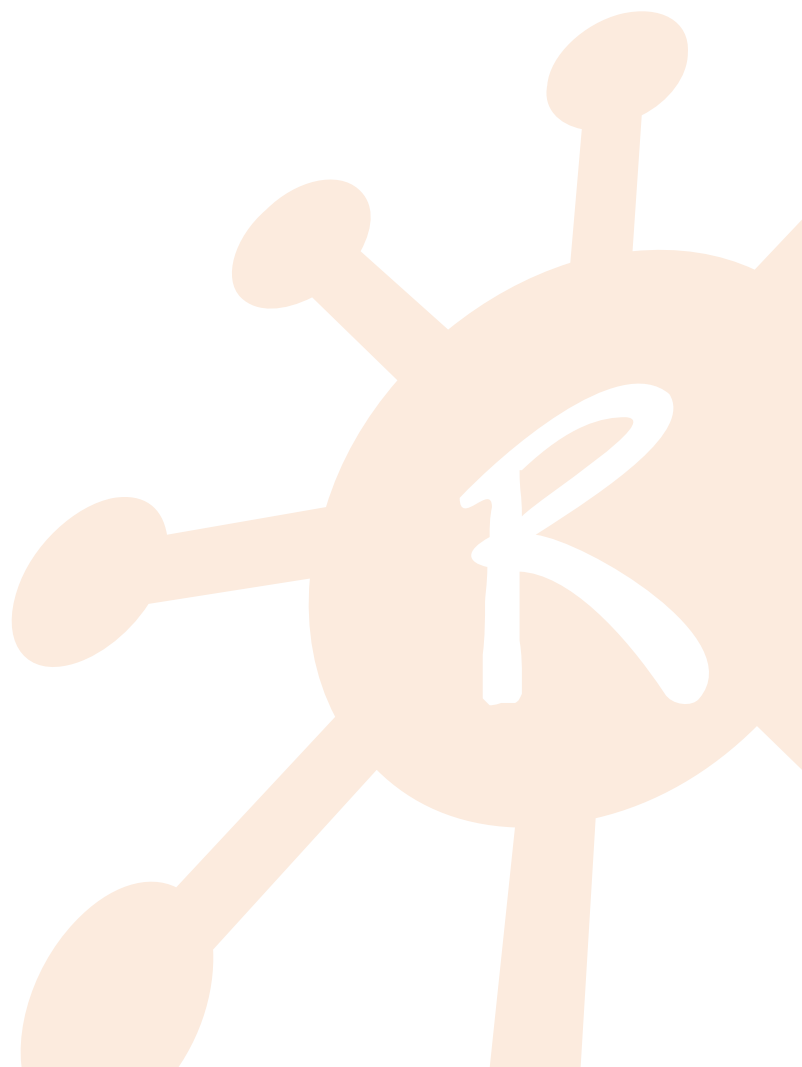
The data were presented at the Gartner summit held in autumn 2008 in China, therefore the results for 2008 were not summarized yet, and the information on Russia was added later.

Major IT-services providers on the Global market

Country	IT-Services export in 2007,BUSD	IT-Services export in 2008,BUSD	Number of people engaged in IT-Services export in 2007, person	Number of people engaged in IT-Services export in 2008, person*	Number of IT University graduates, person
India	40,8		2M		
China	1,9 (including BPO)		300K	450K	400K*
Russia	1,3	1,5	43K	50K	70K
Brazil	1	1,3*			
Mexico	2,2	2,86*	91K	114K	
Philippines	4,875	6,8*	299K	400K*	

CHAPTER 3.

MAJOR TRENDS IN THE RUSSIAN SOFTWARE DEVELOPMENT INDUSTRY



The consequences of the global financial crisis have overshadowed almost all trends that were previously characteristic of the Russian software industry. It can be said that during the survey respondents named the crisis the major cause of all changes taking place in the sector. All other observed factors have become less significant.

Indeed, the majority of companies cannot single out any other important trends in the situation of uncertainty (when the forecast of analysts change every month). During the crisis it is much more difficult to answer the question about what is going on in the market and describe its general trends.

In this connection, comparisons with the results of the last year's poll are not always justified. However, comparisons of 2009 answers related to every trend can give food for thought. For instance, it should be noted that respondents still view sales in the home market more promising than export operations (44% against 19%). And this is despite the fact that the IT market in Russia reduced due to the crisis to a greater extent than in the USA

and Western Europe, and Russian exporters are primarily oriented at Western countries.

In previous years priority levels of sales in the home market and export operations were comparable. These two trends were named as key by around 60-70% of respondents. But in 2 recent years the difference in favor of the home market has been growing. Last year it was referred to by 71% of respondents, while export growth was mentioned by 56%. Therefore, the crisis has accelerated the increase in significance of the Russian market for exporters. Its enormous potential is recognized by almost half of respondents in spite of its temporarily big reduction.

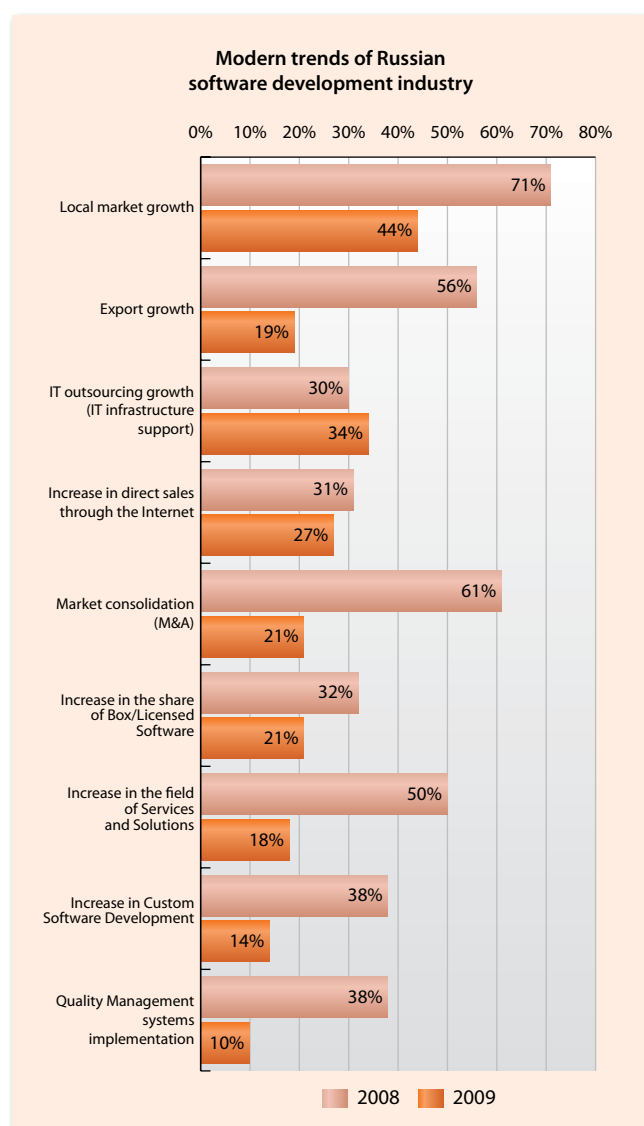
Even export-oriented companies name the internal market growth as an important trend more often than the export growth. But for this category the difference is less big than for exporters mainly oriented at the home market. 39% of companies with the export share of 51% of their revenue consider the home market growth the major trend. Export growth was mentioned by 36% of companies mainly focused on foreign markets.

The number of records for such trend as "Growth in the Field of IT Outsourcing" increased year-on-year (from 30% to 34%). Gartner experts expect that as a result of the crisis the world market of IT outsourcing would grow, though after a certain short-term decline.

In Russia this market is in its early stage of development, therefore its potential is especially big. Anyway, the majority of respondents (about 80% of those who chose this trend) do not correlate it with the growth of sales in the internal market.

Outsourcing growth was more often named by companies with 51% of revenue falling at export.

Consolidation in the industry as trend has become less evident (21% against 61% last year). The reason is that this process has slightly slowed down. Moreover,



former methods to expand resources at the expense of smaller companies are practically no longer used.

Major companies are still growing faster, however, not through enticement of employees from small software firms. Based on the fact that the indicator of staff turnover stopped to vary in companies with different turnover, mass transfer of employees to larger companies observed last year has stopped. Since last spring there were no major mergers or acquisitions (during 2-3 recent years mergers in Russia were one of the main reasons for consolidation in the industry). The only significant deal was the acquisition by the major integrator Technoserv of a leading provider of software development services in Russia – company Reksoft. Nevertheless, even this deal is likely to reflect a different trend, i.e. acquisition by large integrators of major professional software developers to strengthen their positions in the integration market.

This leads to the conclusion, that the major companies have become less interested in the Russian labor market. They have headed for other countries opening development centers in Belarus, Ukraine and far-abroad countries (e.g. in China and Vietnam). This trend is not directly related with small companies.

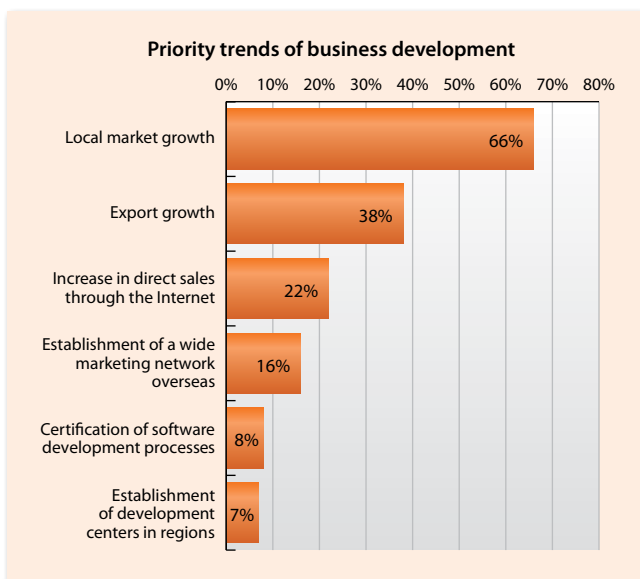
Consequently, the number of records for consolidation has significantly dropped among all companies. For major companies with the turnover from 4 MSUD to 20 MUSD this indicator is higher than average (54% and 71%, respectively) and maintained at the level of last year. To compare: only 5% of companies with the turnover less than 0.5 MUSD referred to consolidation as the key trend characteristic of the industry.

It should be marked, that apart from "Growth in the Field of IT Outsourcing" most important trends also include "Increase in Direct Sales through the Internet", whereas a year ago it was placed in the lower part of the rating. Now «Quality Management Systems Implementation» moved to the rating's bottom. «Custom Software Development» also dropped but only due to answers from representatives of small companies. Around a half of major companies named this trend (54% of companies with the turnover from 4 MUSD to 20 MUSD and 43% with the turnover over 20 MUSD).

Priority areas of development were determined by the companies according to the current trends (as seen by respondents).

Based on the results of the poll it can be concluded that none of the companies with the turnover more than 20 MUSD indicated among its key goals «Certification of Software Development Processes» (such companies already have all required certificates), «Increase in Direct Sales through the Internet» and «Establishment of Development Centers in Regions». These companies are aimed at «More Active Operations in the Home Market» (86%), «Export Operations» (71%) and «Establishment of a Wide Marketing Network Abroad» (57%).

It is noteworthy, that despite export-oriented companies (with 51% exports share in total revenue) think that the prospects for growth of the domestic market have somewhat improved, they still mainly focus on the "Export Operations" rather than "Increase of Sales in the Domestic Market" (66% against 41%).

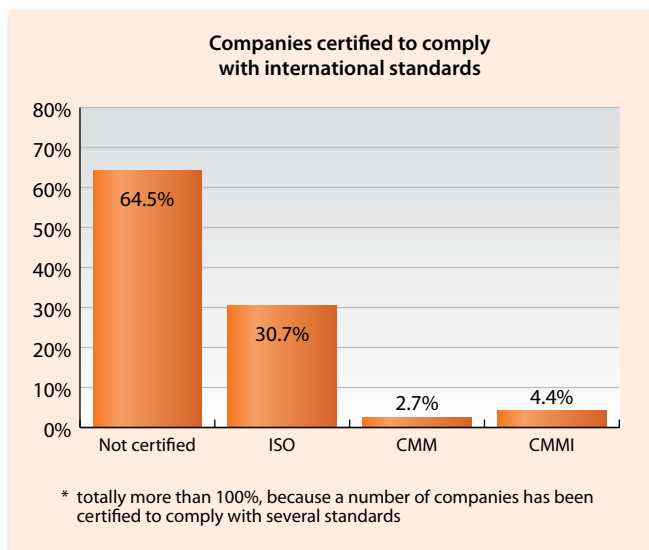


QUALITY MANAGEMENT SYSTEMS CERTIFICATION

The share of companies granted a compliance certificate with an international standard (CMM, CMMI or ISO) has increased from 26.5% to 35.5% over the last year. As shown by the results of the poll, this happened owing to compliance certification with ISO 9000. The proportion of companies holding CMM/CMMI certificates has even slightly reduced, but probably because of the increase in the number of respondents (mainly small and medium).

The majority of large companies are already certified (78% with the turnover more than 20 MUSD and 65% with the turnover from 4 MUSD to 20 MUSD). Those without a certificate yet are planning to obtain it in the coming 2 years (all major companies and 67% of companies with the turnover from 4 MUSD to 20 MUSD).

More than 30% of smaller companies also plan to undertake certification, but in most cases heads of small enterprises do not think highly of their capabilities given a high cost and complexity of the certification procedure.



Obviously, the number of companies certified with an international standard is higher among companies with the share of exports over 51%. In this group the number of those eager to pass certification (in case any of the certificates is missing) is also bigger. For these companies, as well as the major market players, compliance of their quality management system with international standards is more important than for companies operating mainly in the Russian market.

There are grounds to believe that the proportion of companies certified with CMMI will grow in the near future. In 2009, the developer of the CMMI standard the Carnegie Mellon Software Engineering Institute (SEI) authorized a consultant and partner of the Russian company Inspirex Consulting as a CMMI Lead Appraiser. Earlier Russia did not have such a qualified appraiser. The availability of an authorized

specialist may allow Russian, Belarusian and Ukrainian companies to significantly reduce costs of the expensive certification procedure for compliance with CMMI.

The only thing that can interfere with this process is the economic crisis that can reduce budgets even greater.

EFFECT OF THE CRISIS ON THE INDUSTRY

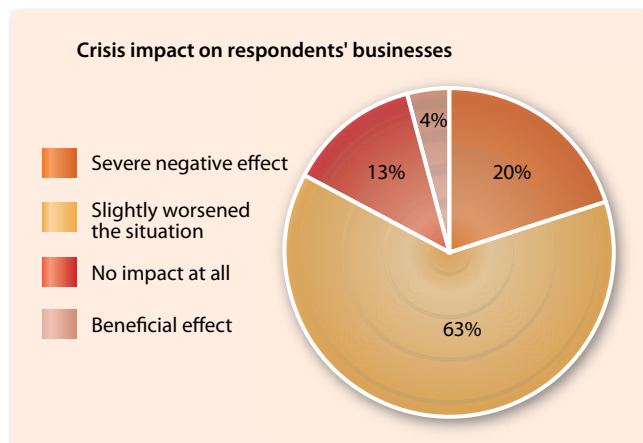
The crisis has negatively influenced the vast majority of exporters participating in the poll. Only 13% have not felt its effects and 4% of respondent have turned to advantage the problems of the world economy.

Companies that derived certain benefits as a result of the crisis have the turnover less than 20 MUSD and in most cases are export-oriented. But there a few of them, therefore, no categorical conclusions should be made about companies for whom the crisis may be profitable.

It may be said with certainty that the crisis has mainly affected companies oriented at the domestic market. Its distinctly negative influence was felt by 27% with the share of export below 50%. This figure

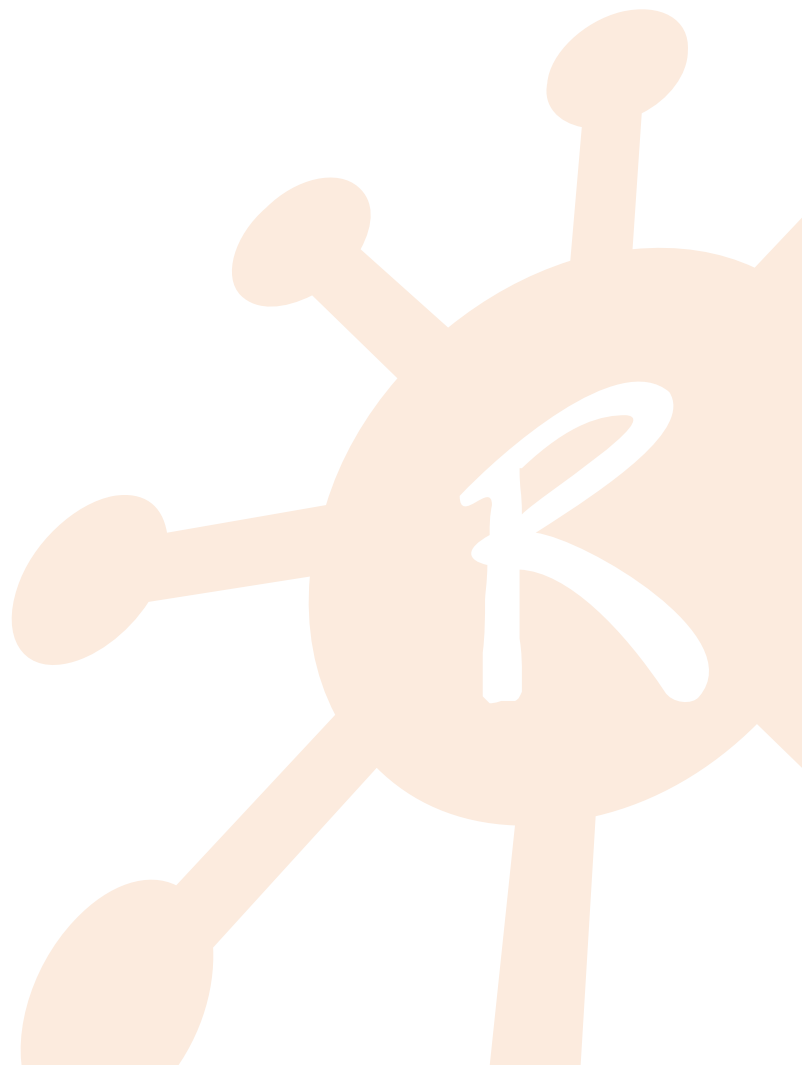
is only 7% among those who earn the bigger part of revenue in international markets.

The results of the major companies greatly differ from other respondents' indicators. Absolutely all companies with the turnover more than 20 MUSD are challenged with the negative effects of the crisis. However, for 86% this influence is insignificant. Due to their size these companies cannot stay in those few 'quiet harbors' unaffected by crisis. At the same time owing to diversification of their stock of orders they tend to be more stable to resist the turmoil of the global economy, than enterprises with a smaller turnover.



CHAPTER 4.

OVERVIEW OF BUSINESS ENVIRONMENT FOR SOFTWARE DEVELOPMENT IN RUSSIA



Based on the results of the poll, the business environment for software developers has generally slightly improved in the past year. This statement somewhat differs from the data of the same poll related to the evaluation of the state policy in the field of support for the IT industry in 2 recent years (according to these data, evaluations of the state policy have worsened).

At the same time, respondents give higher evaluations of the state of infrastructure, supply of staff, resolution of problems with taxation and bureaucratic barriers.

HUMAN RESOURCES AND THE EDUCATION SYSTEM

The supply of labor has slightly improved mainly owing to the inflow to the market of quite big numbers of specialists with high or good qualifications that were left jobless after massive dismissals in IT departments of many Russian companies. Consequently, this was a partial compensation for the insufficient supply of staff.

Apart from this, due to the decrease in demand in the global market the growth of demand of service and product companies for human resources has reduced a bit. Only around a third of 15 major software development exporters stated their plans to expand their staff in 2009. As a rule, the projected increase in the level of staff does not exceed 10-15%. In previous years practically all of these companies planned to actively recruit new employees (30%-50%) and many of them even managed to do so.

At the same time, given a possible growth in demand for the services of Russian developers owing to a certain economic stabilization in the world, the situation in the labor market again will start to aggravate. Therefore, it may be said, that certain improvements are likely to be short-term, if only the crisis in the IT market does not last too long.

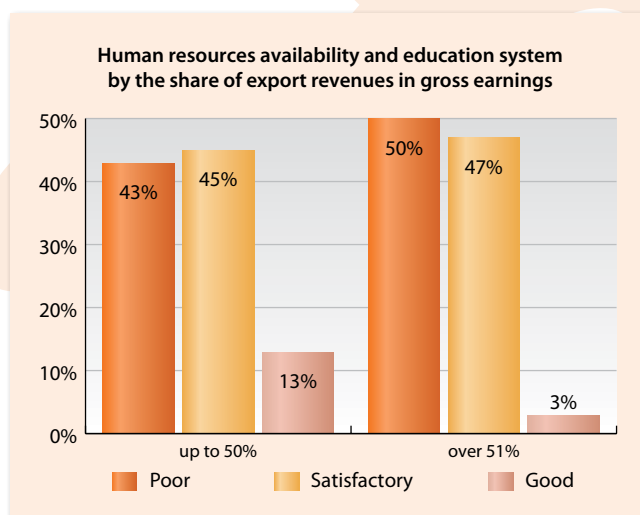
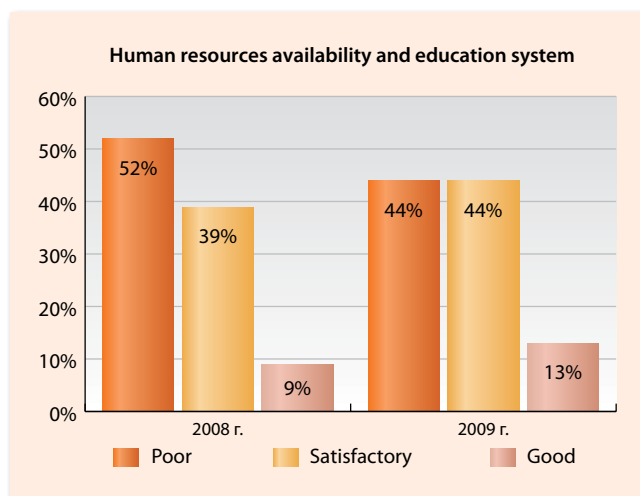
Moreover, despite this improvement around half of the companies evaluate the supply of staff as «unsatisfactory» (44% gave a mark «poor», in 2007 this figure was much less – 40%). It can be concluded that nothing has essentially changed in the labor market except for a temporary increase in demand. As a year ago, the lowest level of dissatisfaction with the staff issue was registered in Moscow (33%). Outside the capital this indicator grows: in St. Petersburg – 39%, in all other cities – 50%. Moreover, respondents representing Moscow most frequently evaluated the supply of staff as «good» (21% against 13% for all other companies).

In recent years major Russian companies established in the regions their development centers and increased their staff. Having more financial opportunities than other companies, they successfully attracted staff from local companies, and respondents representing numerous small local firms turned out to be less satisfied with the situation in the labor market.

It should be noted, that companies oriented mainly at export are more dissatisfied with the market

situation than companies earning the bigger part of revenue in the domestic market (the difference between them is rather big, however around half of respondents in both groups are not satisfied with the overall situation).

Working for international markets sets higher requirements for specialists at least due to the fact that participation in projects of foreign partners presupposes, as a rule, knowledge of a foreign language (English). Apparently, general dissatisfaction with the quality of staff reflects the shortage of specialists proficient in English and other foreign languages. This is proved by answers concerning the number of such specialists working for our respondents (for more details on this issue and the situation in the labor market see Chapter 6).



TAXATION SYSTEM

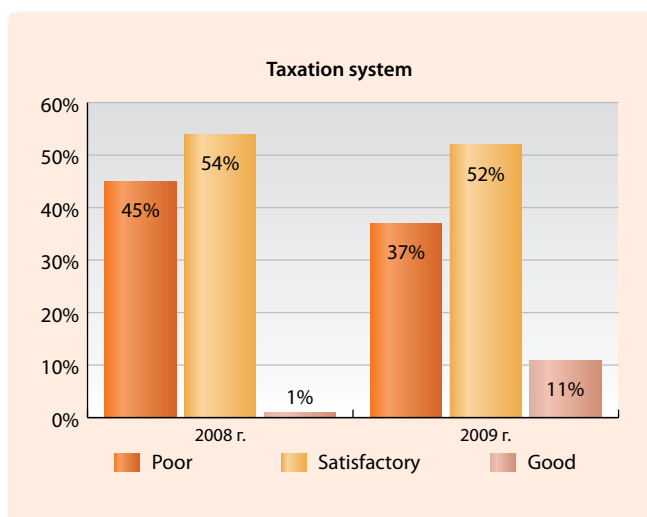
The share of companies unsatisfied with the taxation system dropped from 45% to 37%. Moreover, it was evaluated as «good» by 11%. Such a big number of respondents happy with the taxation systems has never been registered in our survey over the past 5 years (in 2006 it was 4%, and in 2 recent years – 1%).

Furthermore, the major companies comprising the bigger proportion of the total revenue and exports became more critical of the taxation system than a year ago. Last year they rated it higher than smaller companies, but this year it became the opposite.

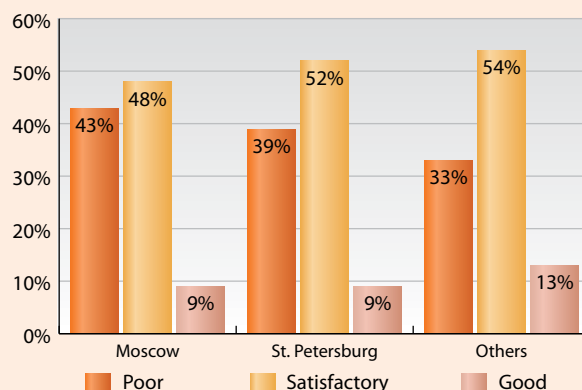
Evaluations improved mainly owing to companies with the turnover less than 0.5 MUSD. Obviously, the stability and even expansion of the simplified taxation regime for small companies against the background of the statements made by the Government about the inevitability of the growth of tax burden on salaries and unsuccessful struggle of medium and major software developers for more UST privileges motivates small business to evaluate its status and future higher than other companies.

Companies located outside St. Petersburg and Moscow evaluate the taxation system slightly better. There is no direct dependence on the share of exports.

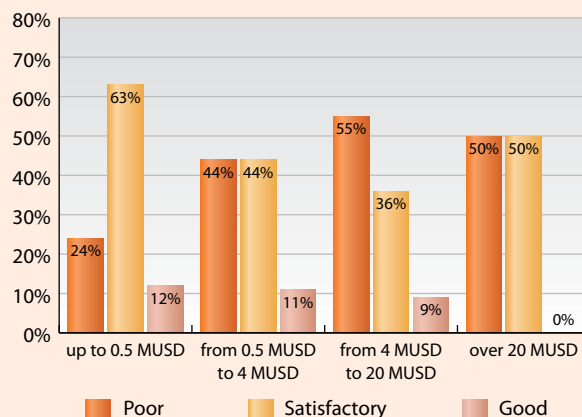
Due to the crisis and state budget reduction, the Government considers the option of a tax reform that would involve the replacement of the Unified Social Tax (UST) with social payments, the change of the scale and the increase in payments. These modifications may significantly increase the tax burden for software companies for which salaries are the main item of expenditure (social payments are imposed on the wages fund). According to expert estimates, additional payment will lead to the increase of the cost of software production by 8-15%, which would greatly weaken Russia's positions in the competition in the global market of software development.



Taxation system by companies' location



Taxation system by companies' turnover



In June 2009, the Ministry of Economic Development and Trade with the participation of the Ministry of Information and Communications prepared and submitted for consideration of the Government a package of anti-recessionary measures to support innovative business, especially Russian software developers. This package stipulates the introduction of a unified preferential scale of social payments for all Russian software developers irrespective of whether they work for export or domestic market. The adoption of these measures would significantly expand the existing privileges for software developers at the moment applicable only to residents of special economic zones and software exporters.

BUREAUCRATIC AND ADMINISTRATIVE BARRIERS

Bureaucratic and administrative barriers remain one of the main problems in the industry, the resolution of which has seen no major progress. Nevertheless, compared to the last year the share of «bad» evaluations concerning the way this issue is

solved reduced from 63% to 48%. Partially, this was caused by the expansion of the audience involved in the poll by the smallest companies that rarely face bureaucratic and administrative barriers in view of their size.

Unsatisfactory marks dropped even for larger companies. For example, in the group of companies most affected by the bureaucracy (turnover from 0.5 MUSD to 4 MUSD) the share of «poor» evaluations decreased from 82% in 2008 to 59% in 2009.

Last year 80% of companies with the turnover more than 10 MUSD evaluated the actions of bureaucracy as «satisfactory», and 10% – as «good». This year for the major companies these indicators are 43% and 0%, respectively. Such an increase in the number of critically thinking companies may be partially explained by the changes in the scope of this category (this year the major companies include businesses with the turnover exceeding 20 MUSD, and not 10 MUSD as last year) as well as by a big size of this group.

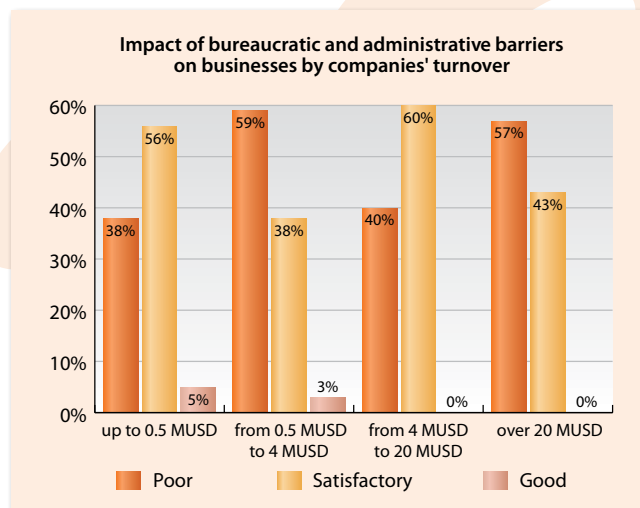
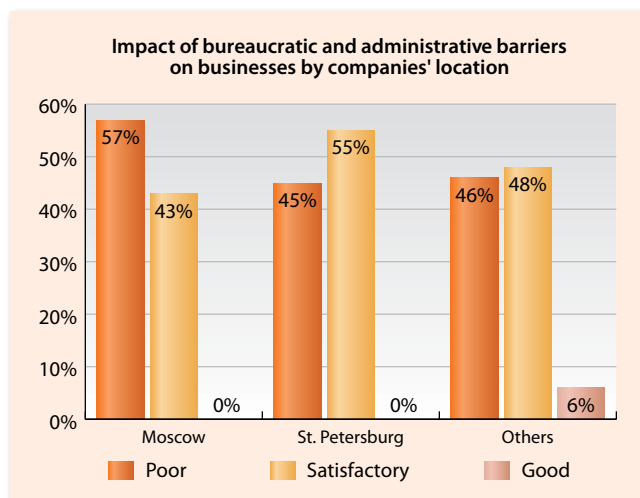
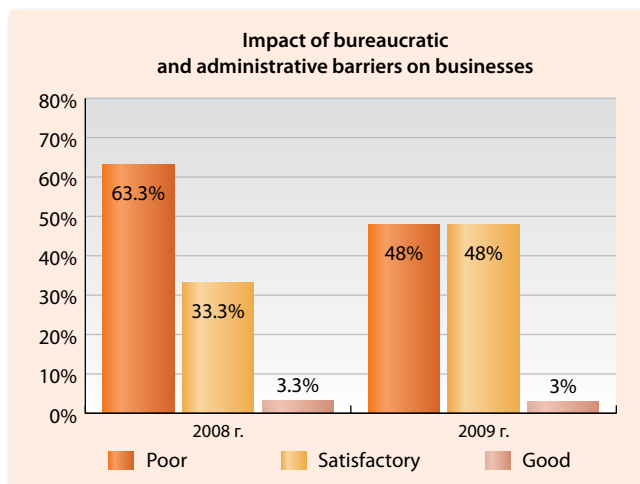
If we consider 9 largest companies, then the unexpected difficulties faced by 2-3 of them could not have significantly affected the results of the poll. However, most likely the level of satisfaction with this issue has reduced for the major companies (but probably not that radically as shown by the poll).

According to the results of the poll for the past 2 years, companies with the turnover from 4 MUSD to 10 MUSD are the least affected by bureaucratic barriers. Having reached the target of 10 MUSD the new obstacles are posed. Generally, it reflects the main trend in relations between business and power in Russia, and namely – having reached a certain level of turnover business becomes a matter of interest for officials. On the one hand, such size of business allows officials to solve the problems of budgetary funds or implementation of projects imposed from the top-down. On the other hand, authorities start to view it as a financial donor for political or administrative career.

It should be noted once again, that evaluations of the issue of bureaucratic barriers have improved for the smallest companies. Primarily, this is a result of simplified taxation system that has reduced both the tax burden and total expenditures on company administration due to decreased taxes. Moreover, small companies are not attractive from the point of view of career growth of officials.

Comparing data by different cities, it can be marked that the highest concentration of companies critical of the situation is in Moscow (last year the leader of this rating was St. Petersburg). The capital has a slightly bigger proportion of discontented companies with the turnover from 0.5 MUSD to 4 MUSD and over 20 MUSD than other cities. There are no grounds to believe that in Moscow bureaucratic barriers produce bigger impact on company businesses. In this case the dependence on the size is more obvious.

As before, export-oriented companies are the most unsatisfied with the issue of bureaucratic barriers. 52% of these companies gave a «poor» mark, whereas among companies mainly oriented at the domestic market the percentage is 43%. This is due to the fact that companies operating mainly for export have more opportunities to compare business environment in Russia and countries with a developed or developing market economy.



AVAILABILITY OF UP-TO-DATE INFRASTRUCTURE

Based on the results of the poll, the IT infrastructure has significantly improved over the last year. The share of «poor» evaluations decreased from 52% to 20% while «good» increased from 6% to 21%. Indeed, in 2008 certain positive changes were observed: the launch of new business centers (performed with varying degrees of intensity), investments made in special economic zones, technology parks, state corporations, roads maintenance, expansion of communication channels and construction of the elements of the system of power supply and distribution.

Such gradual improvements were registered in the previous years as well, but the results of the poll showed that in the best case business saw just little progress. Last year's evaluations were similar to the previous year. It may be assumed that a consistent growth in the volume of investment in infrastructure at a certain point led to qualitative changes in their evaluation by business.

Another essential achievement is the changes in the market of Internet access services, mainly in the big cities. The speed of traffic has hugely increase followed by the reduction in tariffs. The year before the crisis leading providers were completing their networks in major cities.

The crisis produced a major impact on the reduction of rental costs for office premises. The lease of premises is the second major item of expenditure (after salaries) for software companies. Moreover, lease rates in major Russian cities were 2-3 times higher than in business centers in Western Europe. The growth in demand for quality office premises was lagging behind the launch into operation of new buildings. As a consequence of the crisis the demand for the lease of office premises sharply decreased followed by the reduction in prices. For instance, in Moscow the lease of an office of medium quality dropped approximately 4 times. The reduction in prices is not equal all over Russia, but it is significant anyway.

The reaction of respondents to reduced lease rates proves that dissatisfaction of software companies with the state of infrastructure is probably has to do with the quality of the latter, rather than the cost of services required to maintain this infrastructure.

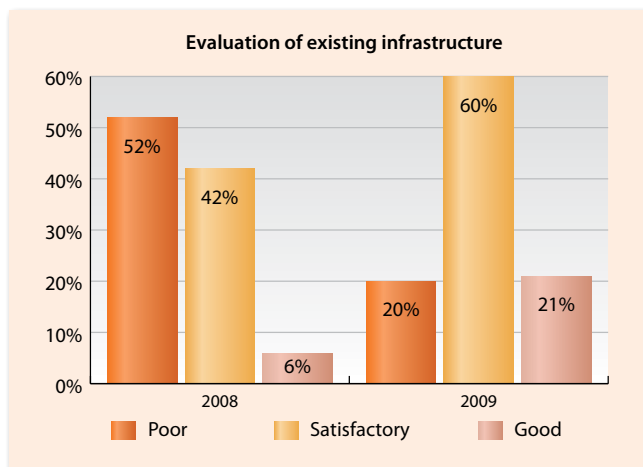
Companies could get the services of the required quality already long ago. But previously they were irritated and displeased with their cost (especially as far as the lease of offices is concerned). The level of this dissatisfaction could be measured owing to the crisis.

A major reduction in «poor» evaluations was recorded for all companies in spite of their location, turnover and revenue structure. For all groups the share of «poor» marks radically decreased and stays

within 13-25%. We can mention a slightly bigger proportion of «good» marks for St. Petersburg companies as well as companies with the turnover more than 20 MUSD, but these deviations may be caused by hopes for improvement related to intentions or actions of the State to create special economic zones. For example, last year there were more «poor» evaluations of infrastructure made by St. Petersburg companies than by representatives of other cities. During the year there were major developments in infrastructure that could have promoted the North capital from the last to the first place by infrastructure conditions to exclude the emotional reaction to the information about the implementation of projects of the special economic zone and the Technology park.

The crisis made the Government change its attitude to those investors who stayed in the city after the crisis. Thus, the management of the Finnish company Technopolis is now confident that the first phase of their Technology park will be launched into operation in Q2 2010. Its total area will be 23,800 sq. m, and the area of premises leased – 18,000 sq. m. Technopolis considers an opportunity to build a network of Technology parks in Russia.

The good news is the progress in the development of technical and innovation Special Economic Zones (SEZ). These include 4 zones in: St. Petersburg, Zelenograd (this city has a status of a Moscow district), Dubna (Moscow region) and Tomsk. Infrastructure facilities and administrative buildings are under construction, and companies are granted the status of residents (therefore, they may build their facilities and enjoy the rights of residents and tax privileges).



FINANCIAL SUPPORT TO SMALL BUSINESSES AND START-UPS. INVESTMENT FUNDS

For 2/3 of respondents financial support of small business and start-ups is insignificant or almost non-existent. The results of the poll concerning this type of support practically remained the same in the past

three years (deviations fall within error limits). As well as last year, the biggest proportion of unsatisfied respondents is registered in Moscow. St. Petersburg also stands out by the number of «poor» evaluations compared to other regions. Unlike last year, there is no clear dependence between opinions about the support of small business (start-ups) and the turnover of companies.

The number of respondents satisfied with the state of affairs was bigger for the companies with the turnover exceeding 4 MUSD than for the companies with a smaller turnover. This is explained by the fact that it is more convenient for venture companies and funds to start work with major companies that already make profit from sales of their products as well as have successful experience in the field. They started off with the financing of already established and by no means small businesses. However, a significant increase in the number of investment projects did not follow. Due to the perennial lack of investment in R&D and start-ups as well as unavailability of a legislative basis for commercialization of intellectual property developed on the basis of state budgetary funds, in the past 10 years Russia has not seen a new wave of emerging medium companies.

Although the results of the poll reflect a certain stagnation concerning financial support of start-ups, several recent months have seen the developments showing new positive trends in this area.

In the previous report we forecast changes in field of financial support of start-ups in the coming 2-3 years. The events of recent months prove the correctness of this forecast. A number of major companies, banks, state funds announced their plans to finance small high-technology business and support start-ups.

Since spring 2009 Sun Microsystems Corporation launched in Russia its program Sun Startup Essentials. Through the access to technologies and services it helps new companies to faster create commercially successful products.

Microsoft Corporation has been implementing similar projects in Russia for several years already. Additionally, in the coming three years the corporation plans to invest in the Russian IT industry RUB 10 bn (around USD 300 mln), part of this sum will be allocated for the support of Russian innovative start-ups. For participation in the project companies will be chosen in cooperation with the Russian Foundation for Assistance to Small Innovative Enterprises (FASIE).

Softline, one of the key Russian partners of Microsoft, specializing in software distribution set up a venture fund Softline Venture Partners. It is known, that the fund would invest in companies developing software in Russia, the CIS and several foreign states. The sum of investment in any project supported by Softline Venture Partners amounts up to USD 1 mln.

In summer 2008 Cisco announced, that jointly with UFG it would invest USD 60 mln into a Russian fund

Almaz Capital Russia Fund I. This money will be also targeted for small and medium IT companies.

In autumn Slavyansky Bank made a decision to give an investment loan to the group of companies ElecCard to the sum of USD 10 mln. These funds will be administered to expand the company presence in international markets of digital television solutions.

Alfa Capital Management Company announced its intention to establish venture funds in order to invest in information, nano- and biotechnologies. It is planned, that till the year-end 2009 start-ups would receive up to RUB 800 mln of these funds (around USD 26 mln).

The good news is that the Board of Directors of the Russian Venture Company (RVC) approved the change of business strategy. Now the company will support not only successful major companies, but small innovative businesses, too. The new strategy provides for the establishment of a seed money fund totaling RUB 2 bn (around USD 65 mln) that should increase company's investment in the development of start-ups. What encourages is the appointment of Igor Agamirzyan the General Director of RVC. He is well-known in the Russian IT market, in particular, he has worked in Microsoft for many years, and prior to his current appointment in the RVC he was head of St. Petersburg Software Development Center of EMC Corporation. Igor Agamirzyan knows well Russia's software industry and perfectly understands the way successful commercial enterprises work.

The state corporation RUSNANO is not directly associated with software development, because its major task is the development of nanotechnologies. Nevertheless, its investment activity is also a positive sign, since any high-tech nano-production is related with software development. In June 2009, the Supervisory Board of RUSNANO approved the concept of participation of the corporation in venture and seed money funds of nanotechnologies. Next year it is planned to set up several types of funds: seed money funds (to support start-ups), funds for low-budget projects, industry and international funds (with participation of foreign investors and management companies) as well as funds established in the framework of intergovernmental agreements. The total volume of the international fund may amount to USD 100-150 mln, intergovernmental – USD 50-100 mln, low-budget projects fund – around RUB 1 bn (around USD 30 mln). At the first stage, priority areas will be investment in international and seed money funds.

RUSNANO is already investing in high-tech companies. In May 2009, the state corporation announced the investment of EUR 21 mln in a joint venture for RFID-tags production to be established in Russia. The partner of this project is the Italian company GalileoVacuum Systems.

According to CNews, RUSNANO is finalizing negotiations with the American fund Draper Fisher

Jurvetson (DFJ) to attract investments in the amount of USD 500 mln for its innovation fund with the planned total volume of USD 1 bn.

Moscow Interbank Currency Exchange with the support of RUSNANO is planning to open a targeted exchange sector for investment and innovation that would enable venture investors to opt out from projects through public offering.

It can be expected, that the inflow of foreign venture investment in Russia will increase. The poll conducted by Deloitte&Touche showed that American venture capitalists more often speak of opportunities to invest in such countries as China, India, Vietnam, Brazil and Israel. The option of attracting to Russia bigger volumes of venture investment is also recognized by the directors of the Finnish company Technopolis that plans to establish in Russia incubators for high-tech companies and find investment in different countries to finance new companies.

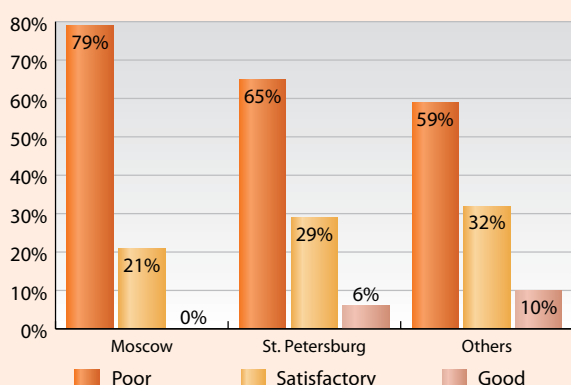
The biggest share of companies critical of this support is registered in Moscow. The effectiveness of state support for the entry of IT companies in the global market remains low. There is no direct dependence of evaluations on the turnover and export share. St. Petersburg has the best indicators, but nevertheless more than a half of respondents gave a «poor» mark to the way the support is being provided.

In the past 2 years the level of satisfaction was higher, the bigger the company. This year we received higher evaluations from small companies, which may be explained by the implementation of the Support Program for Innovation in St. Petersburg owing to which small companies got a limited but still good opportunity to get co-financing for patenting abroad and participation in international events.

Financial support of start-ups



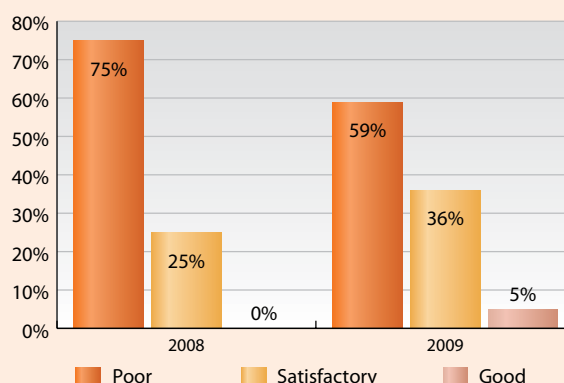
Financial support of start-ups by companies' location



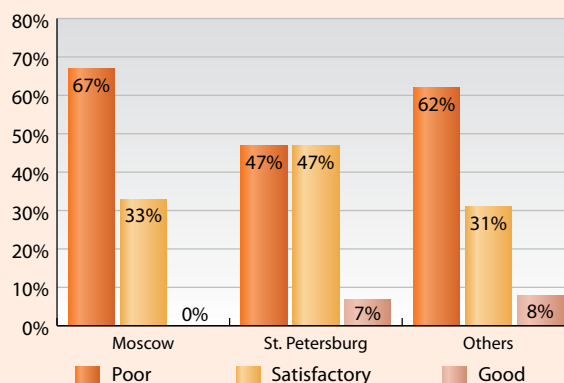
STATE SUPPORT OF INTERNATIONAL MARKETING ACTIVITY

In the last 2 years the number of companies unsatisfied with the state support of international marketing activity is gradually decreasing, despite this figure reaching around 60% of respondents.

State support of international marketing activity



State support of international marketing activity
by companies' location



SITUATION IN THE FIELD OF INTELLECTUAL PROPERTY RIGHTS PROTECTION

A more rigor legislation against distributors and users of unauthorized software allows vendors to boost their sales owing to the exclusion of pirates from the market. The level of piracy in Russia has

been constantly reducing in recent years. According to Business Software Alliance (BSA), in 2008 it reached 68% and over the year dropped by 5 percent.

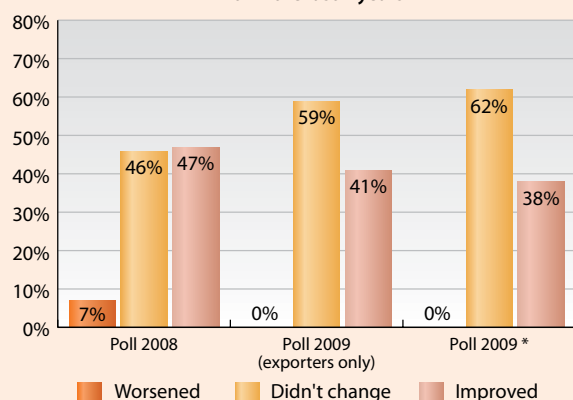
Software distributors think that this indicator is already lower, because BSA takes into account the cost of all software installed on a computer (irrespective of how and with what applications it's being used).

In experts' opinion, the damage measured by BSA in monetary terms is obviously exaggerated, because many people use open source applications instead of using the already installed unauthorized software. Anyway, there are still great opportunities to reduce the level of piracy in Russia.

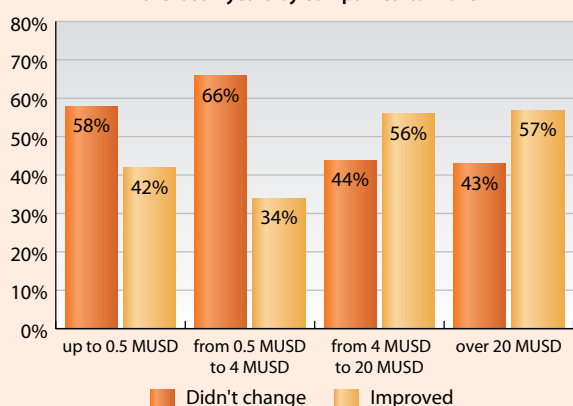
It remains unclear how the crisis affects the level of piracy, but there has not been any apparent increase.

Despite the actual progress of the anti-piracy campaign, a major part of respondents still thinks that the situation in the field has not changed in the last 2 years. Nevertheless, this year none of the companies said it had aggravated (against 7% last year). Most likely, these changes are not felt by companies whose business is not at all influenced or is still uninfluenced by improvements in the field of intellectual property rights protection. These improvements are more often mentioned by companies with the turnover more than 4 MUSD and companies mainly focused on export rather than the domestic market.

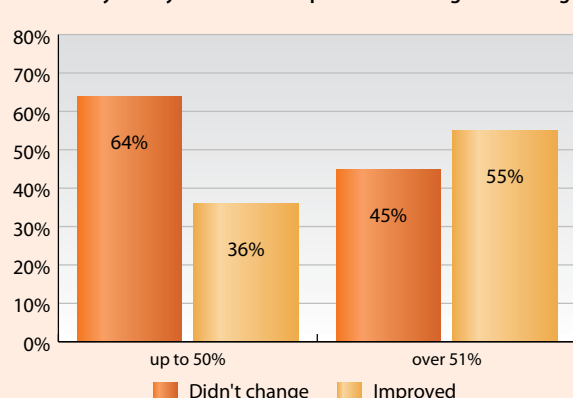
Intellectual property rights protection improvement within the last 2 years



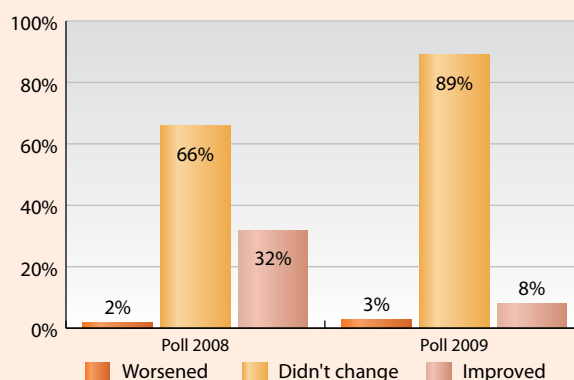
Intellectual property rights protection improvement within the last 2 years by companies' turnover



Intellectual property rights protection improvement within the last 2 years by the share of export revenue in gross earnings



State support of IT within the last 2 years



The number of companies who think that the state support in the field of IT has strengthened in the last 2 years has sharply decreased this year. Now improvements are seen only by 8% of respondents against 32% last year. Around 90% of respondents think it remained the same.

A slightly bigger proportion of companies loyal to the state support are recorded in Moscow and St. Petersburg. They are closer to federal state bodies and actually participate in the lobbying activity of Associations of IT business, whereas regional companies are less involved in it.

Companies with the turnover exceeding 4 MUSD see more improvements in this area, and in the category of companies with the turnover more than 20 MUSD positive changes related to the state support were mentioned by 43%. This is clear because major companies communicate with state bodies either

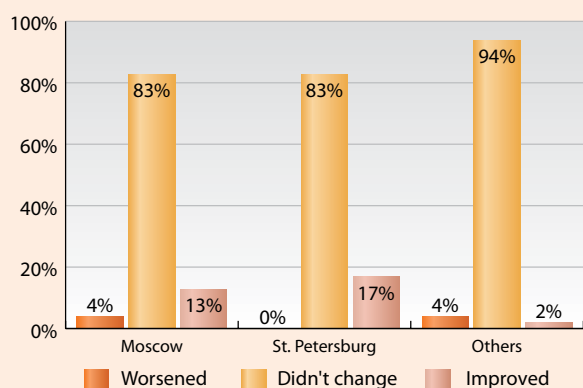
directly or through Associations. However, compared with the last year survey, evaluations of the state support for IT worsened even for major companies.

In April, the Ministry of Information and Communications submitted for consideration of the Government a report summarizing proposals on overcoming the crisis in the IT industry. The proposed measures are mainly related to the construction of WiMAX and Wi-Fi networks, the use of open source software by state structures and for public procurement. As far as software developers are concerned, the proposals of the Ministry of

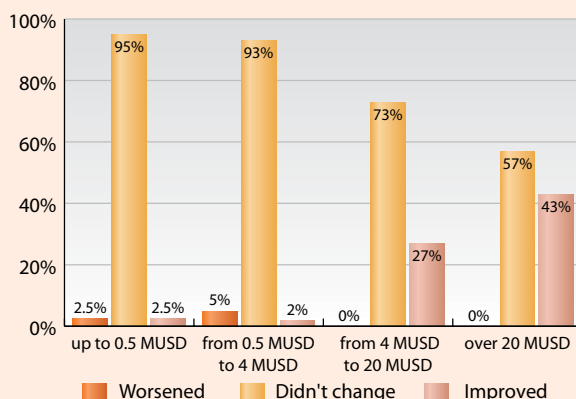
Information and Communications presuppose the extension of the regime of UST reduction for all companies developing software and the support of import substitution.

There are some hopes for the state support of the industry owing to the fact that on June 18, 2008 Dmitry Medvedev, President of Russia called IT one of the 5 priority areas of modernization of the Russian economy. These priorities were stated during the session of the Commission for Modernization and Technological Development of Russia's Economy established in May 2009.

State support of IT within the last 2 years by companies' location

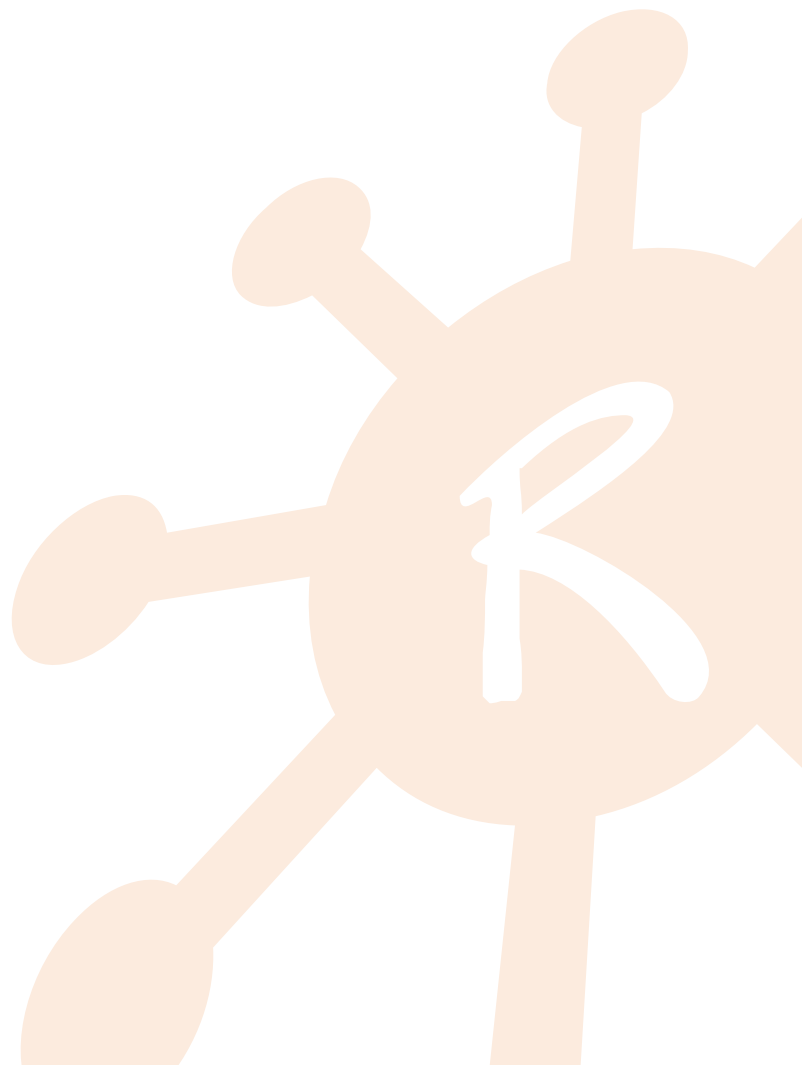


State support of IT within the last 2 years by companies' turnover



CHAPTER 5.

GEOGRAPHICAL DISTRIBUTION AND KEY VERTICAL MARKETS



MAIN MARKETS

As expected, the importance of the Russian market for companies exporting software and development services continued to grow in 2008. The share of respondents confirming the implementation of projects in Russia increased even more than in previous years – from 55% to 87%.

The number of records for Ukraine as one of the key markets has also soared – from 17% to 35%. This growth conforms to the plans stated by our respondents last year. The Ukrainian market has become the fourth most important market for Russian software developers after Russian, American and total European markets. The USA (with Canada) retains the second place. In 2008, the number of

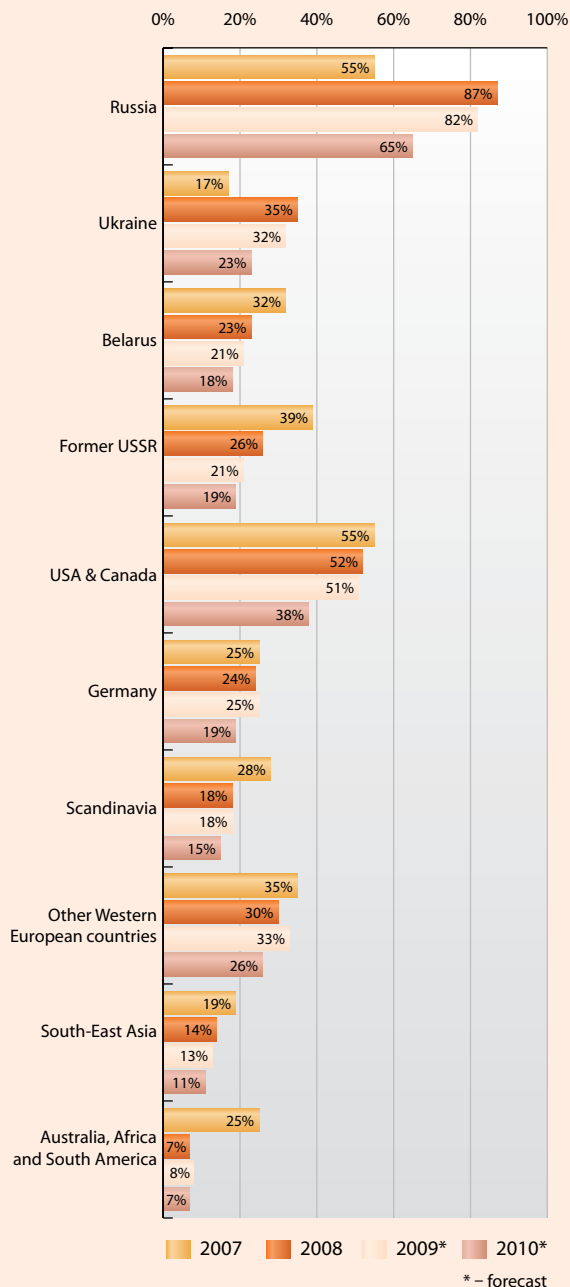
companies working on projects in this market has only insignificantly decreased – by 3%. At the same time, it is seen as a key market by a smaller share of respondents against year-on-year (28% against 43%). Companies already operating in the US market are not going to leave it despite the serious recession caused by the world economic crisis. Nevertheless, the major part of companies is trying to diversify their marketing policy expanding their operations in other markets, especially European markets.

The European market remains a priority for Russian companies, generally surpassing the USA and Canadian markets, but this indicator is gradually dropping.

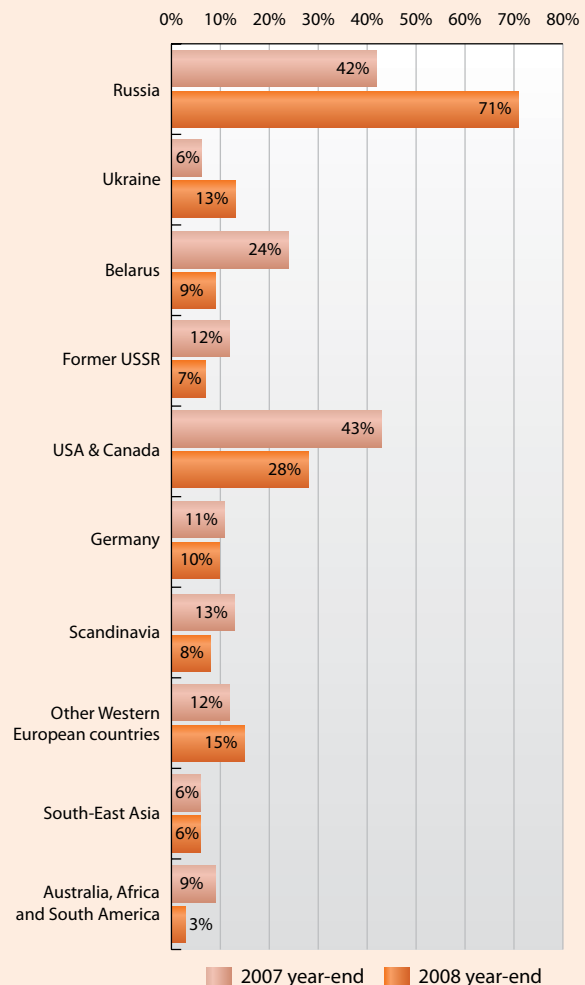
Much rarer this year were mentioned such markets as Belarus, Scandinavia, «Other countries of the former USSR», «Australia, Africa and South America». The decrease followed the boosting growth. Such fluctuations were detected during the processing of the survey results in previous years, too. However, this year a decreased interest in practically all markets is likely to be caused by the consequences of the crisis when producers are losing optimism and confidence to find a niche in any market.

As for Scandinavia, its indicators are regularly changing. There is an impression that around 15%

Presence on the Global market including key and one-off random projects



Key markets



of respondents have been working in this market for a long time already, and 5–10% more companies are trying to strengthen their positions there, but as a rule their attempts fail.

Companies with export revenues less than 50% of total revenue are more than other exporters oriented at the markets of Ukraine (51%), Belarus (40%) and «Other countries of the former USSR» (35%). The number of records of far-abroad markets by these companies is below average (only few of them view developed countries as key markets).

Naturally, the situation is reverse for companies with export revenues over 51%. It will be logical to conclude that small companies are more often present in the markets close to Russia. Almost half of the largest companies with the turnover over 20 MUSD operate in all markets, but they focus on the advanced markets of America and Europe and do not regard as their top priorities the markets of Ukraine, Belarus, South-East Asia and the region «Australia, Africa and South America».

St. Petersburg companies are to a greater extent than other respondents oriented at European markets. Around one third of St. Petersburg companies are present in the neighboring market of Northern Europe (primarily in Finland).

Moscow companies (mainly small and medium-sized) most frequently named as their key markets Ukraine, Belarus and «Other countries of the former USSR».

In 2009, the significance of markets for software developers should not drastically change. A small part of respondents expects the decline in demand in the markets of Russia and other countries of the former USSR caused by consequences of the crisis for their economies dependent on the production of raw materials. Therefore, they are planning to switch to markets more distant from Russia. It does not make sense to make any conclusions about the year 2010 since many of the respondents were not ready to answer this question due to the growing crisis.

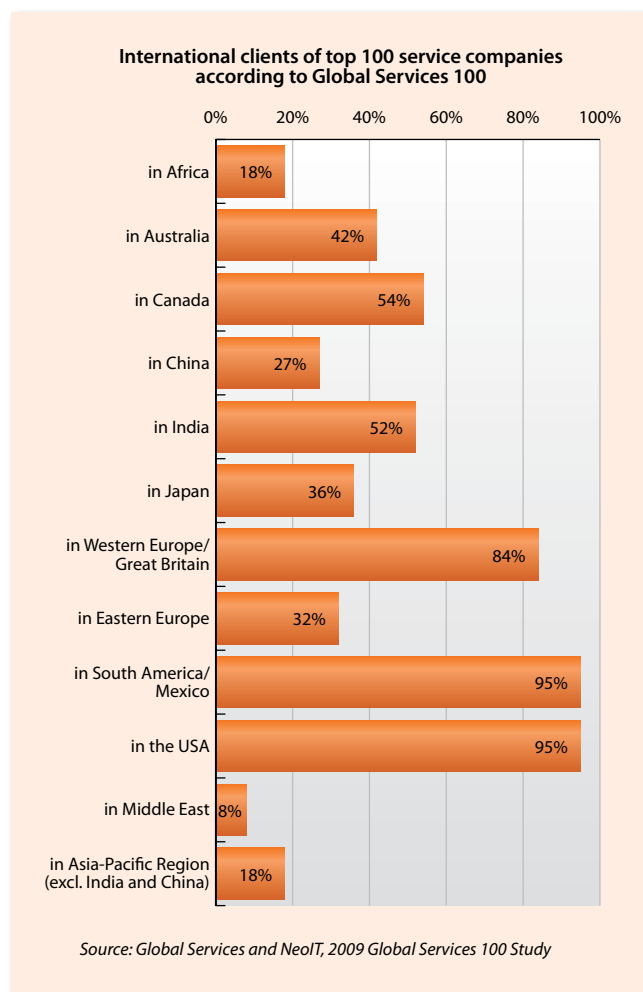
The research conducted by Global Services 100 reveals what potentially interesting markets remain unexplored (or poorly explored) by Russian companies. The distribution of clients in the top 100 world service companies is absolutely different that of the major Russian software exporters. Russian companies are far less often represented in the markets of Africa, Australia, Japan, India, China and Canada. Probably their only advantage against world leaders is the market presence in Eastern Europe.

Only 9 of 100 world leading service companies have their own staff in Russia. By this indicator Russia ranks 15 among 31 countries. Recently Russian producers have been trying to enter new markets. For instance, as reported by CNews, a group of companies involved in software development and the delegation of the Russian Federation government came to the capital of Venezuela Caracas in April 2009 to participate in the Week of Russian IT. The long voyage was made

by heads of the following companies: ALT Linux, ASCON, ABBYY, Digital Design and PROMT. ACS Systems representing Kaspersky Lab in the market of Venezuela also took part in the event.

It is also worth to mention that Exigen Services entered the Chinese market. The company opened its development center in China that would partially deal with orders from the local market. Probably, it is reasonable to enter huge markets in China and India only by establishing own centers for development and sales support.

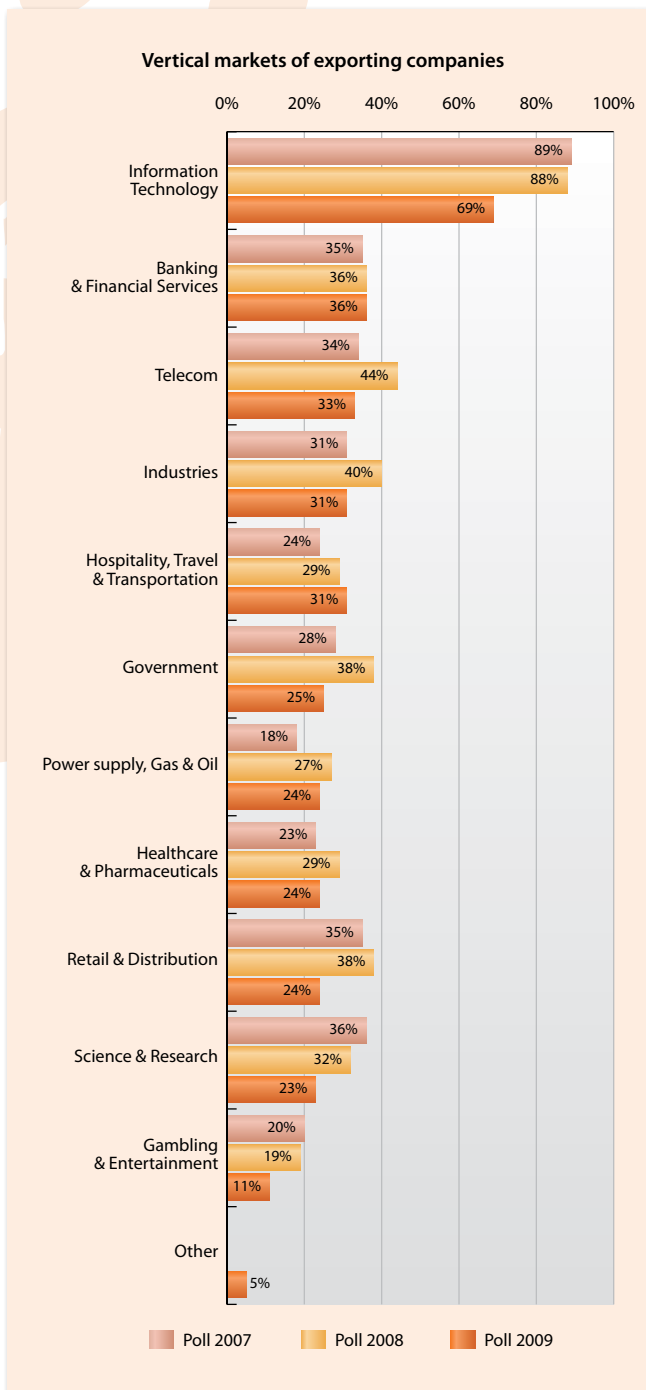
Certain progress can be expected in the economic cooperation with Latin America and a number of African countries that Dmitry Medvedev, President of Russia visited this June.



VERTICAL MARKETS

Significant changes in the distribution of companies by vertical markets where they operate (and the overall decrease in the number of priority vertical markets mentioned by respondents) are mainly due to the consequences of the global economic crisis. The respondents have to focus on either vertical markets where they can get competitive advantages owing to their competencies or on narrow technology niches. Hence, the general reduction of respondents' participation in vertical segments of the economy.

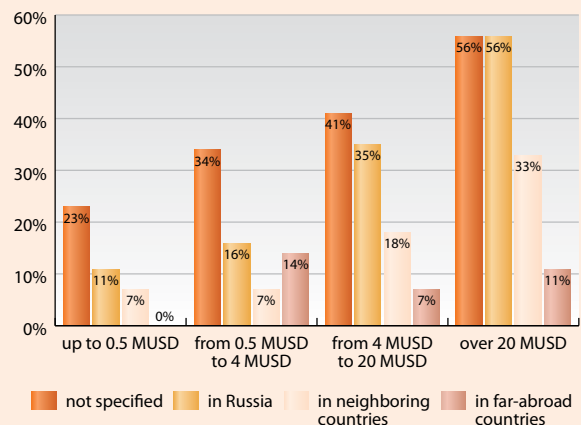
Another factor contributing to the reduction of industry preferences is a growing participation in the poll of small companies' representatives that are usually oriented at a limited number of industries. Industry priorities of Russian export companies remained unchanged.



GEOGRAPHICAL DISTRIBUTION OF DEVELOPMENT CENTERS

Around 32% of export companies have one or several remote software development centers. For all respondents, including non-exporting companies, this indicator equals 26%. Companies focused on the home market rarely set up remote centers. Probably, they are not even considering such an option.

Share of exporting companies with remote developing centers by turnover



The smallest of export companies participating in the poll stated they have development centers in Russia and its neighboring states (in the CIS countries and Lithuania). Only 5% of companies with the turnover less than 0.5 MUSD have more than one center.

In the group of companies with the turnover ranging from 0.5 MUSD to 4 MUSD 34% established remote production branches. 14% in this category are able to maintain development centers located far abroad (in Russia – 16%, in other countries including neighbor states – 20.5%). 9% of companies have more than one center.

During the previous poll about 10% of companies with the turnover less than 4 MUSD said that they set up their own branch located in another city or abroad. This year the same group brings a much higher indicator – 28.5%. Partially, this may be explained by the changed wording of the question (a «branch» from the last year survey is replaced with a «remote development center»). However, most likely following the general pre-crisis trend when the growth of resources was provided owing to development centers based in other cities, many small companies used to actively establish such centers in H1 2008.

Companies with the turnover more than 4 MUSD have long ago got interested in labor markets of other cities and countries. The majority opened at least one remote development center before 2008, and now they are expanding their branch networks. Therefore, the share of major companies (turnover over 4 MUSD) with a remote development center has changed insignificantly. For export companies with the turnover from 4 MUSD to 20 MUSD it makes 41%, and for companies with the turnover more than 20 MUSD – 56%. The share of respondents who mentioned more than one remote development center in these two categories is 25% and 33%, respectively.

Almost every fifth export company has a remote development center in Russia. St. Petersburg and

Moscow are the most frequently named (8 and 7 times, respectively) as appropriate locations for such centers despite the labor cost of programmers in these cities is the highest in Russia. Probably, service and product providers should be closer to the key market where they already operate or only intend to in order to support their solutions and work with clients.

Voronezh, Kazan and Saratov have 3 records as locations for remote development centers, while Rostov-on-Don, Samara and Ekaterinburg – 2. The following cities have a single record each: Arzamas, Veliky Novgorod, Izhevsk, Krasnoyarsk, Krasnodar, Nizhni Novgorod, Nizhni Tagil, Novosibirsk, Omsk, Petrozavodsk, Ryazan, Stavropol, Tver, Togliatti and Yaroslavl.

This list is incomplete, because the sample of respondents makes around 10% of the whole database of RUSSOFT companies. Nevertheless, based on this it is still possible to get a rough idea about cities with good conditions to start a development center.

Compared to last year the number of cities registered in responses has significantly increased (from 15 to 21), but not all cities from the previous survey are mentioned this year. Therefore, this list may be expanded with Perm, Tyumen, Kaliningrad, Novokuznetsk, Tomsk, Vladimir, Kolomna and Kurgan. It is unlikely that development centers were closed down in these cities. They were not mentioned in the poll, because probably the structure of respondents has changed. Thus, it can be stated that Russia has more than 30 cities suitable for the opening of remote centers.

Respondents also mentioned the cities in Russia's neighboring states, where they placed their development centers.

There are 7 such cities in Belarus: Minsk, Vitebsk, Brest, Gomel, Grodno, Mogilev and Novopolotsk.

In Ukraine – 8: Kherson, Kharkov, Kiev, Odessa, Dnepropetrovsk, Lvov, Vinnitsa and Sevastopol.

In the CIS (including Russia, Ukraine and Belarus) development centers of Russian companies are functioning in Alma-Ata, Armenia, Baku and even Tajikistan. Kazakhstan is the most frequently named. Last year Tashkent (Uzbekistan) and Karaganda (Kazakhstan) were also mentioned in the survey.

Some companies despite the difficult times they are facing are planning to set up new remote development centers in 2009–2010, but this figure is very small (around 4% of all exporters). In 2009, new branches may appear in Russia (Penza and Samara) and China.

Right after the survey it was announced a new development center of a Russian company was opened in China. One of respondents refused to name the city, but voiced its intention to set up a development center in Russia in 2009.

In addition, around 4% of companies are planning to establish their remote development centers and branches in 2010. They named: Vilnius, Belarus (or Ukraine), Dnepropetrovsk, Moscow, Russia (cities not specified).

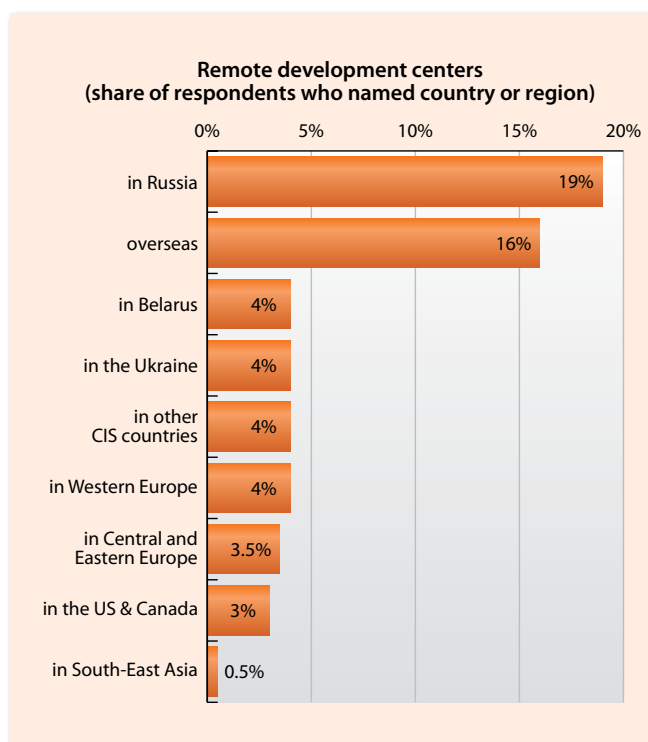
GEOGRAPHICAL DISTRIBUTION OF MARKETING AND COMMERCIAL OFFICES

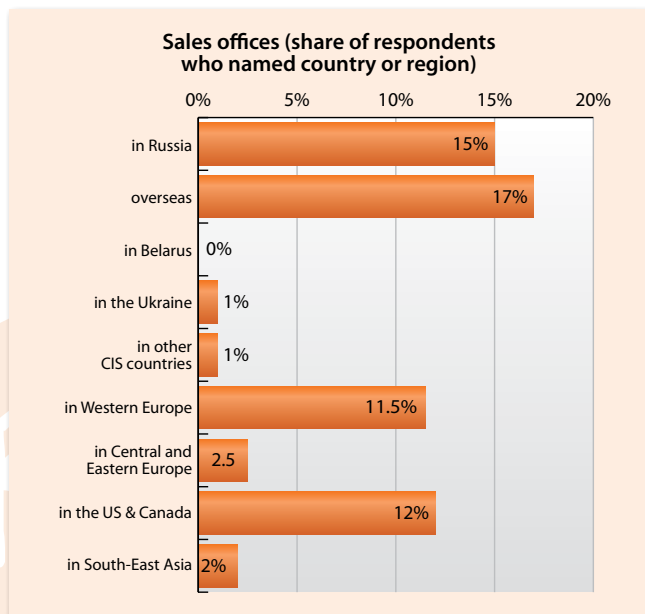
Commercial and marketing offices were set up by approximately the same proportion of export companies as registered for those who opened remote development centers – i.e. 28%. The majority of companies with a production site in another city also have a sales office. However, one branch rarely functions as a trade office and a development center at the same time.

15% of respondents have more than one commercial or marketing office. The highest concentration of sales offices is in Russia. The second and the third places by the frequency of records in this rating belong to the USA and Western Europe. There are practically no trade offices in the Baltic states. Only one company has sales offices in Ukraine and Kazakhstan.

The biggest number of representative offices in Russia is opened in Moscow (7 records). In Ekaterinburg, Nizhni Novgorod and St. Petersburg respondents have two sales offices. The following cities were also named as locations for sales offices: Astrakhan, Kirov, Krasnodar, Murmansk, Omsk, Perm, Stavropol, Togliatti, Tula and Elista. As in the case with remote development centers, this list is incomplete since the sample makes around 10%. To make a comprehensive list at least more than a half of Russian software companies had to be polled.

Typically, if a company has a sales office in the US



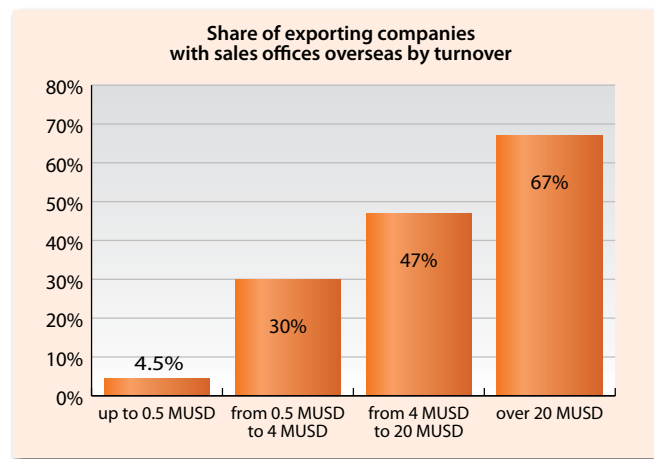


it also has one in Western Europe. In Europe the most popular countries to place sales offices are: Great Britain (4 records), Germany (3) and France (2). Sweden, Hungary, Holland and Finland have one commercial office each.

The smallest companies have branches only in Russia. And yet in 2009 two companies out of 44 in this category have plans to open sales offices abroad (one in Kiev and the other in the US).

More than a half of companies (54%) with the turnover from 0.5 MUSD to 4 MUSD opened their sales offices far abroad. A great majority of 79% is registered among companies with the turnover more than 4 MUSD. Normally, large companies have more than one sales office in other cities and countries.

Only 7% of non-exporting companies have sales offices located in other cities (in Moscow, Kirov,



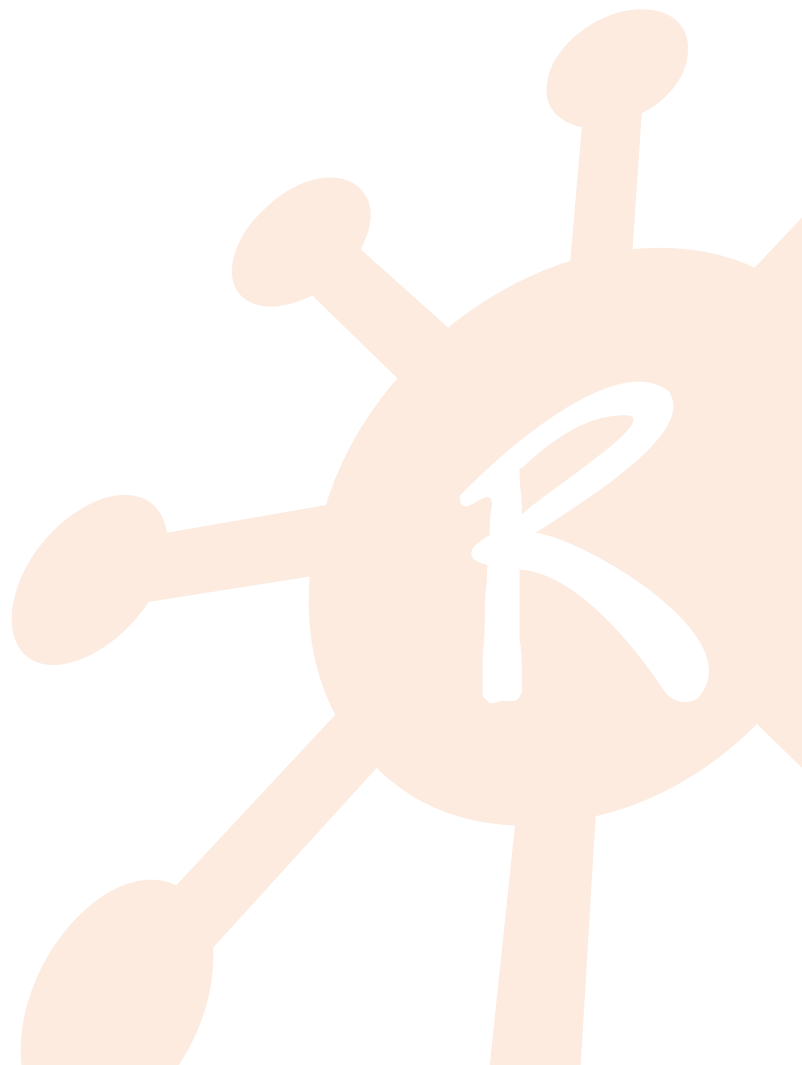
Murmansk and Omsk). In the coming two years the same number of companies in the above category intend to found new sales offices (in Moscow, St. Petersburg and Kiev). The entry of the Ukrainian market would mean that if the company succeeds, it will join the list of exporters.

A higher activity in opening representative offices in Russia and the CIS is expected on the part of exporters. They are also interested in Kiev (2 records) and Moscow (3). In 2009–2010, representative offices of export companies are scheduled to appear in Siberia (2), St. Petersburg, Ekaterinburg and Khabarovsk. As for international markets, in 2009 new sales offices are expected to open in Germany (2), Great Britain and the USA, and next year – in Great Britain (2), Lithuania and Western Europe. Market presence in South-East Asia and Eastern Europe still does not attract Russian companies. None of the respondents reported its plans to open a sales office in these regions.

Only 10.5% of export companies intend to found new representative offices in 2009-2010.

CHAPTER 6.

HUMAN RESOURCES AND THE LABOR MARKET SITUATION



The results of the software developer's survey conducted by RUSSOFT Association and regular research of recruitment agencies expressly show that the tension on the Russian labor market has considerably eased since the start of the global crisis. However, it is not related with the progress in solving the human resources problem that has aggravated in recent years. The shortage of staff is less acute primarily due to the reduced demand for software developers on the labor market, which in its turn was caused by the difficulties with sales of software products and services that emerged under the influence of the world economic crisis.

The labor market was also affected by the reduction of IT specialists, including programmers, in enterprises where these specialists are not their core staff. Many software developers that previously used to transfer from software development companies to IT departments of banks and major enterprises were dismissed with the start of the crisis due to the reduction of IT departments and, therefore, joined the ranks of potential employees for export companies. Many CIOs agree that the crisis has led to the creation of a normal labor market formed by the demand and not by the supply. Companies got rid of the so-called «ballast» they acquired at inadequate prices during the period of unrestrained growth when any position had to be closed at any cost to work on the project. At the same time they have retained their skeleton staff by slightly cutting down overall expenses on personnel through the reduction of bonuses (and sometimes salaries).

However, in spite of the considerable inflow of human resources from other sectors of economy the deficit of specialists is still felt. More than half of export companies think they are still lacking staff. Programmers that previously worked in the IT service of an enterprise will have to learn to implement projects for foreign customers, whereas the rise in competition requires more and more interesting solutions and qualified and dedicated employees.

There are grounds to believe that when the growth in the world IT market resumes (especially given the expected growth rate compared to the pre-crisis level of the outsourcing services market) all problems related to the provision of qualified staff to the Russian software industry will be felt with the same intensity. The same will happen if the Russia's share in the global market will essentially increase while the market capacity would remain unchanged.

Unfortunately, the most recent data concerning the availability of IT specialists in Russia and the Russia's economy demand for them are registered in the results of the research made by the Information and Computer Technologies Industry Association (APKIT) only in 2007 before the crisis.

Many of the conclusions are dated. Certainly, the forecasts related to the need in IT specialists and their training have to be reviewed considering new realia in the world and Russian economy.

According to the APKIT research, the overall staffing level involved in IT reached 865 thousand people in 2006. In 2007, the general need of the Russian economy in new IT specialists was 188 thousand people. This figure 2.7 times exceeded the number of graduates of specialized education institutions. Given the level of staff training it can be assumed that by summer 2009 the number of IT specialists in Russia reached around 1 mln.

However, the share of labor force involved in IT is unlikely to significantly change. In Russia it made 1.18%, which is far less than in the economically developed countries (3.79% in the USA and 3.4% in the Great Britain and Germany).

According to APKIT data, in 2006 the total number of IT professionals was 261 thousand people with 47 thousand people involved in software development and 45 thousand people involved in IT services export.

In 2007, the demand for new employees was 20 thousand people both in IT services export and software development. Out of these 20 thousand around 3.6 thousand were required to replace employees leaving their jobs.

STAFF RECRUITMENT AND REDUCTION

According to the survey conducted by RUSSOFT Association in March–April 2009, software companies have become apparently less active on the labor market in 2008. 9% of respondent companies have not hired new employees, which almost twice exceeds the previous year indicator (i.e. 5%).

The staff recruitment dropped proportionally to the decreasing share of exports in gross revenue. Nevertheless, companies recruited specialists almost equally despite the export share in their turnover.

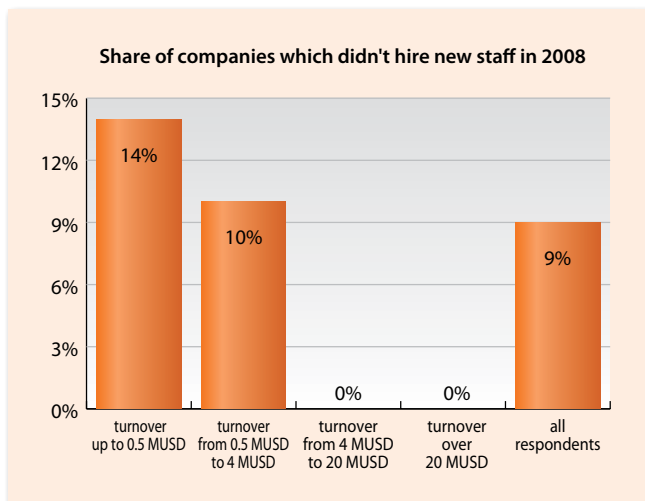
There is not a single company with the turnover over 4 MUSD that was not recruiting new specialists in 2008.

Last year the major companies had absolutely no interest in DB developers, test engineers and web-developers (both PHP/MySQL and ASP.Net/MS SQL). In any case none of the respondents with the turnover over 20 MUSD has employed these specialists as the «most wanted». The lack of mass recruitment does not, however, mean that there were no instances of employment of the above professionals.

Web-developers (PHP/MySQL) were employed only by companies with the turnover less than 4 MUSD. At the same time the major companies most actively recruited Java developers. It should be noted, that these companies are the most influential on the labor market despite there are few of them. Therefore, Java developers are likely to approach the level of C/C++ developers in the rating of the demand for specialists based on the responses of all companies. Given the fact that C/C++ developers that got the highest rating were also actively employed by quite large companies

(with the turnover from 4 MUSD to 20 MUSD) their first place among most wanted specialists can hardly be disputed.

The smallest companies hired C# developers and UNIX system administrators more rarely than other companies. But the demand for UNIX system administrators is low for all companies. Even the largest companies practically have not employed them.



The interest in Win system administrators is also low across all respondent companies. Still 14% of the major companies hired them in 2008. Consequently, the demand for Win system administrators is higher than for UNIX system administrators.

The demand for C/C++ and Java developers was not influenced by the crisis. The recruitment of other specialists has reduced. However, the demand for test engineers started to decrease already 2 years ago. If in 2006 they were actively employed by 27% of companies, in 2008 it was only 9%. The training of these specialists was provided over several years in many Russian cities, therefore their employment enabled to fill a big number of vacancies available several years ago.

Other specialists were in demand only for 8% of respondents. Delphi developer was the most frequently mentioned, and 6% of companies employed professionals in this area.

Companies primarily oriented at external markets rather than home market were more active on the labor market. It was them who created demand for UNIX system administrators. At the same time, Win system administrators were employed only by the companies who mainly focus on the internal market.

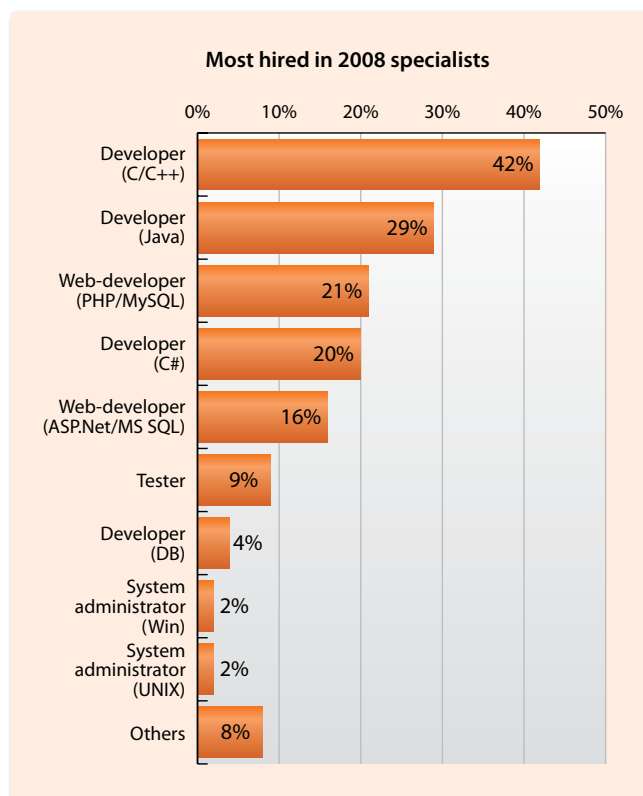
Companies with the export share less than 50% most frequently recruited PHP/MySQL web-developers. The PHP technology is more often used for the web-site development by Russian companies and organizations, while ASP.Net/MS SQL is better suited for complex orders that are usually placed in Russia by international companies.

In St. Petersburg all companies were employing specialists. The biggest proportion of companies that have not hired new staff in 2008 was registered

in Moscow. The highest demand for Java developers was recorded in St. Petersburg. C# developers were approximately twice more often recruited in Moscow and St. Petersburg than in other cities. The bigger the city, the higher the demand for test engineers.

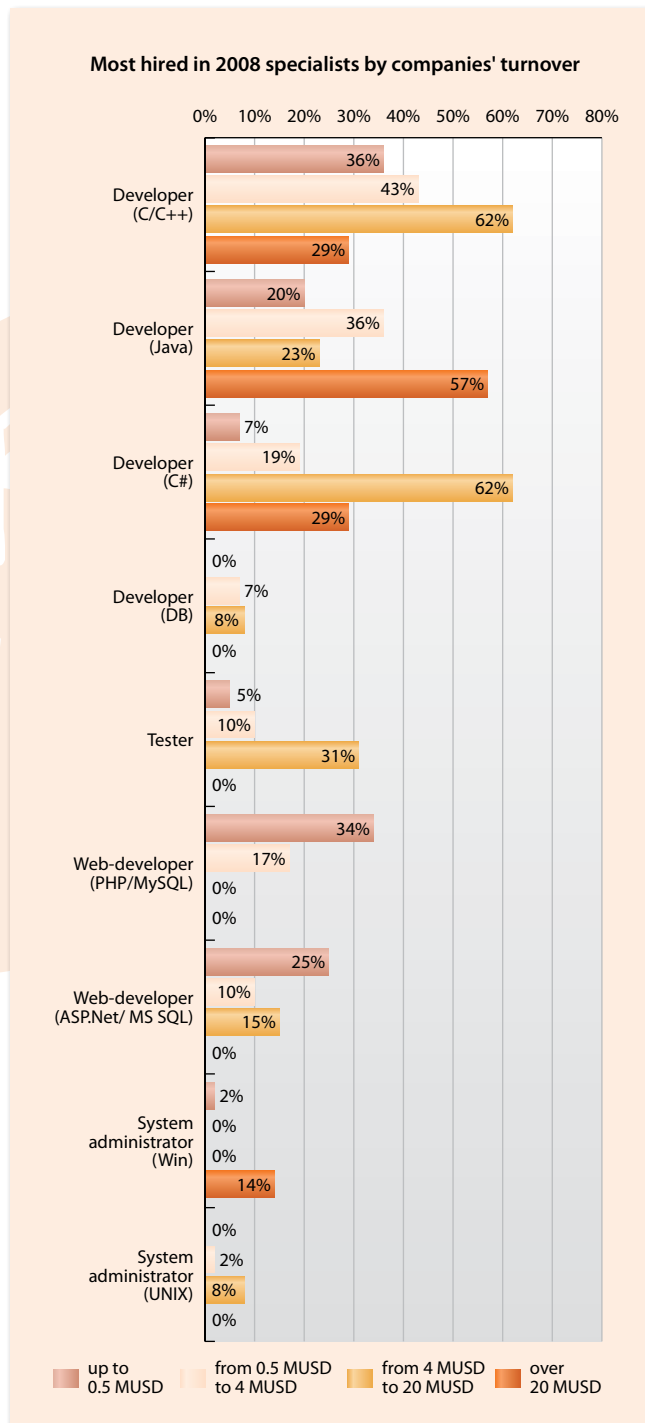
UNIX system administrators were offered jobs only in St. Petersburg, whereas Win system administrators were not recruited at all in St. Petersburg, Moscow and Novosibirsk.

According to the survey results, companies are not planning to massively recruit in 2009. Based on their intentions, the staff of export companies should grow by 7% on average. In previous year respondents stated a totally different projected growth (30%–40%). As a rule, the plans of the majority of companies (mainly small ones) have turned out unrealistic. Actually, only the major companies have significantly increased their staff and sometimes even more than initially planned.



Given the fact that the projected increase of staff in previous years always exceeded the actual growth, it may be assumed that at the year-end 2009 the forecast the 7% increase of staff will not be achieved. At any rate such growth is not expected in departments of software development companies in Russia. A significant increase is possible only owing to foreign branches.

Recruitment agencies data show that during the crisis IT companies both reduce their staff and hire new employees. Many of them do this simultaneously thus ensuring staff rotation. Using the present situation companies fire employees that were not properly suited to perform current tasks and replace them with more qualified specialists or those who

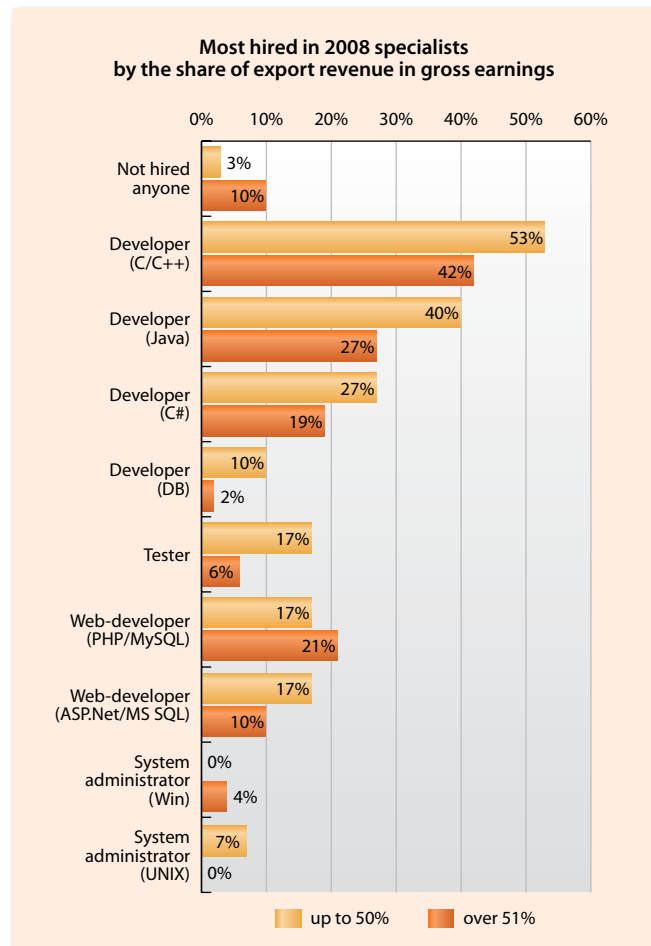


agree to a smaller remuneration. In many cases companies at least try to do so (recruitment agencies mark that good employees do not rush to change their job even when fair offers are available).

According to Kelly Services data published in Vedomosti newspaper in spring 2009, 63% of IT companies in St. Petersburg were employing staff and only 13% reducing it.

It is known that Russian companies involved in the development of their own software products are less affected by the crisis. Many of them boost their sales and, therefore, increase their staff.

According to Avanta Personnel, only 18% of software companies reduce the staff of their core specialists.



However, the number of vacancies in IT professions has dropped approximately three times compared to August 2008. The number of unemployed specialists is usually several times bigger than the number of vacancies available.

LACK OF SPECIALISTS

Generally, the data on the lack of specialists reflect the activity of companies in recruiting staff qualified in different areas. If there was a shortage of some professionals, they were the most widely employed in 2008. Most likely not all of the vacancies were fully filled but the staff was at least partially expanded with relevant employees. Especially last year the share of companies that did not face deficit of any specialists sharply increased (from 5% to 43%). A lower demand for services resulted in the reduction of unmet need in core employees.

Only the share of companies experiencing shortage of C/C++ developers remained at the same level compared with 2007. As for all other professions the shortage has significantly decreased. A relatively smaller reduction of demand was registered for Java developers and test engineers. According to Sun Microsystems Corporation, Russia ranks third in the world (after the USA and India) by the number of developers using Sun Microsystems platforms (including Java). Sun Microsystems data indicate that Russia has 50 thousand Java developers

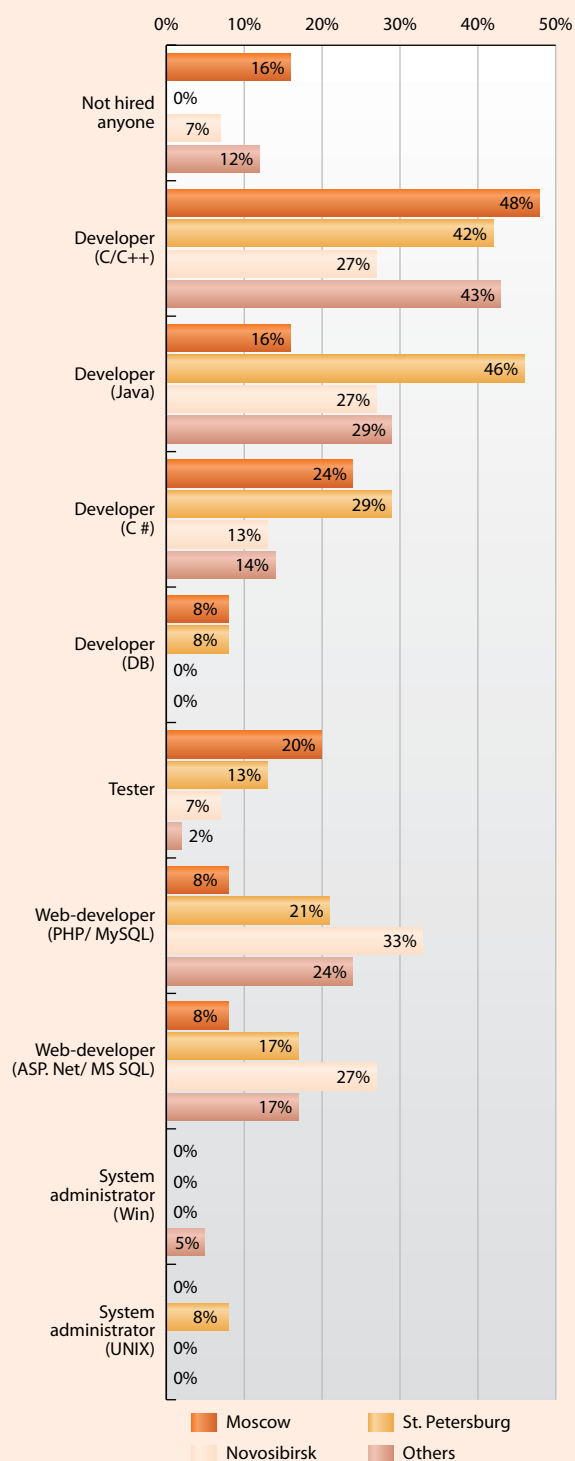
and 10.5 thousand students thoroughly studying Sun technologies.

The more companies are export-oriented, the more acutely they feel the lack of specialists. Typically, they require professionals not only highly competent in software development but also fluent in foreign languages. There are few specialists combining these skills on the labor market, because historically top-class experiences developers do not know foreign languages at the level required.

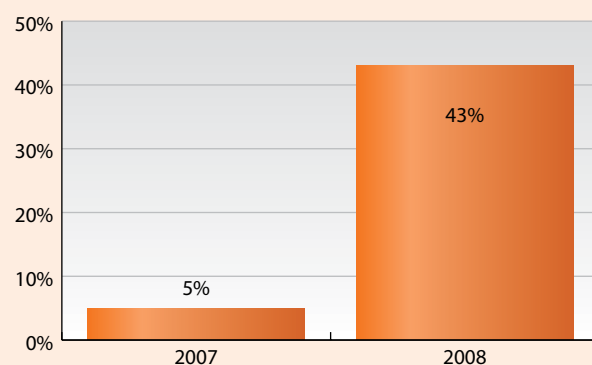
The lack of staff is more often felt by companies the smaller their size is. This does not mean the demand for services of small companies has reduced less. What is important is the fact that large companies have more opportunities for employment.

The bigger the city the less critical the shortage of staff is. Apparently, this is caused by the fact that in major cities such as Moscow, St. Petersburg and Novosibirsk there are more major banks and companies operating in different sectors that reduced software developers in their IT departments thus replenishing the market with qualified professionals.

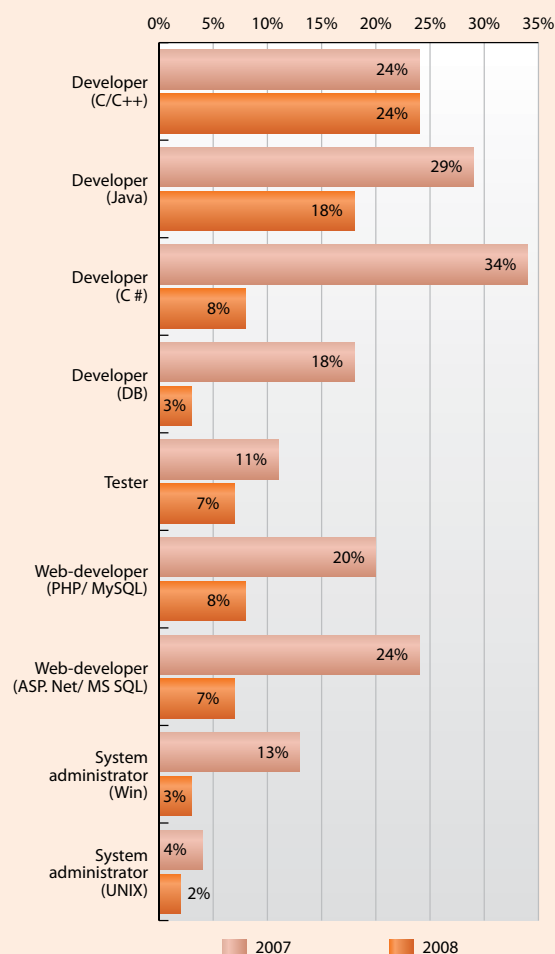
Most hired in 2008 specialists by companies' location



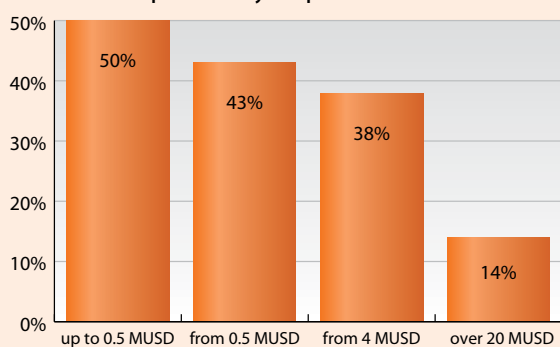
Share of companies which don't have shortage of personnel



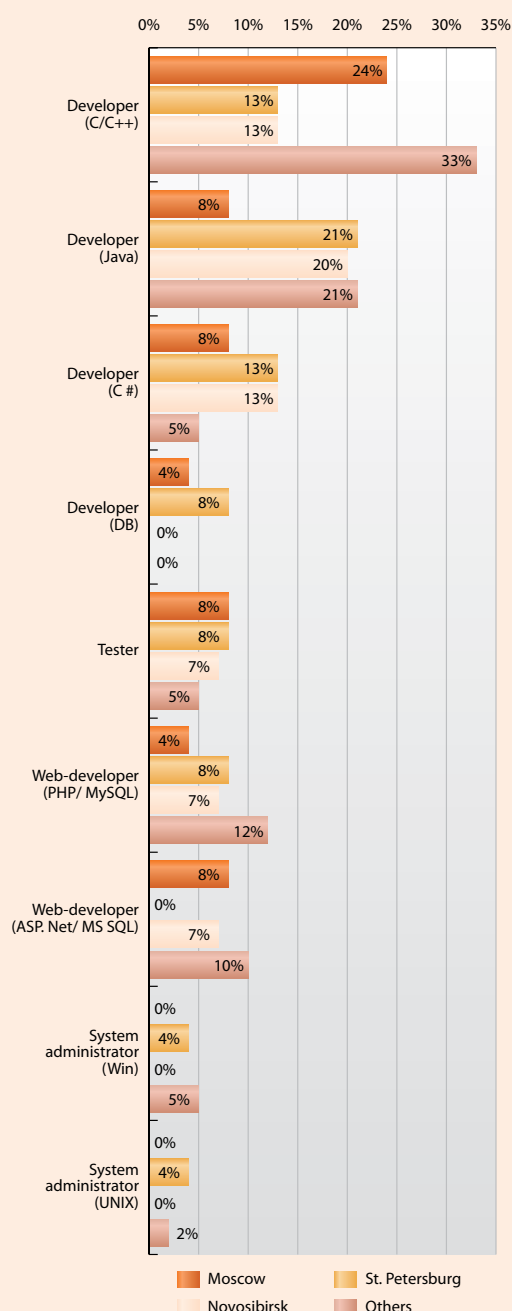
Most wanted specialists in 2007 and 2008



Share of companies which don't have shortage of personnel by companies' turnover



Most wanted specialists in 2008 by companies' location (frequency of mentioning by companies)



The release of big numbers of software developers from IT departments of different businesses is confirmed by data submitted by recruitment agencies. According to HeadHunter (source: CNews publication) the labor market situation has radically changed for web-developers and Flash-developers. If in March 2008 the index of demand was 0.24 и 0.22, in March 2009 it was – 2.74 и 1.2. This index is calculated as the ratio of the number of resumes sent to recruitment agencies to the number of vacancies. It follows that is prior to the crisis there were more vacancies than resumes, now the situation has reversed.

According to HeadHunter data published in May 2009 in Vedomosti, in April 2008 the number of vacancies for C/C++, Java, Delphi, Oracle and 1C developers twice exceeded the number of candidates, but a year later the same position is competed between 3–4 specialists on average.

COOPERATION WITH UNIVERSITIES

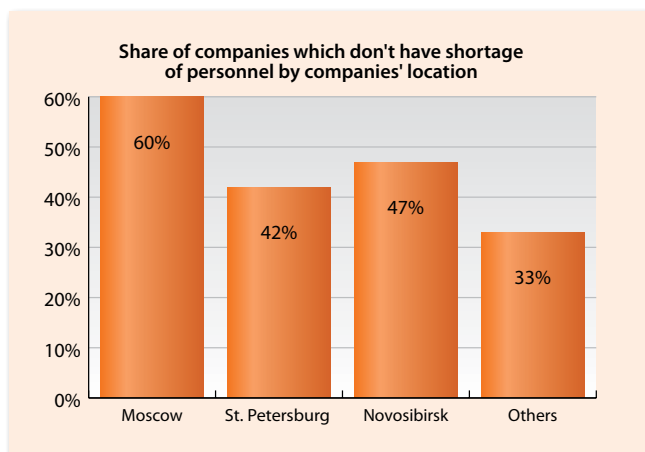
Due to the decreased demand for staff the number of companies cooperating with universities has also reduced. Following the suspension of mass recruitment of specialists such forms of cooperation as «Student internship» and «Job placement for graduates» have become irrelevant for many companies. The conducting of «Training courses for staff» depends on the volume of new orders and in the context of the crisis has also become less popular.

The share of surveyed companies not cooperating with universities increased more than twice and reached 42%. At the same time absolutely all major companies continue to work with universities, at least they practice «Student internship». Nevertheless, other forms of cooperation («Job placement for graduates» and «Training courses for staff») are also used by the companies with a turnover over 20 MUSD.

The maximum number of companies that ceased their contacts with universities is among those with a turnover from 0.5 MUSD to 4 MUSD. The number of the smallest companies (turnover less than 0.5 MUSD) cooperating with universities have even increased against year-on-year. This may be explained by the fact that such companies try to save on the salary of programmers and find new employees among students.

The least proportion of such specialists is recorded in the major companies although they collaborate with universities most actively (it should be noted that in absolute value major companies generally recruit more graduates than any other group of companies studied here). The largest concentration of graduates is registered in companies with a turnover from 0.5 MUSD to 4 MUSD, this group being least involved in cooperation with universities.

Graduates more easily find jobs with companies primarily oriented at the Russian market rather than



external markets. Apparently, this is due to higher requirements for their professional qualifications.

University graduates are most willingly offered jobs in cities where companies feel the lack of staff more. In 2008, the lowest employment rate of recent graduates was in Moscow and Novosibirsk. The results of the previous, pre-crisis survey show that the share of graduates in different cities was almost equal.

The rating of Russian universities was made based on answers related to university graduates in the highest demand among regional IT companies. It was suggested respondents name an unlimited number of universities. Companies that have their representative offices and branches in other cities listed universities from all cities where their developers are based.

The notion of the «region» was interpreted differently by respondents. Therefore, the rating gives only a general idea about universities preparing the biggest number of necessary IT specialists; moreover, the university ranking itself is quite relative.

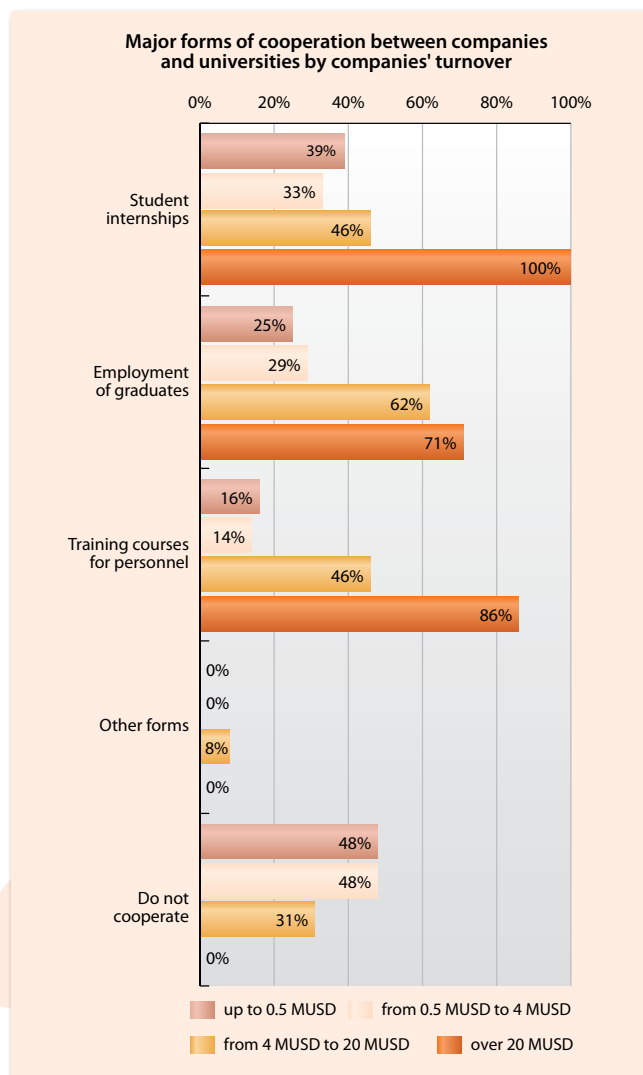
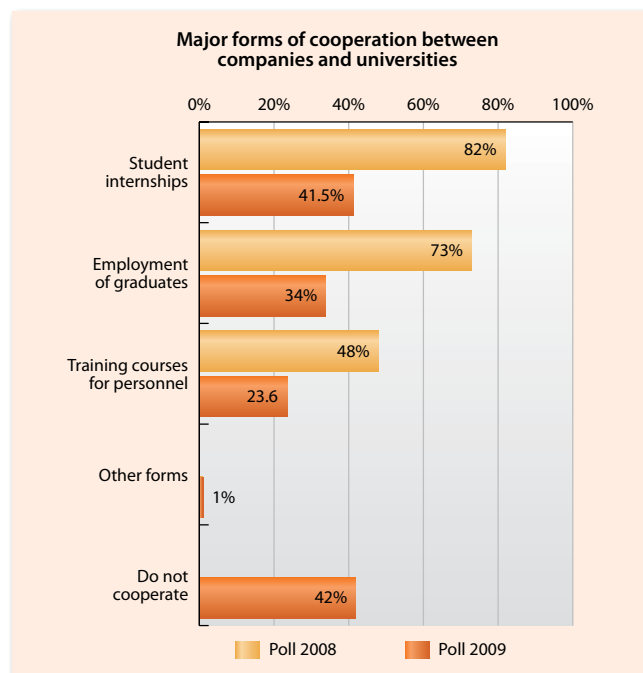
The frequency of records was influenced by the number of companies representing this or that city. At the same time the size of the companies surveyed was altogether neglected, which resulted in less high ratings for Moscow universities than expected.

St. Petersburg universities are the most widely represented in the rating (both by the number of universities included and the frequency of records). However, many Moscow companies (almost half) named universities located in other cities, which reflects the fact that Moscow has the highest share of non-resident specialists in companies' staff than other cities.

The respondents named over 60 Russian universities in total. State universities and state technical universities were the most frequently mentioned with this regularity being true across different cities.

Additional information about the quality of preparation of software developers can be derived from another university rating based on the results of team participation in the world programming championship among students (ACM International Collegiate Programming Contest).

Not all of the 10 Russian universities that since 1999 have become prize winners in this prestigious



tournament were included in 25 best universities by the index of the highest demand for their graduates among IT companies, which means these ratings are conventional. Nevertheless, all universities mentioned

in it are worthy of attention since top rating positions are determined by real achievements.

Brilliant results of students in international programming competitions prove that our universities can prepare top-class professionals. Such contests are regularly held by leading corporations to find talented programmers. Although champions and winners of collegiate programming not always obtain equally outstanding results in practical applications, as a rule they are able to fulfill the most complicated tasks at work.

Many of Russian champions and winners of ACM Contest have set up successful software companies or are key specialists in such companies. Probably, they lack entrepreneurial skills and management

experience for successful commercialization of their knowledge. With such knowledge their business achievements would be even more significant.

Unfortunately, substandard infrastructure does not allow to advance software development for export in many of Russian cities that have opportunities to train big numbers of qualified specialists. Many talented graduates of provincial universities move abroad or to the major Russian cities (mainly to Moscow and St. Petersburg), but not all are ready to leave their native towns.

The victories of students reflect the general level of specialists training.

It is unlikely that many graduates who failed to get into the world championship final are inferior to winners and champions. Sometimes it's just the matter of luck or lack of a well-established system of preparation of students for such contests.

The fact that since the last decade participants from Russia dominate international programming competitions confirms a very good quality of training of software developers in Russia, including those universities whose teams to not get into the finals.

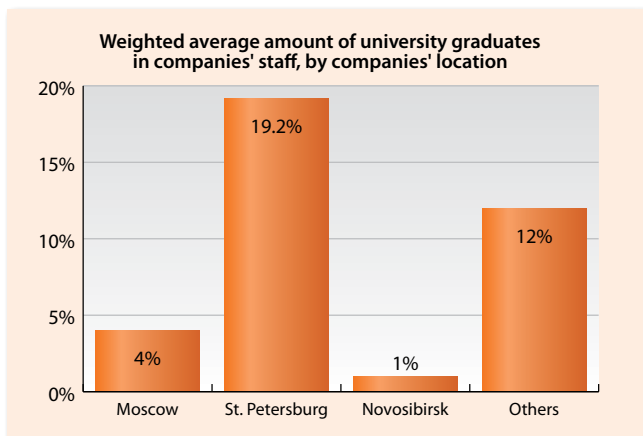
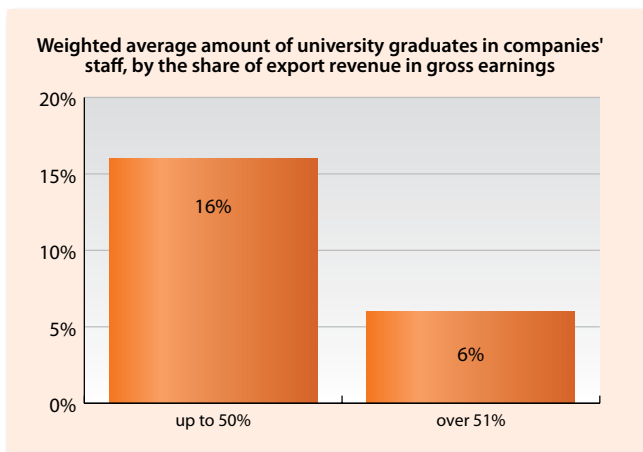
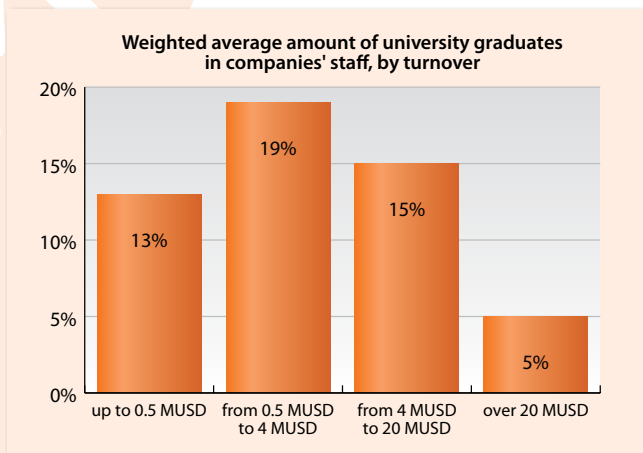
Over the past 10 years of participation in ACM championships the number of university teams from Russia that entered the world elite has grown. Since 1999 10 Russian universities won prizes in these competitions, with 4 teams becoming absolute champions in different years. It is by far more than in any other country. In the last decade Russia won the champion title 6 times.

In the final of the last team world programming championship among students held in Stockholm in April 2009 the absolute first place was again taken by Russians. For the second consecutive time the world champion became the team of St. Petersburg State University of Information technologies, Mechanics and Optics.

Apart from universities, whose teams were the winners of the programming world championship as elite also may be classed Ural State University, South Ural State University, Stavropol State University, Orel State Technical University and Moscow Institute of Physics and Technology. Being among 30-40 best universities based on results of the last final of the prestigious contest may also be considered an excellent achievement.

Judging from the world championship results, high-class programmers can be trained in universities of 13 Russian cities: Moscow, St. Petersburg, Saratov, Perm, Izhevsk, Stavropol, Yekaterinburg, Novosibirsk, Ufa, Barnaul, Orel, Chelyabinsk and Petrozavodsk. About ten more Russian cities are equally good to compete with them.

In individual contests on programming and informatics Russian students and school children also perform very well. At the championship TopCoder Open 18 participants reached the semi-final 4 of them representing Russia. The semi-final and final rounds took part in Las-Vegas June 3-4, 2009.



Rating of universities which graduates are most wanted among IT companies

Place	University	Votes
1-3	Saint Petersburg State Polytechnical University	11
1-3	Saint Petersburg State Electrotechnical University	11
1-3	Saint Petersburg State University	11
4	Saint Petersburg State University of Information Technologies, Mechanics and Optics	9
5-6	Moscow State Technical University	8
5-6	Novosibirsk State Technical University	8
7	Novosibirsk State University	7
8-9	Moscow State University	5
8-9	Ural State Technical University	5
10-12	Moscow Engineering Physics Institute	4
10-12	Saint-Petersburg State University of Telecommunications	4
10-12	Ural State University	4
13-15	Moscow Institute of Physics and Technology	3
13-15	State University of Nizhny Novgorod	3
13-15	Novgorod State University	3
16-25	Vladimir State University	2
16-25	Volgograd State Technical University	2
16-25	Nizhniy Novgorod State Technical University	2
16-25	Obninsk State Technical University for Nuclear Power Engineering	2
16-25	Omsk State University	2
16-25	Samara State Aerospace University	2
16-25	Saint Petersburg State Engineering Institute	2
16-25	Saint Petersburg State University of Aerospace Instrumentation	2
16-25	Saratov State Technical University	2
16-25	Southern Federal University	2

Prizes won by Russian university teams on ACM International Collegiate Programming Contest from 1999 to 2009*

University	Prizes won										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Saint Petersburg State University of Information Technologies, Mechanics and Optics	3 place	5 place	3 place		3 place	1 place	3 place		3 place	1 place	1 place
Saint Petersburg State University	9 place	1 place	1 place					6 place		11 place	3 place
Moscow State University				9 place	2 place		2 place	9 place	10 place	5 place	
Saratov State University				6 place	7 place			1 place	6 place		4 place
Izhevsk State University						8 place	9 place			3 place	
Altai State Technical University								3 place			8 place
Perm State University						4 place					
Novosibirsk State University									5 place		
Ufa State Aviation Technical University								10 place			
Petrozavodsk State University									13 place	10 place	
Total winners	2	2	2	2	3	3	3	5	5	5	4

* – number of total prizes varied from 10 to 13 during that period
Source: ACM International Collegiate Programming Contest

In the most popular «Algorithm» category all previous contests were confidently won by Pyotr Mitrichev from MSU. This time he took the 4th place losing to his compatriot Vladislav Isenbayev from St. Petersburg State University of Information Technologies, Mechanics and Optics (SPbGU ITMO),

who eventually won the second prize.

Pyotr Mitrichev despite his 4th place in the last TopCoder owing to his previous success remains the leader in the «Algorithm» rating made according to the same principles as chess players' ratings. Together with him the top-10 includes Renat Mullakhanov from

Perm (5th place), Vladislav Isenbayev (7th place) and the coach of the SPbGU ITMO team Andrei Stankevich (8th place).

In the «Marathon» category of the last TopCoder contest the winner was Andrei Lopatin, twice world champion with the team of St. Petersburg State University in 2000 and 2001 and now its coach. The 4th place in the «Marathon» was taken by Dmitry Trofimov, fifth-year student of SPbGU ITMO.

In recent years the competition of Russia and China in programming contests is becoming increasingly tough. It is representatives of these two countries who become champions or prize-winners. Still Russian students have a small advantage, but recently Chinese universities have made a big breakthrough in educating top-level programmers.

Unfortunately, successful performance of Russians in international programming contests creates an illusion among Russian officials of absolute well-being in the field of staff training. Actually, IT industry representatives have lots of claims to Russian higher education institutes that are very slow to adapt their programs to market requirements. In many respects these claims result from the activity of the Ministry of Education and Science and the RF Government.

Officials either ignore or react with great delay to proposals of industry representatives concerning relevant changes to be introduced in the system of professional training. Therefore, companies have to actively cooperate with universities, spending much money on elimination of drawbacks of the state education system.

The increase by 40,000 of budget places in state universities to train IT specialists since 2008 is a positive sign, but these measures should have been taken 5 years ago. The same holds true for preparation of "Professional Standards in the Field of Information Technologies" developed at the initiative of the Ministry of Information and Communications and Association APKIT and presented in April 2008.

The progress of Chinese universities should change the attitude of Russian officials. Chinese students have already started serious competition with Russians in team programming, while Chinese companies do the same on the world market of software development services. Certain methods to support education and the software industry may be borrowed from the Chinese Government.

STAFF TURNOVER

The indicator of staff turnover remains at the low level. At year-end 2008 it made 9% (i.e. equal to 2007). Low staff turnover rate is one of Russia's competitive advantages on the global market of outsourcing services. In India, a world leader of IT outsourcing, this indicator is much higher reaching 30% and more.

Although the average staff turnover in Russian companies is similar to the previous year, the

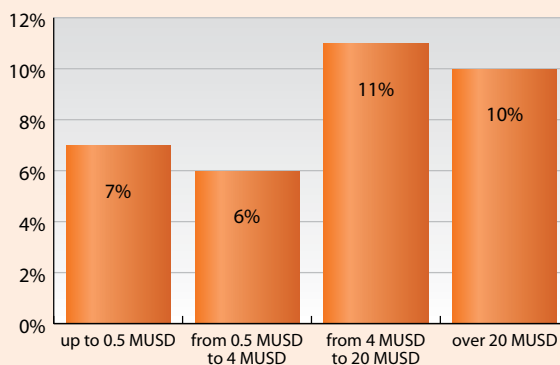
measurements for different groups of companies prove that major changes have taken place. First, it should be noted that at year-end 2007 in companies with a turnover less than 4 MUSD this indicator was much higher than in larger companies (21% against 1.5-2%). Such difference showed major transfer of human resources from small companies to large enterprises.

Given the fact that at year-end 2008 the staff turnover rate equaled (it even slightly increased in major companies) mass transfer of employees from small companies to major businesses stopped. Last year staff turnover was mainly caused by staff reduction rather than manpower transfer between companies. If dismissed specialists were in demand, as a rule they were employed to replace lower-level employees. Hence, the rotation, which allowed to improve the average level of qualification without changing company staff.

Staff turnover is lower in the regions (in «Other cities» it makes 7%) and higher in St. Petersburg (13%) and Moscow (9%), the difference being very insignificant.

There is no marked interdependence between staff turnover and export share in total revenue. However, companies working mainly on the Russian market more often said they feel a negative influence of the crisis, their staff turnover rate is the same as in companies earning the larger part of their revenues in external markets.

Annual index of staff turnover by size of companies



SALARIES

The average salary of key specialists working for Russian export software companies has decreased for the first time in many years. In all previous years RUSSOFT Association's survey showed not merely its growth but rather a rapid increase – by 30-50% annually in dollar equivalent. Only in 2007–2008 (before the crisis) the growth was reduced, and the average salary in dollars increased mainly owing to the Russian ruble strengthening during that period.

According to recruitment agencies, the salary of software developers earned in rubles was steadily

Average offered and expected salaries of software engineers (April 2009)

Profession	Average offered salaries, RUB/month (USD)	Average expected salaries, RUB/month (USD)
Developer (C/C++)	60 000 (2000)	60 000 (2000)
Developer (Java & J2EE)	60 000 (2000)	70 000 (2330)
Developer (Delphi)	61 000 (2030)	60 000 (2000)
Developer (Oracle)	62 000 (2070)	61 500 (2050)
Web-developer (PHP, ASP.Net)	50 000 (1700)	50 000
Developer (1C)	55 000 (1800)	70 000 (1700)

Source: HeadHunter research department (published in CNews)

growing till the end of 2008. This was followed by stabilization and a slight decrease for several specializations (for certain positions in cities with the highest level of salaries the annual reduction was 25% by May 2008).

According to Rabota@Mail.Ru, prior to the crisis salaries in the IT sector increased by 60–80% annually (source: CNews publication). In 2008 (before the crisis), in major Russian cities Perl programmer salary grew from USD 1,300–1,400 to USD 2,000–2,200. Before the very start of the crisis average statistical programmer claimed to earn USD 2,500 per month, whereas in early 2009 his maximum claims reduced to USD 2,300 (although usually offers dropped even lower).

HeadHunters data show that in 2008 the salary of programmers in Moscow increased from RUB 55,000 to RUB 60,000 (around USD 2,200–2,300). At the beginning of the last year, Java developer earned RUB 56,000 and .NET developer – RUB 54,000 (both around USD 2,200).

According to Avanta Personnel, in 2008 salaries of IT-specialists increased by 18% on average and in software companies – by 10%. At the beginning of the last year testers in Moscow earned RUB 36,700 (USD 1,470) and RUB 40,800 (USD 1,360) at the year-end.

Average wages started to decrease in 2009. For instance, for Java developers it makes 25% in rubles, while 1C programmers lost RUB 7,000 (USD 230). Their average salary dropped from RUB 62,000 (USD 2,500) to RUB 55,000 (USD 1,800).

Due to ruble devaluation by 25% at the end of 2008 the average the average reduction of salaries in currency in Q4 2008–Q1 2009 was 30% for programmers working for export.

Nevertheless, no catastrophic salary decrease took place in software companies. Key developers remained on their positions and retained the level of pay. There occurred the rotation of staff accompanied with a certain reduction of bonuses and dismissal of unproductive employees. Despite a sharp change in the proportion of the number of vacancies to the number of resumes, the demands

of candidates have not become less excessive. More often than not salary expectations of candidates looking for jobs in software companies are higher than actual offers.

Neither employers nor employees still have learnt to orientate themselves in new circumstances. Moreover, there is no clarity regarding the situation in the global IT market at least in the foreseeable future and, therefore, regarding business prospects.

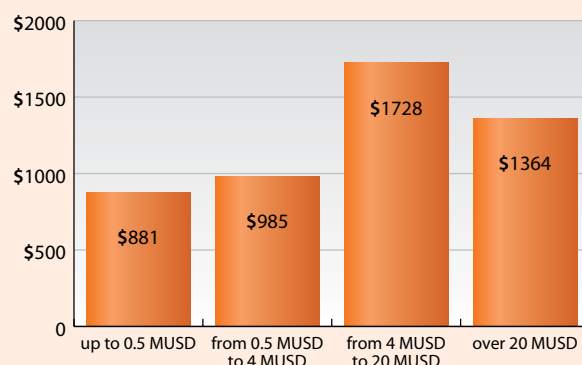
Many specialists earn as much as they did at the end of last year. Highly qualified professionals are still

valued. The demand for middle-level qualification specialists and developers who only start their careers has reduced.

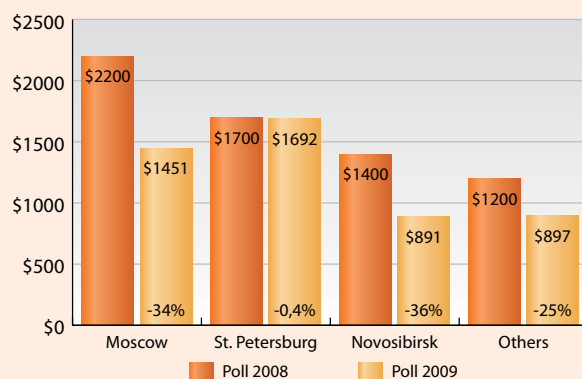
During the crisis there emerged new opportunities for business, which resulted in some companies even increasing salaries for their staff. According to the poll conducted by Avanta Personnel in Moscow and St. Petersburg a fourth of IT companies raised salaries in January–March 2009 (results published by CNews).

At the same time based on the on-line survey made by HeadHunters, salaries are delayed by 43% of IT companies. Most likely, this survey covered only specialists actively hunting for new jobs, i.e. representing not the most successful companies.

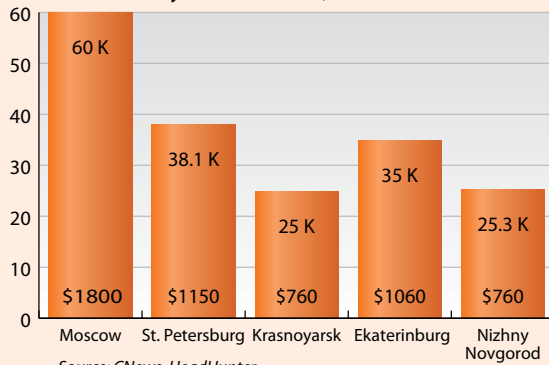
Average salaries by companies' turnover, USD/month



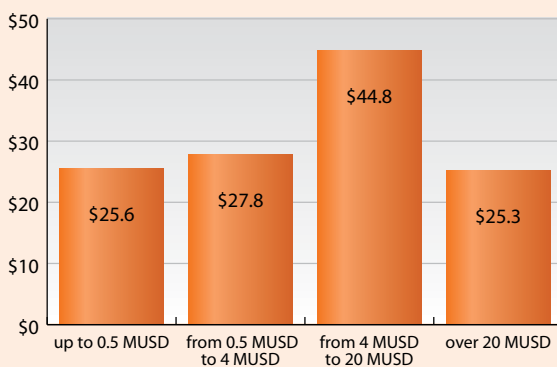
Average salaries by location of companies, USD/month



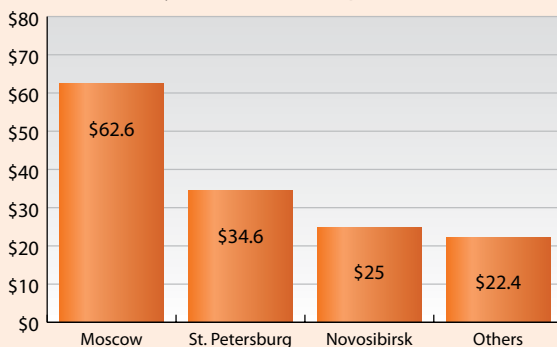
Average salaries of software engineers by the end of 2008, RUB/month



Average cost of the man-hour by the turnover of companies, USD



Average cost of the man-hour by the location of companies, USD



Average cost of the man-hour and average salaries by the share of export revenue in gross earnings of companies, USD

Share of export	average salaries, \$	average cost of the man-hour, \$
up to 50%	1164	28,55
over 51%	1604	32,14

Anyway, delays have become a fact, although they are less massive than the above results.

The polling performed by RUSSOFT Association testifies the reduction of average salaries of key staff of software companies by approximately 20% in spring 2008–spring 2009. Since the survey concerns first and

foremost exporters, salaries are estimated in dollars. In March–April 2009 when the poll was prepared this figure was USD 1,305 monthly. Probably, the decrease since the crisis exceeds 20% (because previously salaries were growing) and is mainly explained by the drop in ruble rate against the US dollar.

It will be quite wrong to think that it is due to the crisis that the rapid growth of salaries gave place to a significant reduction, though chronologically this is true (an increase before the crisis and a decrease afterwards). The point is that the growth rate started to slow down as far back as 2007. A year ago we predicted that the average salary should soon be stabilizing since limitations for its growth have already become apparent.

Now it is hard to say whether the bottom was hit right before the crisis, but even in the situation of dollar salaries reduction major companies were skeptical about opportunities to actively employ in Russia. In the opinion of leading companies' directors, salaries have reached their limit. The recent reduction of salaries and other expenses in Russia due to ruble devaluation against the dollar enabled to improve competitiveness of Russian companies on the global market. At the same time, the reduction of programmers' salary is observed in competitor countries as well, which means the effect of devaluation and decreased pay for programmers in Russia is just temporary.

The results of RUSSOFT Association survey indicate that this year the interdependence of the average salary and company turnover has slightly changed. In previous years salaries were always higher the bigger the company. Generally, this still holds true. Only companies with turnover from 4 MUSD to 20 MUSD are an exception to this rule since their average salary turned out a bit higher than in major companies. The same concerns the average cost of man-hour of software development.

This deviation may be attributed to random factors, particularly a small number of respondents in these groups. It has to be noted that the spread of salaries named by respondents is very wide even across companies with comparable turnovers, which may be related to the business model (product or service).

The lack of salary reduction in St. Petersburg compared to other cities is likely to reflect better conditions for international marketing (owing to its geographic location). In Moscow the decrease in salaries most probably indicates that all major Moscow companies have big development centers in other cities and countries with lower living standards, while the average salary is calculated across all branches.

The RUSSOFT survey data conform to the results of the HeadHunters research on average salaries of programmers in different cities. Certain differences may be easily explained as the recruitment agency estimated the average salary only for programmers and not for all key employees of software companies.

Furthermore, the HeadHunters survey incorporated all companies employing programmers and not only those developing software for export. Moreover, HeadHunters evaluated programmer salary on the Moscow labor market while RUSSOFT's survey – the salary considering the distribution of development centers of Moscow companies in different cities and countries.

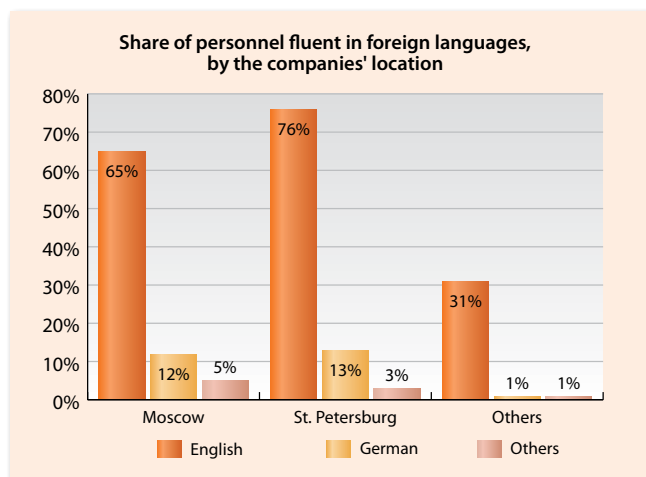
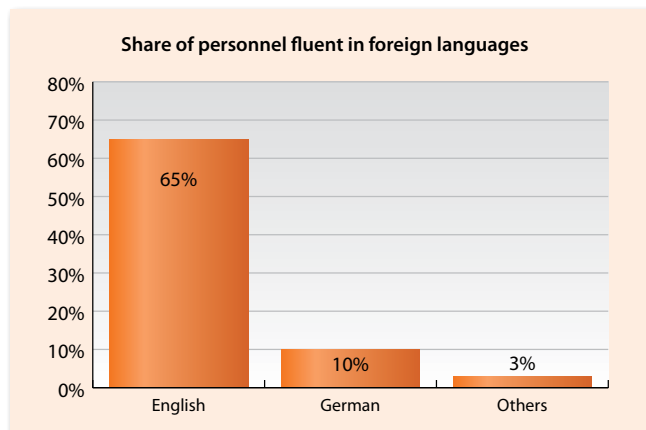
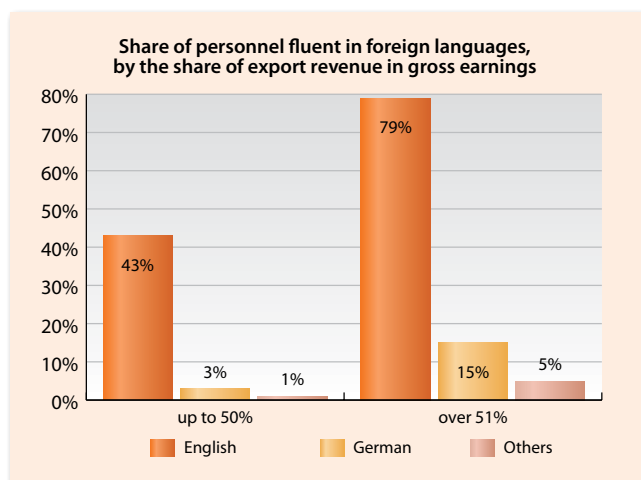
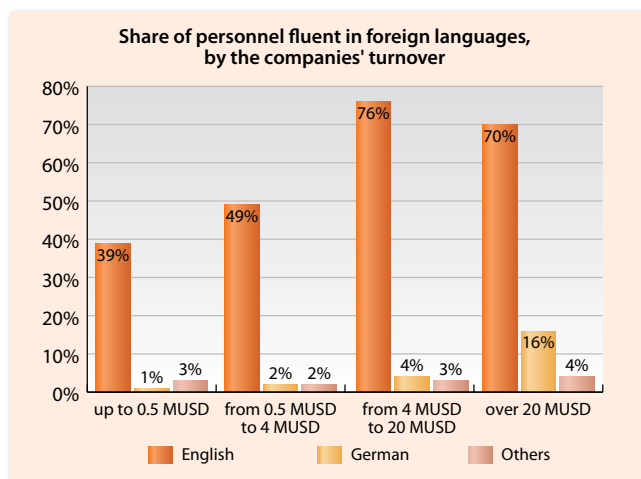
Even more accurately should we treat the data on the cost of man-hour of software development in companies with different turnover and location. The respective question was answered only by a third of respondents. We can trust data on companies with the turnover less than 4 MUSD (this group presents quite a decent sample of answers) as well as data related to the average indicator of the cost of man-hour in all participating companies that made USD 31.6.

In mainly export-oriented companies average salaries are much higher similarly to their requirements for staff qualification.

LANGUAGE PROFICIENCY

According to company executives, two thirds of staff in export companies have a good level of English.

In Moscow and St. Petersburg the number of specialists knowing a foreign language is much higher than in other cities. For instance, the proportion of employees fluent in English more than twice exceeds this figure in other regions. This difference is even



bigger for the German language: there is by an order more German speaking staff in Moscow and St. Petersburg than other cities. However, generally only 10% of employees know German well in respondent companies.

The larger the company, the bigger the proportion of staff proficient in a foreign language.

The regions are significantly lagging behind St. Petersburg and Moscow in the level of language proficiency, which is aggravated by the gap in infrastructure development (Internet access, high-tech international airport), together this seriously hampers the fulfillment of the export potential in the regions.

As a rule, the proportion of up to 70% fluent in foreign languages is quite sufficient for major companies that apart from international customers also work with clients in Russia and the former USSR whose representatives speak Russia. Nevertheless, it appears there is no reserve of specialists speaking foreign languages in Russia.

SITUATION IN THE LABOR MARKET IN RUSSIA AND OTHER COUNTRIES

Before the crisis programmer salaries were increasing all over the world, although the growth rate greatly varied country to country. For example,

in the USA the growth was only several percent while in Russia – tens of percent. According to statistics of the website Dice.com, in 2008 average income of American developers increased about 7% year-on-year. The average salary of an IT specialist grew by 4.6% and amounted to USD 78,000 per annum (USD 6,500 per month).

Apparently, the salary growth in the USA stopped at the same time as in Russia, i.e. closer to the year-end 2008 (or rather the situation in Russia was similar to that in the USA). Probably, the reduction of IT specialists in America due to the crisis was more massive than in Russia, but at the same time the number of IT employees in the USA is much bigger and, therefore, it is much more difficult to save jobs for them.

In India the staff of service companies greatly exceeds the headcount of Russian competitors, hence the scale of staff reduction is also incomparable.

According to CNews announcement, an Indian outsourcing company Satyam Computer Services has already dismissed more than 3,000 employees and plans to fire 8,000 people more. Thus, its staff will decrease from 40,000 to less than 30,000 employees. But the case with Satyam is special. The influence of the crisis on staff reduction in this company is intensified by the disclosure of serious violations of financial discipline and reporting to shareholders.

Outsourcing companies in India as well as in Russia face a big shortage of highly-skilled specialists. According to the NASSCOM data published by The Wall Street Journal, about 50% university graduates with the major “engineer” and up to 85% graduates in other disciplines are not suitable for work after finishing studies in college. India has no obligatory secondary

education, and its quality leaves much to be desired, which poses a grave problem for Indian IT industry.

Even though in Russia programmer salaries in dollars have decreased, they are still high compared to many developing countries where the software industry is growing. For this reason Exigen Services plans to expand its staff recruiting not Russian, but Chinese specialists (the company’s growth plans primarily concern the expansion of its development center set up in China). According to the company Luxoft, in Vietnam the average programmer salary is about half as much as in Russia, therefore, Luxoft is actively promoting its development center in Vietnam.

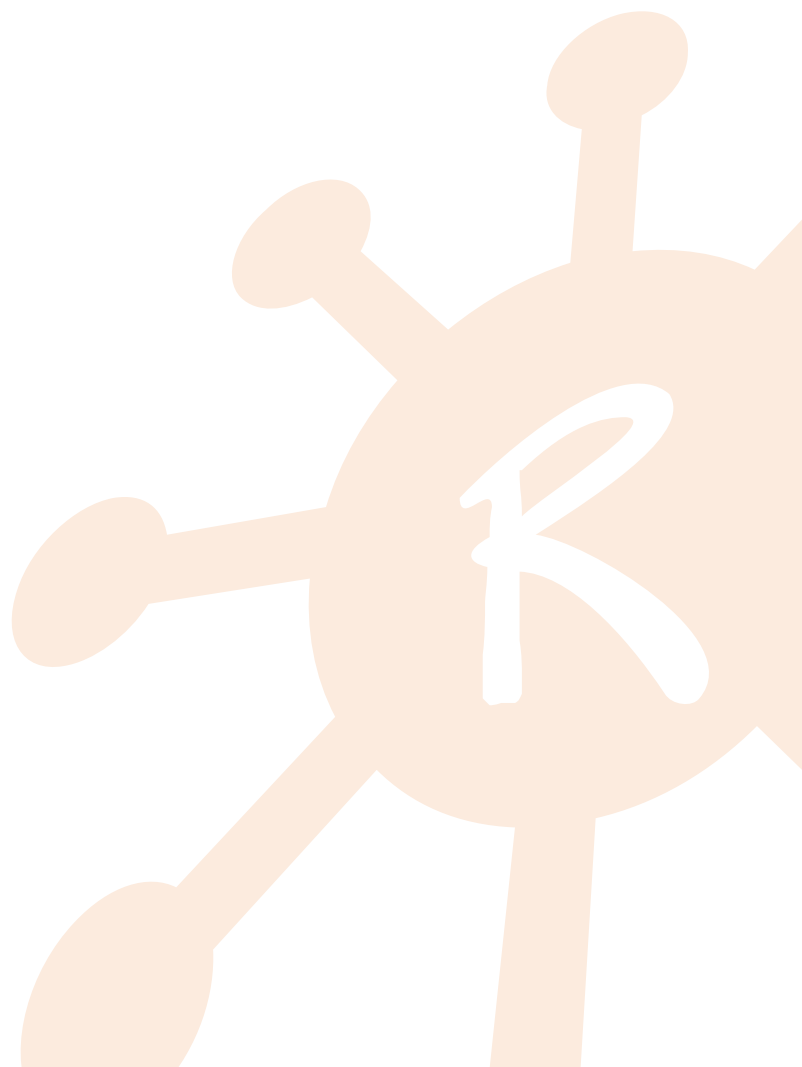
Before the crisis it could be assumed that the difference in salary level would be reducing, since there were no grounds for further rapid growth of salaries in Russia, whereas in China and Vietnam (and other countries of South-East Asia) such growth was possible.

Now the situation has changed. At the moment it is hard to speak with certainty what would happen in the global market of software and IT services in the coming months and years.

Compared to other countries, Russia has a good potential. According to Frost & Sullivan, by the number of researchers and developers per thousand citizens Russia is the world leader, and by the number of scientists and engineers per million people occupies the third place significantly excelling India and China. In terms of the share of students getting technical education Russia ranks first in the world (according to the data of UNESCO, Federal Statistic Office of Germany). It is essential to use this potential, which is very hard to do given insufficient state support of the IT industry.

CHAPTER 7.

TECHNOLOGIES



The results of the 2009 survey show that companies have considerably reduced the number of technologies and solutions used for software development (operating systems, programming languages and tools and DBMS). For example, in the past any company used more than 3 operating systems on average (in 2008, this figure was 3.6). Moreover, the indicators remained the same from year to year without major fluctuations. In 2009, this indicator dropped to 2.3.

The main reason of the reduced number of platforms used is evidently the crisis. The last survey was conducted in Q1 2009 right during the most difficult months, when there were neither new orders nor any certainty about the future, and outsourcing and product companies had to optimize the number of their employees. Otherwise stated, the staff was reduced and certain areas of technology development were closed. Gradually excessive competencies and reserve of staff required at the stage of the boosting growth in order to quickly launch new projects were also cut down.

Simultaneously with the «staff optimization» there were reduced license fees for OS, DBMS and programming tools that either dismissed employees worked with or that were not used at full capacity, but were maintained for marketing purposes awaiting new orders.

Such redundancy of skills and staff became unprofitable and unnecessary after the wave of crisis swept over the market.

The second reason of the reduced number of tools and platforms used by respondents is a considerable increase in the number of companies answering the question about technologies. As compared to the 2008 survey, the number of companies who answered the questions about platforms and tools grew from 75 to 110. Practically all leading companies with a wide range of competencies actively participated in the poll in previous years, too. The increase in the number of respondents was mainly caused by new participants with a relatively small list of OS, DBMS and programming tools used by them.

It is difficult to say how greatly the increase in the number of respondents influenced the ultimate results. However, it can be stated that in this case the role of the crisis was much greater. The list of technologies was mainly shortened by companies with a turnover less than 4 MUSD. It was this group that mostly influenced the frequency of records by each technology.

According to the calculation methodology, any record of a single technology submitted by a major company with thousands employees and a small firm with several people working have similar weight. The requirement to provide more detailed information on the number of employees using each and every technology would overload respondents and put at risk the representativeness of the survey.

To more accurately reflect the real popularity of

this or that system we separately provide data on the largest and the smallest companies. All other groups of companies get interim results.

The larger the company, the higher its indicator of frequency of records for each technology. The same dependence exists concerning the share of export in total revenue. The bigger the export share, the higher the above indicator.

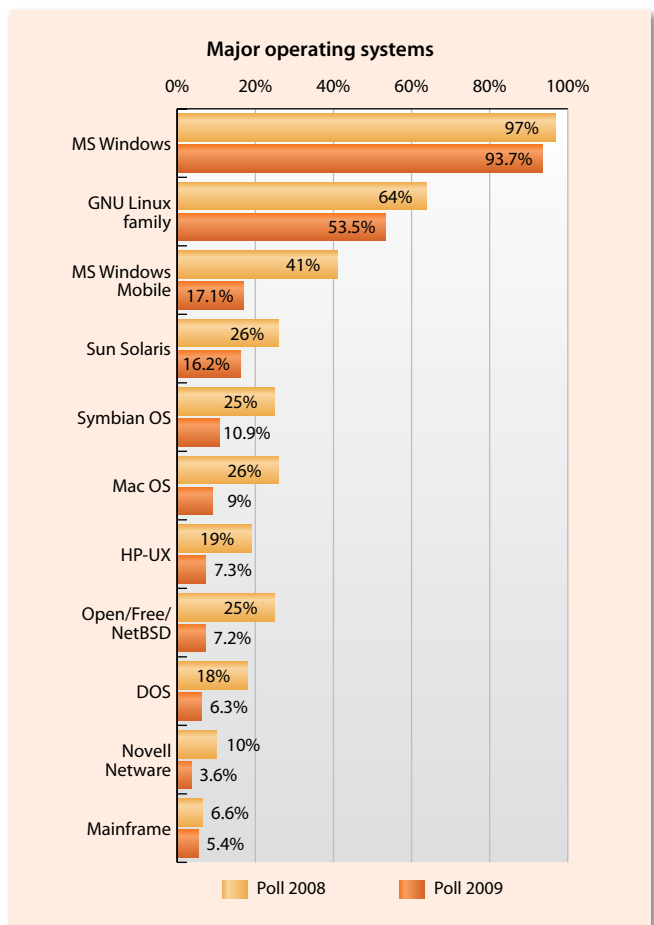
Owing to the crisis we also managed to obtain additional information about OS, DBMS and tools used as a reserve (and vice versa – about technologies companies cannot abandon despite the crisis).

OPERATING SYSTEMS

Due to the crisis Windows leadership has not shaken and its advantage over GNU Linux ranking second has even slightly increased. The lagging behind of other operating systems has intensified even more. An insignificantly smaller number of records against the previous year was registered for the 2 most popular families of OS (Windows and GNU Linux) as well as Mainframe that came only last during the previous poll.

The crisis has most negatively affected Novell Netware, DOS, Mac OS and Open/Free/NetBSD. However, this influence was reinforced by other factors, too. Most likely, the popularity of some systems already tended to decline.

GNU Linux family still fails to approach Windows, despite some experts have been expecting this



Reduction rate for OS mentioning frequency

MS Windows	1,04
GNU Linux family	1,2
Mainframe	1,2
Sun Solaris	1,6
Symbian OS	2,3
MS Windows Mobile	2,4
HP-UX	2,6
Novell Netware	2,8
DOS	2,9
Mac OS	2,9
Open/Free/NetBSD	3,5

systems for mobile devices in St. Petersburg. This reflects the specialization of St. Petersburg companies: many of them focus on applications development for smartphones and mobile phones.

It should be noted that the biggest difference between Windows and GNU Linux family is registered in Moscow companies. If indicator for Windows in Moscow equals 100%, for GNU Linux family it makes only 40%. Moscow stands out because of obviously better indicators for HP-UX, DOS and Mainframe. At the same time respondents in St. Petersburg have not even mentioned HP-UX, Novell Netware and Mainframe.

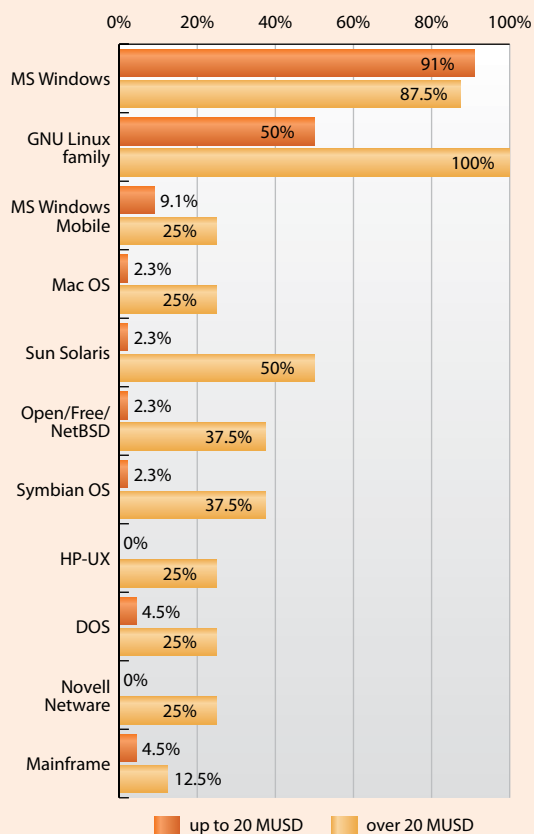
DBMS

As well as in the case with OS, the DBMS rating is confidently headed by Microsoft MS SQL. Its leadership has strengthened owing to the crisis, though it has slightly lost in the frequency of records.

Four most popular DBMS are placed in the same order as last year. But the further the 1st place is, the greater the reduction in the number of records. Out of 10 most popular DB management systems last year the biggest losses are incurred by IBM DB2, MS Access, MSDE and PostgreSQL.

The smallest companies have confined themselves to work with only three database management systems – MS SQL, Oracle and MySQL. Firebird also has quite a good indicator, but other DBMS were named in questionnaires by less than 5% of these companies (or, as a rule, they were not named at all).

Major operating systems used by biggest and smallest companies



convergence over several years. Open source software is still less popular in Russia than in many other countries. Anyway, vendors promoting freeware are confident that sooner or later global trends would win Russian companies and institutions, too.

Possibly, a sign of it is the fact that in the major companies the most frequently mentioned is not OS Windows, but GNU Linux family that reached the absolute frequency of records – 100%.

As in previous years companies from different cities emphasize the highest popularity of operating

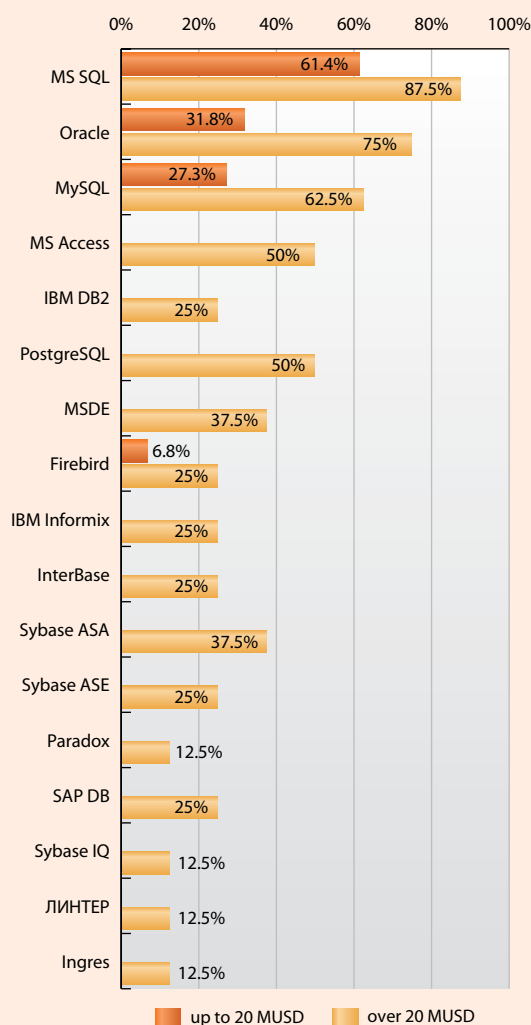
Major DBMS

DBMS	Poll 2008	Poll 2009
MS SQL	82%	66,1%
Oracle	69%	48,6%
MySQL	68%	35,8%
MS Access	49%	14,7%
Firebird	19%	11,0%
PostgreSQL	31%	11,0%
MSDE	27%	9,2%
IBM DB2	33%	8,3%
InterBase	18%	7,3%
Sybase ASA	13%	6,4%
SQLite	8%	5,5%
IBM Informix	18%	5,5%
SAP DB	9%	4,6%
Sybase ASE	13%	3,7%
Sybase IQ	7%	2,8%
ЛИНТЕП	5%	2,8%
Paradox	12%	1,8%
Cachee	7%	1,8%
Ingres	2%	1,8%
Berkeley DB	1%	1,8%

Reduction rate for DBMS mentioning frequency

Berkeley DB	0,56
Ingres	1,11
MS SQL	1,24
Oracle	1,42
SQLite	1,45
Firebird	1,73
ЛИНТЕР	1,79
MySQL	1,90
SAP DB	1,96
Sybase ASA	2,03
InterBase	2,47
Sybase IQ	2,50
PostgreSQL	2,82
MSDE	2,93
IBM Informix	3,27
MS Access	3,33
Sybase ASE	3,51
Cachee	3,89
IBM DB2	3,98
Paradox	6,67

Major DBMS used by biggest and smallest companies

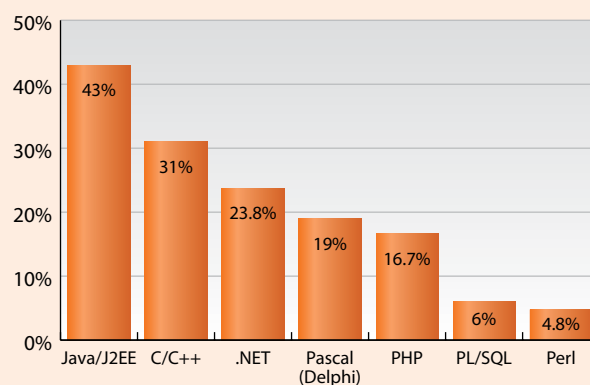


PROGRAMMING TOOLS

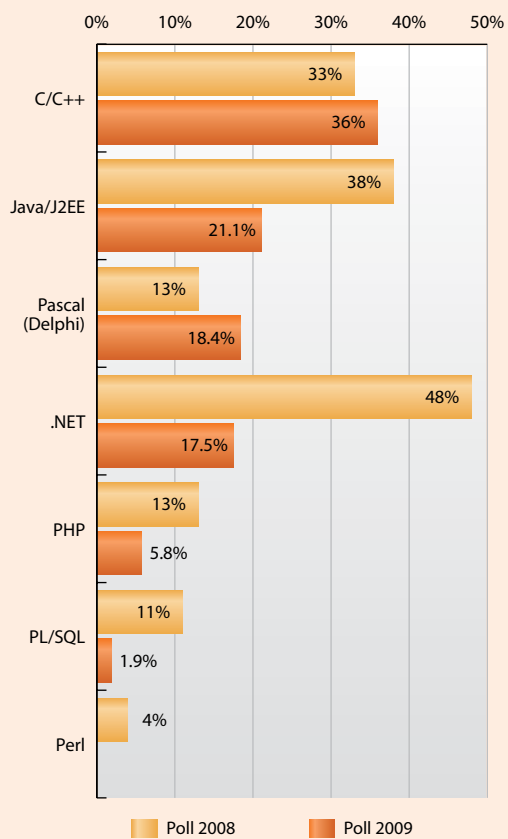
The number of records of programming tools has greatly reduced against year-on-year, but not for all tools. C/C++ and Pascal (Delphi) were growing, which enabled them to rise in the popularity rating. Most often C/C++ was named as the main programming tool. The group .NET (C#, VB.NET, ASP.NET) has not only lost its leading position in the rating, but came down the 4th position. Among tools used by the companies but not being key tools for them the first place is taken by Java/J2EE leaving the rest far behind.

The crisis has not impeded the growing popularity of such development tools as MS Visual Studio and Eclipse.

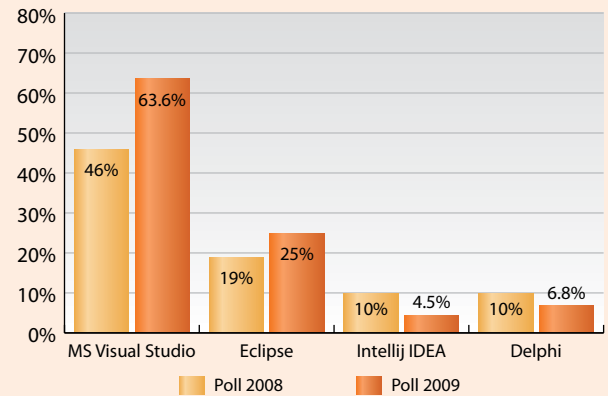
Programming tools used as secondary tools



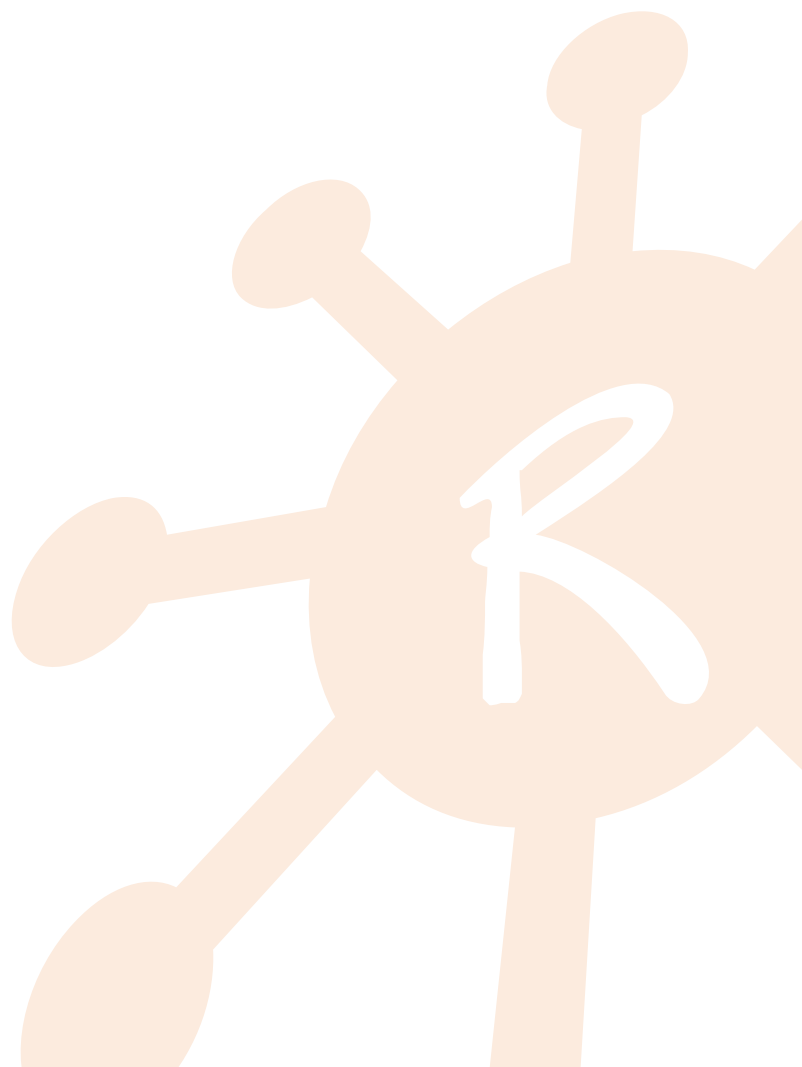
Programming tools used as major tools



Most popular development tools



CONCLUSIONS



Generally, the global economic crisis has negatively affected exports of Russian software developers, but at the same time it produced a healing effect on the industry enabling companies to optimize their structure and reduce expenses primarily on the lease of premises and staff. The devaluation of the Russian currency against the dollar has positively influenced the competitiveness of Russian companies. A sharply negative impact of the crisis was reported only by 20% of export companies participating in the poll, although the effect of crisis as the main factor influencing the market was mentioned by 80% of respondents. For 4% of companies the effect of the crisis was obviously beneficial.

According to 2008 results, the volume of Russian exports of software and development services reached USD 2.65 bn. Russian companies continued to develop the niche of science-driven projects that require profound knowledge of mathematics and related sciences. The total revenue of all Russian software companies from the sales of software products, software development services, implementation and maintenance of information systems amounted to approximately USD 5.5 bn.

The year-end 2008 was marked for the reduced growth rate of export of software and development services and the increase in exports only by 21%. This is a record-low indicator over the years of the survey (despite it still remains one of the highest in the world).

The compound annual growth rate for the period from 2002 to 2007 is 44.3%. Export growth rate is expected to further slow down in 2009 (to 8-13%), which will be followed by export growth of software and development services in 2010 to the level of 18-20%.

The structure of export continued to change mainly owing to a faster growth in sales of software products and ready-made solutions. In 2008, their growth made 26%, and the volume of export – USD 800 mln. Exports of software development services totaled USD 1,450 mln (growth by 16%). The volume of exports of development centers of international companies and software export from universities and research centers almost have not increased. Their export volume amounted to USD 400 mln (growth by 4%). It is expected, that in 2009 sales of product companies in external markets would also grow at a fast pace, but the increase will be much less than 26%. The sector of software development services has severely suffered from the crisis, but it has recovered in spring 2009 and is expected to grow in H2.

Apart from the crisis the slow down in export growth in 2008 was caused by the fact that the average salary of software developers reached its maximum beyond which custom development in Russia becomes unprofitable. In its turn the boosting growth of salaries of staff observed in recent years was the result of the state education failure

to provide for the sufficient level of IT graduates corresponding to the growth rate in the industry. The crisis made the staff issue less urgent. Due to this since spring 2008 to spring 2009 the average salary of key specialists of software companies reduced approximately by 20%.

More than a half of export companies consider that the problem of the lack of staff is still the main limiting factor for the industry growth despite a sharp increase of supply in the labor market caused by the crisis. Based on the results of the poll, companies are not planning to extensively employ in 2009. Judging by their intentions the staff of export companies should grow by 7% on average.

The indicator of staff turnover stays at the low level. In 2008 it averaged 9%. A low indicator of staff turnover is one of competitive advantages of Russia in the global market of IT services. Since this indicator has become almost equal for companies of different sizes, it may be stated that the outflow of employees from small companies to large businesses has almost stopped.

The number of respondents critical of the state support for software industry has increased. As a result of the crisis the dependence of Russian economy on raw materials prices became more apparent, which should make the State realize the need of state support for high-tech companies willing to export their products and services.

The share of companies unsatisfied with the taxation system reduced from 45% to 37%. Moreover, 11% evaluated the taxation system as «good». This is a result of the use of a simplified taxation system for small companies and extension of benefits for the uniform social tax (UST) for export companies. At the same time, major companies more often show their dissatisfaction with the system of taxation in view of the projected replacement in 2011 of the UST by social payments significantly exceeding the UST.

As expected, in 2008 the importance of the Russian market for companies exporting software and development services continued to grow. The share of respondents who named the implementation of projects in Russia as the key industry trend soared more than in previous years – from 55% to 87%. The CIS market has also become more significant for respondents.

The shrinkage of the Russian IT market urges Russian software companies to enter new markets. They already consider export opportunities in the countries of Africa, Latin America and the Asia-Pacific region counting on the state support. Previously Russian companies practically were not represented in these markets. At the same time, the USA and Europe remain the most important international markets for Russian companies.

Only few percent of respondents are planning to open new trade offices and development centers in 2009-2010. The majority decided to abstain from such activities during the crisis.

Owing to PR activities of Russian software companies the number of their records in international Mass Media increased last year. However, only 10 of 20-25 major Russian software exporters actively communicate with journalists abroad. The lack of coordinated state support impedes the expansion of PR activities in the industry.

At the same time the number of negative publications about Russia also increased, which was mainly caused by military operations in Georgia. The image of the country may affect the expected redistribution of orders in the short-term perspective more seriously than other more fundamental factors. In this area Russia has maximum reserves since political games in the world Mass Media created a negative image of Russia.

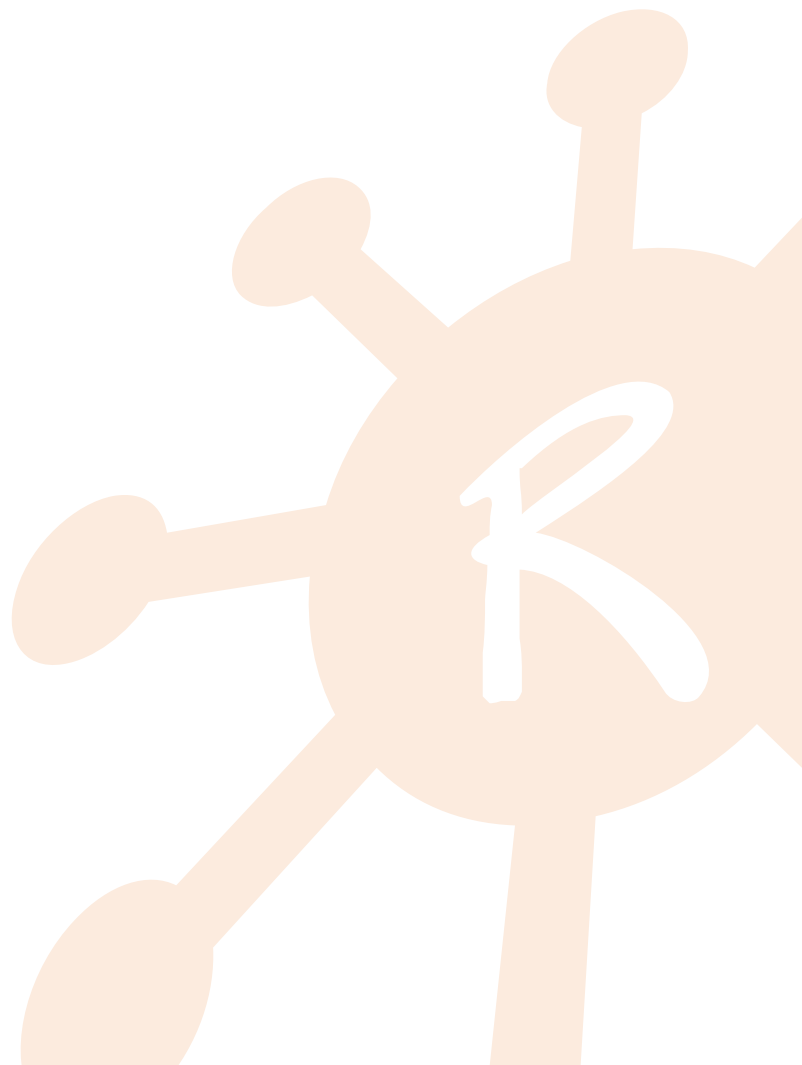
The representation of Russian software developers in the rating of the world leading service companies stays at the same high level. Different reports of analysts and rating writers regularly mention

around 10 companies from Russia.

Since spring 2008 the volume of investment in start-ups and high-tech companies has significantly grown. This increase was the result of both state financing (through state corporations and state venture capital funds) and private companies (primarily international corporations). In the coming years Russia may expect the emergence of new providers of solutions and software products that began to operate as start-ups in 2007-2008.

Companies have significantly reduced the number of technologies and programming platforms used for software development (operating systems, programming languages and tools and DBMS) obviously in order to save on license payments. Among the most popular operating systems the leaders still are OC Windows and GNU Linux, among DBMS – MS SQL, Oracle and My SQL, among programming languages – C/C++, Java, Pascal and .Net.

PARTICIPANTS OF THE SURVEY





Elite Software R&D Services Since 1990

Founded in	1990 Auriga is the first Russian company that started providing offshore/nearshore software development services to US/EU customers.
Engineering Locations	4 development centers in Russia (in Moscow, N. Novgorod) and ability to augment the team by the resources in China.
Services	Software Product Engineering and ADM, Custom Software Development, Product Maintenance, Re-engineering and Porting, Localization and Globalization, Customization and Integration, Software Testing and QA, Product Support, Technology Research and Consulting.
Domain Verticals	High-tech, Telecom, Healthcare, Finance, Information security, Media and Entertainment, Education, Government, and more.
Major Clients	IBM, LynuxWorks, Pigeon Point Systems, BroadVision, Dräger Medical, Dialogic, Raymarine, etc.
Technologies	Embedded and mobile devices. Real-time systems. Linux, UNIX, Windows internals. Enterprise applications. Workflow, document and content management. Distributed, web applications and portals. Java and .Net based applications. Databases.
Awards	• In Global Outsourcing 100 (rating by IAOP) since 2008. In 2009 listed among best in healthcare, telecom, high-tech industries, R&D services, Russia region. • In Global Services 100 (by Global Services Media and neolT) since 2006. In 2009 listed among best 10 in Eastern Europe. • In The Black Book of Outsourcing (by Brown-Wilson Group, Datamonitor) since 2006. In 2008 ranked as #3 ITO provider in CEE, and #6 global software testing services provider.
Certifications	CMMI Level 4
Differentiators	Despite its moderate size, Auriga is constantly included in the lists of the top global outsourcing providers, side-by-side with much larger industry giants. This recognition is caused by outstanding engineering capabilities and exceptional customer feedback. Besides the proven engineering expertise, Auriga is well-known for its superb «soft-skills»: individual approach to each customer, focusing on customer's business goals and providing best value, ability to establish comfortable and efficient collaboration, good cultural fit for Western clients, flexibility in engineering and business approaches. Once engaged, our customers stay with us for years, some for more than 10 years already.
Engagement Models	Dedicated Team/Center, Project Services, Outstaffing, and more.
Pricing Models	Fixed Price, Time & Material, Risk Reward, Cost Plus, and more.
Contacts:	Auriga, USA 92 Potter Rd, Ste. 1 Wilton, NH 03086, USA Phone: +1 (866) 645-1119 Fax: +1 (603) 386-6097 Auriga, Russia 125 Varshavskoe Shosse, Unit 16A Moscow, Russia, 117587 Phone: +7 (495) 713-9900 Fax: +7 (495) 939-0300
Web site	http://www.auriga.com
E-mail	info@auriga.com



EPAM Systems

Corporate website	www.epam.com
Contact email	info@epam.com, sales@epam.com
Headquarters	Newtown, PA, USA
Founded	1993
Headcount	4,000+
Company Overview	EPAM Systems is the leading provider of full-cycle software engineering and IT consulting services with development centers in Central and Eastern Europe. EPAM provides services to clients worldwide utilizing global delivery model through its customer support operations in North America, UK, Germany, and Sweden, together with 4,000 IT professionals across development centers in Central and Eastern Europe and Russia. EPAM's core competencies include complex software product engineering for leading global software and technology vendors, as well as development, testing, maintenance, and support of mission critical business applications and vertically oriented IT consulting services for global Fortune 2000 corporations. EPAM has developed, deployed into production, as well as currently supports and maintains systems for global customers in 30 countries and 13 languages. The company has always focused on providing distributed application development services across multiple sites. As such our entire core processes and systems (quality systems, management processes, software development tools, build management etc.) have been designed, implemented, and proven over the last 16 years to support this delivery model. Certified as compliant with SAS 70 Type II security standard, EPAM's experience is backed by financial strength, security & IPR protection, maximizing quality, efficiency and scalability of company operations while minimizing risks.
Development centers	Russia, Ukraine, Belarus, Hungary, Kazakhstan
Major Service Offering	• Software and product engineering • Project-based technology consulting • Application Testing, Maintenance and Support • Application Migration and Reengineering
Technology Focus	• .NET 3.0/C# (SOA, ASP.NET, WCF, WF, WPF) • Java EE (SOA, ESB, Web & Rich Client Applications, Grid) • SAP NetWeaver (xApps, Web Dynpro, EP, BW, BI, XI, MDM) • DBMS (Oracle, MS SQL Server, Sybase, MySQL) • Enterprise Content Management (EPAM CMS, Open Source, Stellent (Oracle), Documentum, Interwoven) • Embedded SW development (OSE, VxWorks, LynxOS, Reliant (pSOS), QNX, Linux, HP-UX, Solaris, Windows NT 4.0 Embedded, Windows CE/Mobile)
Practice Areas	• Software Product Development • Finance • Media and Entertainment • Travel and Hospitality • Insurance and Healthcare • Telecommunications • Oil/Gas, Energy • Retail and Consumer Goods • Government
Partial Customer List	Thomson Reuters, The Coca-Cola Company, Wolters Kluwer, MTV Networks, Expedia, Schlumberger, Renaissance Capital, MICEX, Colgate-Palmolive, British Telecom, CareFirst BlueCross BlueShield, Philips, SAP, Microsoft, Oracle
Awards	• The 2009 Global Outsourcing 100: ranked highest among Central/Eastern European and Russian ITO vendors; included into multiple individual sub-lists; • The 2009 Global Services 100: named among the global Top 10 «Best Performing IT Services Providers»; • Top 50 Best Managed Outsourcing Vendors 2009: is the sole Central/Eastern European and Russian ITO vendor on the list; listed for the third time since 2006



Exigen Services

Company short description

Exigen Services – one of global leading application outsourcing providers. Exigen Services expertise embraces all stages of software project lifecycle – from identification of business requirements through final testing to post-warranty support.

In all offices and development centers worldwide Exigen Services employs more than 2000 employees.

Exigen Services is a recognized global expert in Agile software development methodologies. Exigen Services clients range from mid-sized growth companies to Fortune 500 organizations, and include Sun Microsystems, CSC, Universal Music Group, Standard & Poor's, T-Mobile, Westpac Bank and many others.

The company was established in 1993.

Web-sites

<http://www.exigenservices.ru>
<http://www.exigenservices.com>

Contact info

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 Phone: +7 (812) 327-99-00
 Fax: +7 (812) 327-98-65

Headquarters

Exigen Services Worldwide: 505 Montgomery Street, San Francisco, CA94111 USA.
 Exigen Services Eastern Europe: 197101, Saint-Petersburg, Rentgena str, 5a.

Offices and development centers

New York (USA), London (Great Britain), Copenhagen (Denmark), Frankfurt (Germany), Stockholm (Sweden), Riga, Rezekne (Latvia), Vilnius (Lithuania), Saint-Petersburg, Kazan, Nizhny Novgorod (Russia), Dnepropetrovsk, Odessa (Ukraine), Minsk (Belarus), Suzhou (China), Adelaide (Australia).

Employees: 2000+

Main technologies

Java EE, .NET, C/C++
OS and plarforms: Windows 9x/NT/ME/2000/2003/XP, UNIX (Linux, xBSD, Solaris, HP-UX), Mac OS, Exigen Process Backbone;
Programming languages: C#, Java, Assembler, C, C++ (MFC, STL), Visual Basic, COBOL, VB.NET, PL/SQL, SQL, JavaScript, ABAP, VB Script, Perl, Shell, Python, Delphi, Flash Action Script, Flex; FFishScript, Ruby, HTML, xHTML XML/XSLT;
Application and web-servers: Oracle AS, BEA WebLogic, IBM WebSphere, SAP NetWeaver AS, JBoss, Resine, MS IIS, Apache, Apache Tomcat, SilverStream, IBM WebSphere Enterprise Service Bus;
RDBMS: Oracle, MS SQL Server, IBM DB2, Sybase SQL Anywhere Server, MySQL, SAP DB, PostgreSQL.

Certifications

CMMI Level 5, ISO-9001.

Our services

- Custom Application Development.
- Legacy application transformation migration and re-engineering.
- QA and software testing.
- IT-consulting.

Business industries

Financial services (Banking, Brokerage), insurance, Telecommunications, Healthcare, Logistics, Government, Entertainment and Media.



Lanit-Tercom

Company Overview	Lanit-Tercom is the leading Russian software and hardware development company, one of the originators of the Russian IT-industry with about 20 years of successful operation on the IT-market. Lanit-Tercom works with the customers from Russia, USA and the EU. The company operates in historical closeness with St Petersburg State University, one of the biggest pools of highly-qualified engineers. Thus, the best Russian scientists that work with the most complex and scientific-intensive projects can be hired. The core Lanit-Tercom's services are: development of software/hardware complexes, software/hardware optimization, re-engineering and ODC set-up.
Key areas of expertise:	• Telecommunications • Healthcare • Banking and financial systems • Transportation
Offshore Development Center operations:	• Custom Software Development • Research & Development • Legacy Application Migration • Low-Level / System-level programming • Software and Hardware Re-engineering • Software and Hardware optimization
Main tools and technologies:	C/C++, Microsoft .NET, Java, J2EE, COBOL, other legacy technologies, Web-technologies
Operating systems:	Microsoft Windows 98/NT/2000/XP/2003, Linux Kernel 2.0-2.6, Sun Solaris, IBM Mainframe, real-time operating systems
Databases:	Oracle, Microsoft SQL Server, IBM Informix Dynamic Server, IBM DB2 UDB, MySQL, Microsoft Access, PostgreSQL, InterBase
Development of Hardware:	FPGA (VHDL), CPLD, DSP, RISC, ASIC
Network technologies:	ATM, FDDI, Ethernet/Fast Ethernet, xDSL, IP, X.25, VPN, IP-over-X.25, X.25-over-IP, VoIP
Among clients of the company are:	2M Electronics, APL CIS, Blue Phoenix, International Intellectual Group, Italtel, Laerdal, Relativity Technologies, Navio, ProTelevision, Ministry of Defense of RF, Saint-Petersburg State University, Federal Agency for governmental communication and information (FAPSI).



Luxoft

Foundation date	April 2000
About the company	Luxoft, a member of the IBS Group, is an emerging global leader in application and product engineering outsourcing services for enterprise IT organizations and software vendors. Luxoft builds lasting partnerships with its clients, such as Boeing, Deutsche Bank, UBS, Dell, IBM, Sabre and other global leaders, based on the culture of engineering excellence, innovation, and deep domain expertise. Luxoft offers global delivery capability through its network of state-of-the-art delivery centers in North America, Central & Eastern Europe, and Asia.
Services	Software Development Services • Application software development • E-commerce professional services • Software architecture services • Performance engineering • Software quality insurance • IT infrastructure management Product Engineering • Product engineering • Embedded systems development • Systems engineering services Consulting • IT strategy consulting • Software process consulting • Data security consulting
Industries	• Aerospace • Automotive and Transport • Banking and Finance • Software Industry • E-commerce • Energy and Utilities • Manufacturing • Media and publishing • Telecommunications
Locations	Development centers Russia: Moscow, St Petersburg, Omsk; Ukraine: Kiev, Odessa, Dnepropetrovsk; Canada: Vancouver; Vietnam: Ho Chi Minh City; Romania: Bucharest Representative offices USA: New York, Seattle Europe: London, UK; Frankfurt, Germany; Stockholm, Sweden
Number of employees	About 3000
Quality standards	SEI CMM/CMMI Level 5, ISO 9001:2008, ISO 27001:2005
Key clients	European and US clients: Deutsche Bank, Boeing, UBS, IBM, Thomson, Areva, IDS, Sabre Holdings, Nortel, Avaya, Alcatel, Ping Identity, AePONA Russian clients: Microsoft Russia, Absolute Bank, Uralsib, Vimpelcom, Polymedia
Awards	• 2009: #1 IT Outsourcing Service Provider in Eastern and Central Europe – by Black Book of Outsourcing for 2008 • 2009: «Leaders» category of the 2009 Global Outsourcing 100 list by IAOP • 2009: #1 in the «Emerging European Markets» Category in Global Services 100 rating – by neIT & Global Services • 2008: Winner in the Telecom, Utilities And High Tech Project of The Year Category – by National Outsourcing Association Awards • 2008: the Fastest Growing Russian Software Company in Technology Fast 500 EMEA Ranking by Deloitte • 2007: Applied Innovation Award for the CRM system built with Deutsche Bank
Website	www.luxoft.ru
Contact information	10-3, 1-Volokolamsky proezd 123060 Moscow, Russia Phone: +7 (495) 967-80-30, Fax: +7 (495) 967-80-32 E-mail: russia@luxoft.com



Reksoft

Headquarters	St. Petersburg
Headcount	450+
Year of foundation:	1991
Contact details:	Tel./fax (812) 325-21-00, 325-21-01
E-mail	info@reksoft.com
Web site	www.reksoft.com
About Reksoft:	Reksoft is a global provider of high-quality software development services. We serve customers around the world, helping them increase IT efficiency by providing complex turnkey software development services and flexible managed services. The company has been delivering software outsourcing solutions for the past 18 years, gaining a loyal customer base including leading enterprises such as Gazprom, Sberbank, AirWide Solutions, Ascom, Cadbury, First Data International, Fujitsu Siemens Computers, Philip Morris, Saxo Bank, Springer Business+Science Media, Swisscom Mobile, and UPM Kymmene. We have technological partnerships with such vendors as Microsoft, IBM, Cisco, EMC Documentum, Oracle, Intel, Adobe and Sybase. Reksoft is certified in ISO 9001:2008 and has been assessed to comply with CMMI Level 4 standards.
Development centers:	St. Petersburg, Voronezh
Sales and delivery offices:	Moscow, Munich, Frankfurt, Stockholm, Vienna, Amsterdam, Helsinki
Services:	IT consulting, Custom Application Development, Application Integration, Application Maintenance, 1 st 2 nd 3 rd – line support, Testing, Re-engineering, Migration
Industry expertise:	Telecom, Finance&Banking, IT, Hospitality&Travel, Manufacturing, Energy
Programming languages:	JScript/JavaScript, Java, C#, Visual Basic, C++, C
Operational systems:	Windows XP/Vista, Linux, UNIX/SunOS, IBM AIX
Data bases:	MS SQL Server, Oracle, MySQL, PostgreSQL, Sybase
Concepts/ Technologies:	Object oriented programming, n-tiers architecture (user interface/business logic/ data access; load balancing), Object-Relational Mapping (class table inheritance, polymorphic associations), Service Oriented Architecture, Web Services (SOAP, WSDL, XSD), XML (XPath, XSD, XSLT), DHTML object model, AJAX, .Net (WPF, WCF, WFF), IBM WebSphere Portal, IBM WebSphere MQ, Oracle ESB, MS SharePoint (MOSS 2007), MS Communication Server (MOCS 2007)
Server applications and web-server:	IBM WebSphere AS, Borland Application Server, Oracle WLP, JBoss, Tomcat, IIS, Apache

ABI Soft

URL	www.abisoft.spb.ru
Contact E-mail	info@abisoft.spb.ru
Contact Phone	+7-812-591-6903
Headquarters	St. Petersburg
Year of Foundation	2001
Number of Employees	50
Programming Languages	C C++
About ABI Soft	ABISoft Ltd. is a dynamically growing software development company. The core of our team was formed in 1999 year, during the work in w-Technologies representative office. We have experience in the areas of distributed and autonomous systems for mobile devices, WEB-application development, local or remote support of up systems, database administration, development of computer games, etc.

Academsoft

URL	www.academsoft.ru
Contact E-mail	sales@acsw.ru
Contact Phone	+7-3833-30-7011
Headquarters	Novosibirsk
Year of Foundation	2002
Number of Employees	30
Programming Languages	C++ Java
About Academsoft	AcademSoft Ltd. has a great experience in Web design and Web-based applications development. By present we have stored a number of solutions that can be used in future projects. Among the successfully completed projects were the mail systems, greetings server and corporate web sites. All systems developed are based on the usage of PostgreSQL and Oracle databases.

Altell

URL	www.altell.ru
Contact E-mail	antonova@altell.ru
Contact Phone	+7-812-303-0588
Headquarters	St. Petersburg
Year of Foundation	2006
Number of Employees	30
Programming Languages	C C++
About Altell	Altell Ltd. was founded in 2006 in St-Petersburg, Russia, and takes an active part on the markets of information technologies, information security and telecommunications. The Company provides information security and network solutions for your organization protecting against internal and external intrusions (data theft, viruses, spyware, spam and so on). Our security systems protect your information from malicious Internet-based threats through a combination of open source and leading commercial security products advanced by own development.

Aplana Software

URL	www.aplana.com
Contact E-mail	info@aplana.com
Contact Phone	+7-495-710-7580
Headquarters	Moscow
Year of Foundation	2001
Number of Employees	200
Programming Languages	C#, IBM/Lotus, VC++, XML, HTML, Java, Oracle Developer, MS VBA, MS VB, MS VB.NET, T-SQL, PL SQL, ANSI SQL, XML, XSL, Jboss
About Aplana Software	Aplana Software, software services and outsourcing company, provides software solutions with high business value based on advanced technologies. The company provides a full cycle of software development services: from business analysis and project design to programming and ongoing support services for global customers. Aplana removes the complexities of launching a remote R&D Center. With over 200 of the finest software engineers, Aplana delivers to its customers software solutions of the highest quality, confirmed by ISO 9001:2000 certification for software development and maintenance processes.

Arcadia, Inc.

URL	www.arcadia.spb.ru
Contact E-mail	info@arcadia.spb.ru
Contact Phone	+7-812-764-8456
Headquarters	St. Petersburg
Year of Foundation	1993
Number of Employees	150
Programming Languages	C#/.net
About Arcadia, Inc.	Arcadia, Inc., founded in 1993, is an innovative offshore software development company providing state-of-the-art custom software development and consulting services to international clientele. Headquartered in St. Petersburg, Russia, Arcadia is ideally positioned to deliver high-quality software services to customers worldwide. Arcadia focuses on Scandinavian and North-American markets; in the USA, it is represented by its partner company, Planet Software, Inc.

Astrosoft

URL	www.astrosoft.ru
Contact E-mail	contactus@krsastrosoft.ru
Contact Phone	+7-3912-907-275
Headquarters	St. Petersburg
Year of Foundation	1991
Number of Employees	30
Programming Languages	C# C++
About Astrosoft	ASTROSOFT has been working as the premium level IT services provider since 1991 and has established reliable and long-term business relationship with 10+ "FORTUNE 500" companies. We have 250 highly skilled and certified software engineers. ASTROSOFT can provide high quality software services both for PC and Embedded systems; supply unique innovative solutions in the high-tech fields of Multimedia processing, SDK and Information security; create and maintain Business Applications for varied spectrum of tasks and specifications.

BACUP IT

URL	www.bacup.ru
Contact E-mail	info@bacup.ru
Contact Phone	+7-383-325-0771
Headquarters	Novosibirsk
Year of Foundation	1990
Number of Employees	15
Programming Languages	c++, java
About BACUP IT	Bacup IT offers a wide range of services to satisfy the demand of large and midsize business for high-quality software that best meets even the most specific customer needs. Our key customers are US and European companies. Bacup IT is located in Novosibirsk, the eastern center of advanced Russian technologies and fundamental sciences. Being proficient in Mathematics and up-to-date information technologies, our developers and technical consultants are able to develop the most sophisticated intelligent systems and innovative software.

BCS-IT

URL	www.bcs-it.ru
Contact E-mail	uso@bcs-it.ru
Contact Phone	+7-383-333-9908
Headquarters	Novosibirsk
Year of Foundation	2002
Number of Employees	40
Programming Languages	Java C++
About BCS-IT	BCS-IT is an offshore software development company that provides full cycle software development services since 2001. Our technical competence together with strict quality management system, based on proven standards and methodologies, permits us to deliver projects on time and on budget. We suggest offshore software development services based on: best in class IT expertise, high responsiveness and responsibility, full set of IPR protection measures.

Competentum

URL	www.competentum.ru
Contact E-mail	info@competentum.ru
Contact Phone	+7-495-514-1100
Headquarters	7 Pervomayskaia str., Dolgoprudny, Moscow region, 141700
Year of Foundation	1993
Number of Employees	200
Programming Languages	C++; Java; PHP; SQL; XML/XSL;
About Competentum	Competentum is an international group of companies that operates in the global e-Learning software market covering Russia, Europe, and USA. Competentum's companies provide high quality consulting, software and content development services for both academic education and corporate professional training.

CSBI

URL	www.csbi.ru
Contact E-mail	info@csbi.ru
Contact Phone	+7-495-604-4838
Headquarters	St. Petersburg
Year of Foundation	1993
Number of Employees	160
Programming Languages	4GL Java
About CSBI	CSBI's mission is to assure business success of banks and financial organizations by supplying them state-of-the-art, effective and high quality information system and technologies, which have been tested in their implementations and are supported by experienced specialists. For over 15 years CSBI has been developing effective IT solutions that are successfully implemented and are in use in such leading Russian financial organizations as the Russian Standard Bank, the Russian Bank of Development, the High Technologies Bank and others.

CSI International software

URL	www.trace.ru
Contact E-mail	csi-software@trace.ru
Contact Phone	+7-812-252-0412
Headquarters	St. Petersburg
Year of Foundation	1997
Number of Employees	15
Programming Languages	Java C++
About CSI International software	CSI International Software Ltd offers its services to develop solutions for the following directions: Informational internet mapping systems; Corporate informational systems including CRM; Offshore programming; Internet development and web design; Corporate mapping software; Mobile applications and solutions; Internet tracking systems; Hardware & software design and development formicrocontrollers; Logistics for transport systems; Bespoke software.

Darout service

URL	www.darout.ru
Contact E-mail	ansov@darout.ru
Contact Phone	+7-812-346-8530
Headquarters	St. Petersburg
Year of Foundation	2001
Number of Employees	50
Programming Languages	Java C++
About Darout service	DAROUT SERVICE Ltd. is a prospective outsourcing company, with a strong organization and management aimed at performing the projects on Software Design and Implementation, including ERP and financial applications, custom software for Internet and Mobile Devices, Database design, administration and tuning.

DataArt®

URL	www.dataart.com
Contact E-mail	info@dataart.com
Contact Phone	+1-212-378-4108
Headquarters	475 Park Avenue South Floor 9 New York, NY 10016
Year of Foundation	1997
Number of Employees	450
Programming Languages	.Net, Java
About DataArt®	DataArt is a leading provider of high-end software outsourcing services for SMEs, specializing in enterprise application development, system integration and business automation tools, with industry-specific software expertise in financial, telecom and media sectors. Headquartered in New York City, DataArt runs R&D centers in St. Petersburg and Voronezh +7-Russia), in Kharkov and Kherson +7-Ukraine) and maintains offices in London, UK. In 2006-2009, DataArt has been named one of the world's top emerging outsourcing providers by BusinessWeek, by CMP's Global Services 100 and by IAOP.

Devexperts

URL	www.expert-systema.ru
Contact E-mail	info@devexperts.com
Contact Phone	+7-812-438-1626
Headquarters	St. Petersburg
Year of Foundation	2003
Number of Employees	210
Programming Languages	Java C/C++, C#, Delphi, JSP, ASP.NET
About Devexperts	Devexperts, founded in 2002 and headquartered in St. Petersburg, Russia, is a custom development company specialized in professional financial software for on-line securities, derivatives and currencies trading. The highest quality and extensive integration capabilities of our products, as well as 24x7 support services provided by Devexperts, allow for durable and painless operation of Devexperts' solutions.

Digital Design

URL	www.digdes.ru
Contact E-mail	info@digdes.com
Contact Phone	+7-812-346-5833
Headquarters	St. Petersburg
Year of Foundation	1992
Number of Employees	360
Programming Languages	.net, java, C++
About Digital Design	Digital Design is a Russia-based IT consultancy offering a full range of IT services to our clients in Russia and worldwide. We work with large and SMB companies from a variety of branches including banking, logistics, transportation, manufacturing and public sector. We also work with ISVs and system integrators as a software development partner or a subcontractor for large-scale software development projects.

DIRECTUM

URL	www.directum.com
Contact E-mail	market@directum.ru
Contact Phone	+7-3412-505-500
Headquarters	Izhevsk
Year of Foundation	2003
Number of Employees	23
Programming Languages	Ice Builder Delphi, C#
About DIRECTUM	DIRECTUM Company is one of the leaders of Russian electronic document management market. To intensify promotion, development and implementation of electronic document and interaction management system a special department of NPO «Computer» (Russian) was established in to DIRECTUM Company in 2003.

Dom Program

URL	www.domprog.com
Contact E-mail	info@domprog.com
Contact Phone	+7-812-320-2136
Headquarters	St. Petersburg
Year of Foundation	2000
Number of Employees	25
Programming Languages	C++ Delphi, C#
About Dom Program	Dom Programm Ltd. is the company specializing in the development of proprietary program products, corporate solutions (ERP, CRM, HRM ...), and system integrator based on enterprise service bases (ESB). We develop classical applications as well: for personal computers, client-server solutions, and applications to work with databases. Our solutions are based on service oriented architecture approach (SOA), cloud computing, and Software as a Service (SaaS) paradigm.

DX Consulting (DigitalXpert)

URL	www.digitalxpert.net
Contact E-mail	info@digitalxpert.ru
Contact Phone	+7-812-449-7286
Headquarters	St. Petersburg
Year of Foundation	1997
Number of Employees	50
Programming Languages	C++ Java
About DX Consulting (DigitalXpert)	DigitalXpert is an innovative IT company, specializing in software development. Its branches are located in North America and Eastern Europe. The company's geography includes 4 cities: St.Petersburg, Russia; Toronto, Canada; Dnepropetrovsk (Ukraine), Kharkov (Ukraine). Such distributed structure allows DigitalXpert to offer its customers high management level combined with low development and support costs.

Enterra Inc

URL	www.enterra-inc.com
Contact E-mail	info@enterra-inc.com
Contact Phone	+7-3852-36-0898
Headquarters	Barnaul
Year of Foundation	2001
Number of Employees	60
Programming Languages	PHP Java
About Enterra Inc	Enterra's Mission is "To use our expertise and innovation to provide our customers with high-end software solutions on Time, on Point, on Budget!" Founded in 2001 Enterra currently is a multi-national software development company with offices based in: Tampa (USA), Walldorf (Germany), Barnaul, Moscow (Russia), Simpheropol (Ukraine).

Equelli

URL	www.equelli.com
Contact E-mail	julia.borisova@equelli.com
Contact Phone	+7-3812-470-210
Headquarters	Omsk
Year of Foundation	2008
Number of Employees	15
Programming Languages	Java C++
About Equelli	Equelli was founded on August 27th, 2008 by Igor V. Polyakov. It is an offshore software development provider based in Omsk, Russia. It was a decision to create a company based in Omsk with all its advantages for offshore software development, and to apply Igor's expertise in adoption of software development process in that company.

ETNA Software

URL	www.etnasoft.com
Contact E-mail	info@etnasoft.com
Contact Phone	+7-812-932-6076
Headquarters	St. Petersburg
Year of Foundation	2002
Number of Employees	50
Programming Languages	Java C#
About ETNA Software	ETNA Software is a software development outsourcing company providing a full spectrum of IT services from software design, development, implementation and testing to support and maintenance. Founded in 2002 ETNA Software is now an international company with two representative offices in the US and two development centers in Eastern Europe with a total headcount of over 80 employees. Key Strengths: Sophisticated web development; Data-driven applications; Widest experience in Financial Services; Delivery model flexibility: projects, dedicated teams, time & materials.

Eurostudio

URL	www.eurostudio.net
Contact E-mail	dev@eurostudio.net
Contact Phone	+7-383-330-5658
Headquarters	Novosibirsk
Year of Foundation	2003
Number of Employees	40
Programming Languages	C#, C++, PHP ASP, Fusion
About Eurostudio	We are a global IT company that provides web presence and software development services to small and large businesses all over the world, helping them meet their business needs both now and into the future. Since 2001, we've come up with over 300 stylish and effective solutions for bringing our clients' businesses on the web.

eVelopers

URL	www.evelopers.com
Contact E-mail	info@evelopers.com
Contact Phone	+7-812-324-3211
Headquarters	San Jose, CA
Year of Foundation	1999
Number of Employees	50
Programming Languages	Java, JSF, Hibernate, Oracle, MySQL Alfresco, CAS, Liferay, JS, PHP, Flex,
About eVelopers	eVelopers™ design and build complex Web-based solutions for companies competing in the Net Economy. Applying supreme technical talent and delivering high-impact solutions in record time, eVelopers help companies accelerate eBusiness opportunities and strengthen competitiveness. Delivered more than 100 outsourcing projects since 1999. Headquarters – California, Development Center – St.Petersburg, Russia. ISO certified since 2002. Strong many-year expertise in Java, Oracle, MySQL, Web development, open source, Alfresco, portal solutions.

Flat soft

URL	www.flatsoft.ru
Contact E-mail	info@flatsoft.ru
Contact Phone	+7-917-284-8737
Headquarters	Kazan
Year of Foundation	2007
Number of Employees	12
Programming Languages	RubyOnRails PHP
About Flat soft	We work in the market of an information technology since 2001. Originally PHP was our major. In 2005 Timur Vafin inspired by the fact that developers behind Binary Cloud switched to RoR and made same decision. And so now we among those who began to develop professionally using RubyOnRails. In daily life even to communicate with ones sitting in the same room we also use tool, developed in RubyOnRails, called Basecamp, developed by well-know RubyOnRails company 37signals. RubyOnRails became part of our lives!

Fors Development Center

URL	www.fors.ru
Contact E-mail	develop@fors.ru
Contact Phone	+7-495-787-7043
Headquarters	Moscow
Year of Foundation	1991
Number of Employees	340
Programming Languages	C# Delphi
About Fors Development Center	FORS - Development Center (FORS DC) creates and implements comprehensive Oracle-based IT-systems for enterprises involved in the various businesses (government management, insurance, science, building industry, telecommunications, transportation, finance, oil and gas industry). FDC provides consulting services in technical and business processing modeling, while retail and distribution of the Oracle products continues to be one of the main directions in the wide range of its activities.

FTS

URL	www.fts-soft.com
Contact E-mail	ru.info@fts-soft.com
Contact Phone	+7-495-648-1008
Headquarters	Haifa (Israel)
Year of Foundation	2007
Number of Employees	10
Programming Languages	C++ Java
About FTS	FTS (LSE: FTS) is a leading provider of Billing, CRM and Business Control solutions for communications and content service providers. By analyzing events from a business standpoint rather than just billing them, FTS allows providers to better understand their customer base and leverage business value from every event and interaction.

Gehtsoft Group

URL	www.gehtsoft.com
Contact E-mail	info@gehtsoft.ru
Contact Phone	+7-3812-22-5629
Headquarters	Omsk
Year of Foundation	2003
Number of Employees	40
Programming Languages	C++ Java
About Gehtsoft Group	The Gehtsoft Group is a Russian outsourcing software development company. The company was set up in 2000 in the city of Omsk (Russia). Since 2004 the Gehtsoft Group has been a member of the National Software Development Alliance «Silicon Taiga» (http://www.silicontaiga.org). Nowadays thirty highly experienced IT-specialists work in the company. Modern Agile-methodologies are used in the production cycle.

iFiles

URL	www.ifiles.ru
Contact E-mail	info@ifiles.ru
Contact Phone	+7-495-960-7083
Headquarters	Obrninsk
Year of Foundation	2005
Number of Employees	35
Programming Languages	Java PHP, C++
About iFiles	iFiles is a company of Web solutions and Software development provider. We have an extensive experience in web-systems development more than 7 years. We partner with clients to provide sophisticated end-to-end technology solutions - from development concept and strategy, architecture and design to the complete execution and launch of complex initiatives.

Informatic

URL	www.informatic.ru
Contact E-mail	sales@informatic.ru
Contact Phone	+7-495-957-7877
Headquarters	Moscow
Year of Foundation	1989
Number of Employees	5
Programming Languages	C++ Java
About Informatic	Since 1989 (the date of foundation) Informatic Ltd develops and implements software in the fields of linguistic technologies. Today Informatic is one of the topline developer of linguistic software. Our products have won wide acclaim from customers, experts and software industry professionals worldwide.

Inreco LAN

URL	www.inrecolan.com
Contact E-mail	plus@inrecolan.com
Contact Phone	+7-4922-444-090
Headquarters	Vladimir
Year of Foundation	1989
Number of Employees	60
Programming Languages	MS .Net Java, MS VB
About Inreco LAN	Inreco LAN is a software development offshore outsourcing company located in Russia, and we employ the combined knowledge and experience of the team to help our clients become successful. Inreco LAN offers wide range of software development services from solving R&D tasks to plain coding. Working on a long-term project, Inreco LAN organizes for its valued client a dedicated Software Development Center (SDC). Our staff is well educated. All the Inreco LAN employees have advanced graduate and post-graduate degrees in applied mathematics, computer science, programming and graphics design.

INSAT

URL	www.insat.ru
Contact E-mail	scada@insat.ru
Contact Phone	+7-495-974-0092
Headquarters	Moscow
Year of Foundation	1988
Number of Employees	30
Programming Languages	C# C++
About INSAT	InSAT is a private company, established in 1988. The basic company profile is: Software tools development for industrial automation — SCADA, SoftLogic, OPC; System integration of industrial automation systems in Power, Chemical and others; Hardware and software distribution for industrial automation; Custom and off-shore programming; Development of precision tensometric systems.

INSTREAM

URL	www.instream.ru
Contact E-mail	info@instream.ru
Contact Phone	+7-495-651-6257
Headquarters	Moscow
Year of Foundation	2005
Number of Employees	40
Programming Languages	Delphi PHP
About INSTREAM	Instream offers the following services: (1) Custom-made development of software solutions - Instream is oriented on custom-made solutions development for unique Customer's business processes. It demands a special training of the staff, special high quality service culture and proactive approach for management of performance and reliability); (2) Reverse Engineering and legacy-systems development - Considerable part of our projects is evolution of the Customers' in-house solutions, which are to be moved to outer developers.

INT Ltd

URL	www.int.com.ru
Contact E-mail	ushakov@int.com.ru
Contact Phone	+7-812-939-4855
Headquarters	St. Petersburg
Year of Foundation	2000
Number of Employees	4
Programming Languages	Java JavaScript, C++
About INT Ltd	Int Ltd. is located in St.Petersburg, Russia and targeted at leading-edge software and systems development, primarily in the fields of e-commerce, financial (credit card) technologies, database development and networking. The company consists of highly qualified individuals with solid experience in support and development of credit card processing and other financial facilities.

Intsoft

URL	www.intsoft.spb.ru
Contact E-mail	info@intsoftspb.ru
Contact Phone	+7-812-579-3637
Headquarters	St. Petersburg
Year of Foundation	1994
Number of Employees	10
Programming Languages	C# C++
About Intsoft	INTELLIGENCE-SOFT is an offshore software development and IT consulting company with headquarters and software development center located in St.Petersburg, Russia. Our company provides custom application and database development, web programming and graphic design services to customers worldwide. Since 1994 INTELLIGENCE-SOFT successfully operates at the offshore software development market providing our customers from Western Europe, USA and Canada with reasonably priced high quality software products and services.

ISD Co

URL	www.isd-co.ru
Contact E-mail	info@isd-co.ru
Contact Phone	+7-499-408-4789
Headquarters	Moscow
Year of Foundation	2001
Number of Employees	15
Programming Languages	PHP DOT NET
About ISD Co	Our main business is the development and installation of programming products that help the traditional "brick-and-mortar" businesses to move to the realm of the Internet. ISD Co. specializes on building ERP solutions for enterprises and it offers the whole spectrum of services from optimization of business processes to consulting, to securing and installation of hardware and software, programming development, Internet/intranet solutions, outsourcing.

KeyIntegrity

URL	www.keyintegrity.com
Contact E-mail	info@keyintegritycompany.ru
Contact Phone	+7-4922-44-2898
Headquarters	Vladimir
Year of Foundation	2005
Number of Employees	20
Programming Languages	Java Microsoft
About KeyIntegrity	KeyIntegrity is a Russia-based company founded in 2005. We are focused on IT-consulting and integration solutions based on service-oriented architecture (SOA). Our company has been one of the first SOA proponents in Russia. Keyintegrity developers have vast experience in the field of open source and world-known vendor technologies such as Oracle, IBM, Microsoft. In the year of 2008 our company has achieved the Parnter level status in the Oracle PartnerNetwork.

Knowledge Genesis

URL	www.kg.ru
Contact E-mail	mail@knowledge.ru
Contact Phone	+7-846-332-2101
Headquarters	Samara
Year of Foundation	1997
Number of Employees	100
Programming Languages	Java C#
About Knowledge Genesis	Software Engineering Company "Knowledge Genesis" is a privately owned company with headquarters in Samara, Russia (see on Map), one of the modern aviation and aerospace centers of Russia. Founded in 1997, today we are a team of more than 60 professionals in new information technologies able to provide advanced technologies and solutions in combination with high quality and low-cost outsourcing services in for IT industry. We have implemented and work according to the quality management system (ISO 9001:2000) and provide enterprise-ready solutions according to highest standards of IT industry.

Leaves

URL	www.leaves.ru
Contact E-mail	info@leaves.ru
Contact Phone	+7-812-449-7383
Headquarters	St. Petersburg
Year of Foundation	1991
Number of Employees	55
Programming Languages	PL SQL
About Leaves	LEAVES Company is a St. Petersburg-headquartered enterprise founded in 1991 by a group of information systems professionals. The company's main areas of expertise are the design and implementation of corporate ERP-systems. Company's mission is enhancing the performance of the Client organisation by implementing advanced information technology solutions. To meet this, LEAVES provides professional system design, development and integration services, as well as professional advice on related subjects.

MOVAVI

URL	www.movavi.com
Contact E-mail	pr@movavi.com
Contact Phone	+7-383-335-8463
Headquarters	Moscow
Year of Foundation	2003
Number of Employees	15
Programming Languages	C++ PHP, Java
About MOVAVI	Movavi is a specialist software development company dedicated to designing innovative, powerful, yet easy-to-use digital video and audio processing applications. Founded in 2004, in Russia. Our mission is to enable users to forget about media format incompatibilities and simply enjoy their video or audio any time, any place, on any device. Product range: video and audio conversion software; video editing software; CD/DVD recording software; online video applications; customizable video SDKs for professional use; OEM multimedia software solutions.

Novprog

URL	www.nprog.ru
Contact E-mail	novprog@nprog.ru
Contact Phone	+7-3833-32-1676
Headquarters	Novosibirsk
Year of Foundation	2004
Number of Employees	15
Programming Languages	C++ Java, Perl
About Novprog	Novel Software Systems company based in A.P. Ershov Institute of Informatics Systems develops high-quality informatics solutions for the scientific community. We provide a wide range of software development services and ready-to-implement products. Our company specializes in intelligent software development for analysis and recognition of signals, images, genetic texts and others.

OJSC «ICL – KME CS»

URL	www.icl.ru
Contact E-mail	info@icl.kazan.ru
Contact Phone	+7-843-279-5823
Headquarters	Kazan
Year of Foundation	1991
Number of Employees	1000
Programming Languages	MS .Net; Java +7-J2SE, J2EE, J2ME MS ERP Solutions +7-AXAPTA, Navision
About OJSC «ICL – KME CS»	ICL-KME CS is a leading Russian company, which offers integrated IT solutions and services, ranging from consultancy, design, implementation through to warranty service and maintenance of information systems regardless of scale. ICL-KME CS was founded in 1991 by the Kazan Manufacturing Enterprise of Computer Systems (KME CS) and Britain's International Computers Limited (ICL). The shareholders of the company are the Ministry of Land and Property Relations of the Republic of Tatarstan (RT) and Fujitsu Services Limited (previously ICL).

Prosoft systems

URL	www.prosoftsystems.ru
Contact E-mail	info@prosoftsystems.ru
Contact Phone	+7-343-376-2833
Headquarters	Ekaterinburg
Year of Foundation	1997
Number of Employees	200
Programming Languages	C++ Java
About Prosoft systems	Engineering company Prosoft-Systems works in the field of design, manufacturing, supply of devices and industrial automation systems for different industry branches since 1995. Today Prosoft-Systems is the company with highly professional engineering personnel accounting more than 300, operating in the field of design, manufacturing and supply of the devices and systems for industrial automation for different industries. Among employees there are M.Sc. and Ph.D. of technical, physical and mathematical sciences, Ph.D. students.

SDL

URL	www.sdl.ru
Contact E-mail	pana7@mail.ru, soft@sdl.ru
Contact Phone	+7-812-373-9166
Headquarters	Moscow
Year of Foundation	2002
Number of Employees	20
Programming Languages	C++ Java
About SDL	SDL (Systems Development Lab) Ltd exists in the market of software elaboration more than 10 years. Priority directions of activity of firm are: (1) Development of the software for the account and administrations of networks and systems of any degree of complexity on the basis of own innovative object-oriented model; (2) Designing, introduction and support of developed program complexes on the automated information systems of Clients. The basic product - information-graphic System «Cross-Pro».

Sibirix

URL	www.sibirix.ru
Contact E-mail	info@sibirix.ru
Contact Phone	+7-3852-28-1519
Headquarters	Barnaul
Year of Foundation	2003
Number of Employees	17
Programming Languages	PHP HTML
About Sibirix	Sibirix studio exists on the web developing market since 2003. Up until today we completed more than 500 projects for leading companies of Altai region as well as companies from the following cities: Moscow, St. Petersburg, Krasnodar, Ekaterinburg, Novosibirsk, Kemerovo, Surgut; and companies from abroad: USA (Boston, New York, San Francisco), France, United Kingdom. We are using the following technologies: PHP (Smarty, Pear), MySQL, Java, JS, CSS, XML, ASP.NET.

Soft Mechanica

URL	www.softmechanics.ru
Contact E-mail	info@softmechanics
Contact Phone	+7-812-320-2160
Headquarters	St. Petersburg
Year of Foundation	2001
Number of Employees	15
Programming Languages	Delphi C++, Java
About Soft Mechanica	«Soft Mechanics»(Soft Mekhanika) was founded in 1999 and is dedicated to the development and installation of Ticketing Systems for entertainment enterprises and ticket networks. In spite of being a young company, we have a solid background and experience in IT for entertainment technologies and e-commerce. Our goals were defined few years ago, when a computerised ticket system «Teatral» was developed and applied. This system was installed in The Mariinsky Theater in St. Petersburg. The «Teatral» is based on the Ticked Information Systems Technology, which was developed by our specialists.

Softage Inc

URL	www.softage.ru
Contact E-mail	contact@softage.ru
Contact Phone	+7-383-330-9655
Headquarters	Novosibirsk
Year of Foundation	2003
Number of Employees	30
Programming Languages	Java, C/C++ C; C#; C++; Java; PHP; SQL; VB.NET; Visual Basic
About Softage Inc	Softage Inc is an US based offshore outsourcing software development Company providing in addition to web development, custom software development solutions with offices in Washington DC, USA and Beijing, China, representative offices in London, UK and main outsourcing web development & software programming center located in Russia.

Speechpro

URL	www.speechpro.ru
Contact E-mail	info@speechpro.com
Contact Phone	+7-812-325-8848
Headquarters	St. Petersburg
Year of Foundation	1999
Number of Employees	200
Programming Languages	C++
About Speechpro	Speech Technology Center (STC) is recognized as a leading provider of speech technology and security equipment. Since 1990, STC has been developing technologies which allow customers to solve a wide array of technological tasks and issues ranging from design to implementation across every sphere of speech technology.

Speereo Soft

URL	www.speereo.com
Contact E-mail	marketing@speereo.com
Contact Phone	+7-812-324-8635
Headquarters	St. Petersburg
Year of Foundation	1998
Number of Employees	50
Programming Languages	C++
About Speereo Soft	Speereo Software is a British IT company established in 1998 that is involved in the development of proprietary speech technologies. Speereo Software has brought together over 30 years of speech recognition experience applied by our engineers, mathematicians, and programmers. Our products and solutions provide universal access, facilitating the interaction with various types of hardware, freeing users from dependence on the mouse, keyboard and stylus. Now the work on the speech recognition technology embodies 150 person-years.

SpetsTek Ltd.

URL	www.trim.ru
Contact E-mail	sales@spectec.ru
Contact Phone	+7-812-325-4560
Headquarters	St. Petersburg
Year of Foundation	1990
Number of Employees	50
Programming Languages	Delphi
About SpetsTek Ltd.	SpetsTek Ltd. Specializes at Development and implementation of TRIM-software package; Consultancy in the area of development and implementation of technical management and enterprise asset management (EAM) systems based on TRIM; Consultancy in the field of business process optimization; Development of CALS and ILS technology; Development of B2B and B2G technology.

TECOM Group

URL	www.tecomgroup.ru
Contact E-mail	office@tecomgrop.ru
Contact Phone	+7-831-432-6687
Headquarters	Nizhny Novgorod
Year of Foundation	1992
Number of Employees	128
Programming Languages	Java C++
About TECOM Group	Tecom Group is an international engineering company with development centers in the US and Russia. We provide high quality development services for our customers, and also sell and support US products in Russia and Eastern Europe. Our technical strengths are in systems engineering and software development. We emphasize requirements definition at the beginning of the project and typically help the customer define, analyze, and document the tasks. We have in-depth experience with UNIX, C, C++, and Java applications.

TerraLink

URL	www.terralink.ru
Contact E-mail	lewinr@terralink.ru
Contact Phone	+7-495-721-1721
Headquarters	Moscow
Year of Foundation	1989
Number of Employees	100
Programming Languages	C# C++, .net, Java, VB, php
About TerraLink	Started in Canada in 1989, TerraLink currently has offices in Canada, Russia, Kazakhstan and USA. TerraLink is a leading Systems Integrator and Solutions Provider in Russia & the CIS Information Technologies markets. TerraLink's solutions are aimed at providing businesses with powerful tools for transforming critical information into intellectual assets for the enterprise. TerraLink solutions include IT outsourcing and onsite support, software and hardware sales, and corporate storages of unstructured data (Enterprise Content Management).

Volgasoft

URL	www.volgasoft.com
Contact E-mail	info@volgasoft.ru
Contact Phone	+7-8452-226-418
Headquarters	Saratov
Year of Foundation	1998
Number of Employees	30
Programming Languages	C++ Java
About Volgasoft	Volgasoft is a Russian software engineering company established in 1999 and based in Saratov —industrial, scientific, educational and cultural center of low Volga region. Volgasoft was formed by a few highly professional individuals with strong software engineering and industrial background and grew to a well-established company with mature development process. Since 1999 we have developed a reputation of a reliable solution provider and an outsourcing partner having proven track records on international market.

CMA Small Systems AB

URL	www.cma.ru
Contact E-mail	info@cma.ru
Contact Phone	+7-495-745-8484
Headquarters	Stockholm (Sweden)
Year of Foundation	1988
Number of Employees	110
Programming Languages	Java C++
About CMA Small Systems AB	CMA is a market leading provider of systems solutions to companies operating in financial markets. These systems are based on best-of-breed infrastructure products from leading vendors and software application products based on industry standards. Most of the application packages implemented by CMA are also designed and developed by the company, and are based on PIE®, CMA's own solution for EAI (Enterprise Application Integration).

THANKS TO THE PARTICIPANTS OF THE SURVEY

ABC Center	www.abccenter.ru	IT-Sfera	www.it-sfera.ru
AC-Soft	www.ac-soft.ru	Kontur SKB	www.skbkontur.ru
Admiral Service	www.admiralserv.ru	Kosta	www.kostasoft.ru
Aksimed	www.aksimed.ru	KV-Expert	www.kv-expert.ru
Alee Software	www.alee.ru	Logos	www.logosoft.ru
Alfa-NITCON	www.alfa-nitcon.ru	Magic World Ltd	www.magicworld-ltd.com
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BI Key Lab	www.bikeylab.ru	PLK Systems Yekaterinburg	www.plcsystems.ru
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Compass plus	www.compassplus.ru	Safegen Software	www.safegen.com
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Dyn soft	www.dynsoft.ru	Soft Business Consulting	www.sbconsulting.ru
Elicom	www.npf-elicom.ru	Soft Plus	www.softplus.ru
Ellips	www.ellips.ru	SofTrust	www.softrust.ru
ELMED	www.elmed.ic.ru	Software Mastering	www.softmast.ru
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Exposoft	www.exposoft.com	System Technical Control	www.systc.ru
Fast Reports	www.fast-report.com	TBN - Soft	www.tbnsoft.ru
Frontsoft	www.frontsoft.ru	Tehnologia	www.tehnologia.com
Gela-IT	www.gela-it.ru	Tyumen State University	www.utmn.ru
Gelikon Pro	www.gelikon.biz	UBTec	www.ubtec.ru
Gendalf	www.gendalf.ru	Universe-Soft	www.universe-soft.ru
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