RUS®SOFT

RUSSIAN SOFTWARE DEVELOPING INDUSTRY AND SOFTWARE EXPORTS

8th annual survey

2011

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Dear Friends!

We present the results of the 8th annual research of the Russian software development export industry. Like in the last seven years, the report is prepared by RUSSOFT (Nonprofit Partnership of Software Developers, NP RUSSOFT).

NP RUSSOFT is the leading association of Russian export-oriented companies which develop software products and provide software development services. RUSSOFT also includes a number of leading Belarusian and Ukrainian companies and represents a consolidation of about 75 companies.

For the last year, our industry has almost completely recovered after the world financial crisis, reaching the same export growth rates which were observed in 2008. The industry has gained worldwide recognition and its members regularly win the highest ratings of leading world analytical agencies.

In 2011, the respondents expect a 20% growth of export volumes while maintaining the Russian developers' focused specialization in high-technology developments and products. More rapid growth of software product export in comparison with export of software development services will continue although universities and scientific institutions are more and more actively involved in service delivering.

Nevertheless, it is too early to say that brilliant growth prospects are expected in the industry. The personnel expenses have hit the European level while fiscal regulation instability and poor inflow of fresh university graduates threaten the industry with a decrease in competitiveness.

As always, the research results are based on wide surveying of market players. In 2011, about 160 high-quality questionnaires completed by respondents from export-oriented software development companies were collected allowing an accurate reflection of the overall market situation.

In addition to the analysis of survey results, a lot of information from other sources, including, among others, analytical agency reports, company reports, and mass media publications, was collected. As a result of this collaboration, the material amassed showed a clear picture of the industry circumstances and revealed the main development trends.

The leading role in the report preparation was played by Dmitry Zhelvitsky from the Computer World publishing house. Andrey Terekhov, a St. Petersburg State University professor who made high-grade expertise of the report, contributed significant changes to the report final version. We are especially grateful to the PROMT company, which translated the report into English. We also express sincere gratitude to the APKIT Association, which has been providing our research with sponsorship for a number of years.

We are grateful to everyone who took part in the research and, by that, allowed us to create a comprehensive, adequate, and reliable source of information on the software development export industry in Russia.

Editor-in-chief of the 8th edition,
Valentin Makarov
RUSSOFT Association President

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METHODS

The research which the RUSSOFT Association has been conducting annually since 2004 traditionally begins with polling (surveying) using a regularly updated database of 1,600 Russian companies and organizations engaged in software development. This survey was carried out by Opinion&Marketing Research which specializes in marketing research. In addition to this, the RUSSOFT Association surveyed its own members too. During the survey, the companies which have foreign contracts, regardless of their export share in the total amount of sales, were selected in both cases.

One hundred and sixty-three high-quality questionnaires completed by export merchant companies were collected. Previous research experience has shown that information on 150 companies is enough to obtain accurate and reliable results about the industry's current status and anticipated trends.

In comparison with the previous research, the structure of the respondent companies changed to a small extent. This year, in comparison to last year, shows approximately the same distribution of respondents by cities, turnover, and founding year. It simplifies the process of analyzing the survey results for two years.

At the same time, the share of the companies which earn the majority of their income in the local market increased. In comparison with service companies, the share of the respondents specializing in the development of software products and replicated solutions grew.

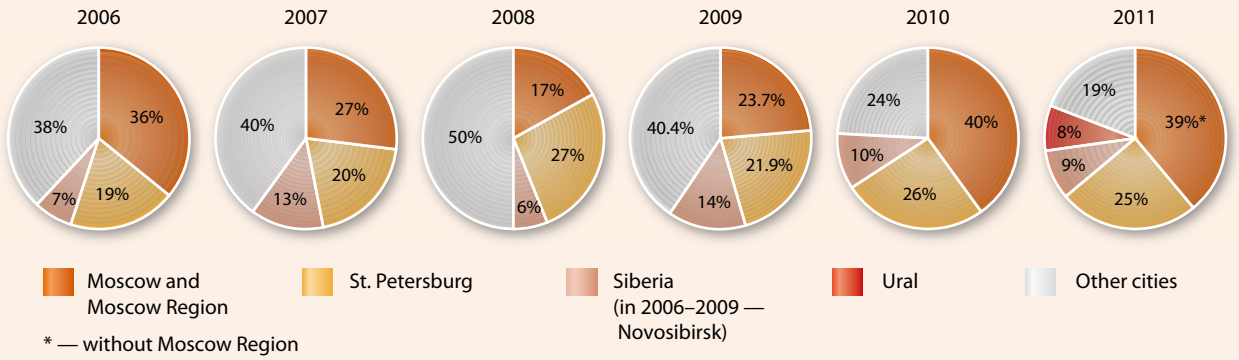
Similar changes in the company array structure reflect real processes in the industry. The number of export merchant companies gradually grew at the expense of those which just entered foreign markets, trying to establish a foothold (firstly, in CIS and the Baltic countries). The export share in their income is still insignificant. That changes the structure of the respondent companies in favor of companies with smaller export volume.

The increase in the number of replicated solution developers is connected with activities of the development institutions created by the state to stimulate innovative activities. Thanks to the creation of business incubators and venture funds, the new generation of companies predominantly producing software products is being formed (there are few service companies among start-ups). The growth of product producers is partly connected to the fact that, in the process of competency accumulation in vertical segments, service companies are distinguished from developer groups and create start-ups oriented to transformation of accumulated competence and prototype solutions into products. However, in the real world, these processes are not as quick as the annual change in the respondent company array structure. Therefore, along with objective regularities, when analyzing the respondent structure, we also need to consider random factors which may affect the respondent structure.

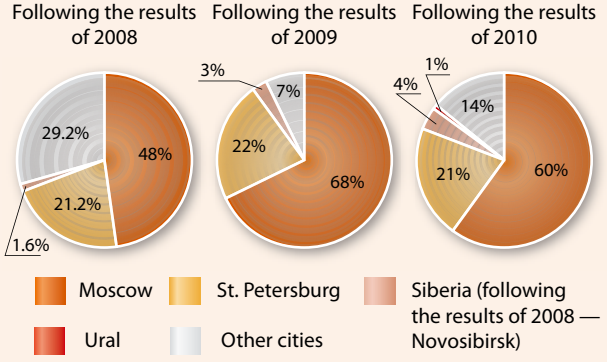
The largest Russian software product developers did not participate in the survey directly. Information on their financial performance was collected from different sources: mass media publications, companies' press releases, and their websites. We also used the estimations of external industry experts and the data received when communicating with company managers (all data on companies' financial performance collected within this research is strictly confidential and used only for the calculation of cumulative export).

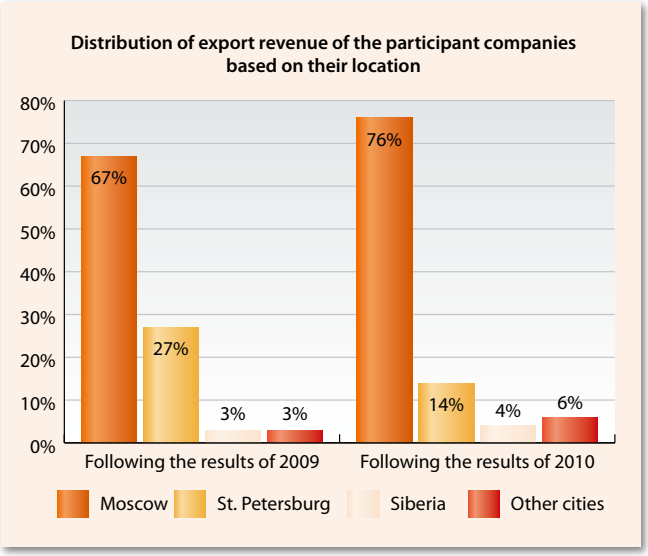
Traditionally, there are no open data on the

Distribution of the companies which took part in the research, based on their location



The structure of the aggregate income of the participant companies based on their location





turnovers of foreign corporations' research centers which provide cross-border software development services for their parent companies. An assessment of the turnover and aggregate income of such development centers was performed based on expert estimations, taking into account the available data on the staff quantitative structure, the results of interviews of corporation representatives, and information from recruiting agencies which mass fix increase or decrease in the personnel of such centers.

The majority of the companies which took part in the survey have their central office or main development center in Moscow (39%) and St. Petersburg (25%) They account for 81% of the aggregate income and 90% of the consolidated export revenues. Although the concentration of exporters (especially large ones) in two Russian capitals is good news, most likely, the Moscow and St. Petersburg contributions are a little overestimated as the companies based in these cities traditionally participate in the survey more actively. We also need to consider that many Moscow and St. Petersburg companies have remote development centers in other regions and their sales volumes are automatically included in the numbers of their central offices in the capitals.

Companies representing 30 Russian cities took part in the survey. In turn, these companies have remote development centers in 11 cities. Thus, industrial software development for export is conducted in at least 41 Russian cities. In addition to Moscow and St. Petersburg, the following cities were cited most often: Novosibirsk (with 14 central offices and/or remote development centers), Yekaterinburg (8), Kazan (5), Rostov-on-Don (4), and Voronezh (4).

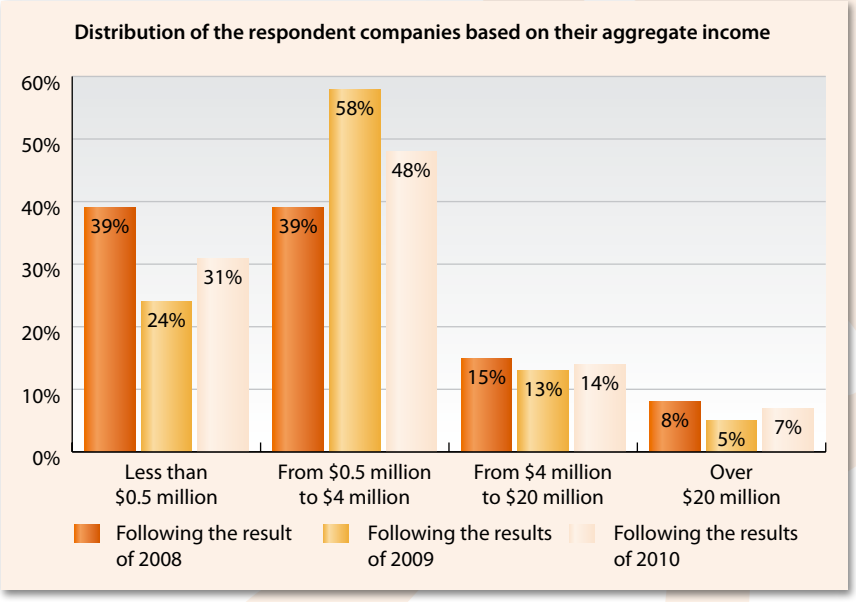
It is remarkable that eight respondent companies are located in Yekaterinburg. Until recently, in this, one of Russia's largest cities with strong technical advanced schools, there were just a few software export companies (only one or two companies participated in our survey in previous years). Due to the emergence of foreign market-oriented Ural companies in our research, new territorial clusters were formulated: Urals (Yekaterinburg and Chelyabinsk) and Transurals (Ufa and Perm). Only 0.7% of the consolidated export revenues fall on all respondent companies but, judging by their current activity, this indicator will grow in the coming years.

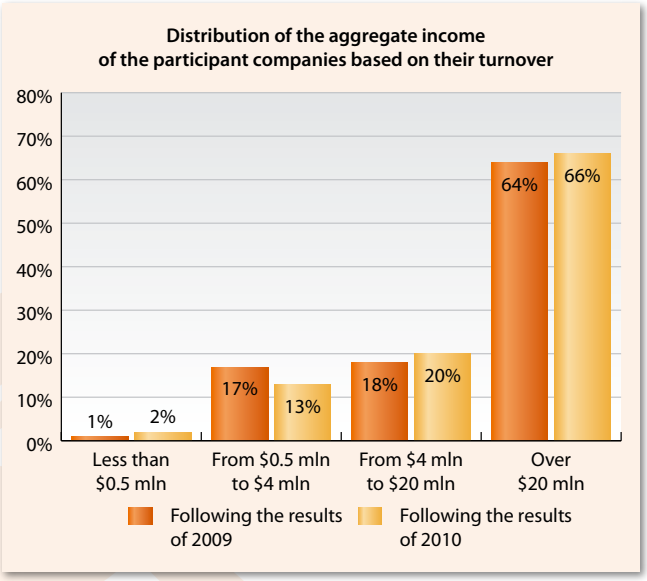
In comparison with the previous research, the companies located in the Moscow region were removed from the "Moscow and Moscow region" group that, owing to their small representation, did not essentially influence company distribution by regions.

As a result of these two changes, the share of Moscow companies was not equal to 40% like in the previous research; it was just 39%, while the share of "Other cities" decreased from 24% to 19%.

When considering the structure of the aggregate income and receipts from export depending on respondent companies' headquarter location, we need to take into account the fact that by the 2008–2010 formation of a standardized Russian software development industry "pyramid" will have come to an end. Just 7% of the respondent companies deliver up to 70% of software and software development service export.

At the top of the pyramid, there is a group of leaders which naturally turned into the global corporations which have their sales offices in all the leading markets and the branched-out network of development centers both in Russian regions and in CIS countries, Eastern Europe, and South East Asia. All these companies have their Russian headquarters in Moscow. However, these companies cannot be restricted to just one city in Russia. To grow and compete in the global marketplace, the leading





companies must become global themselves. From this point of view, company distribution by regions in this segment loses its applicability.

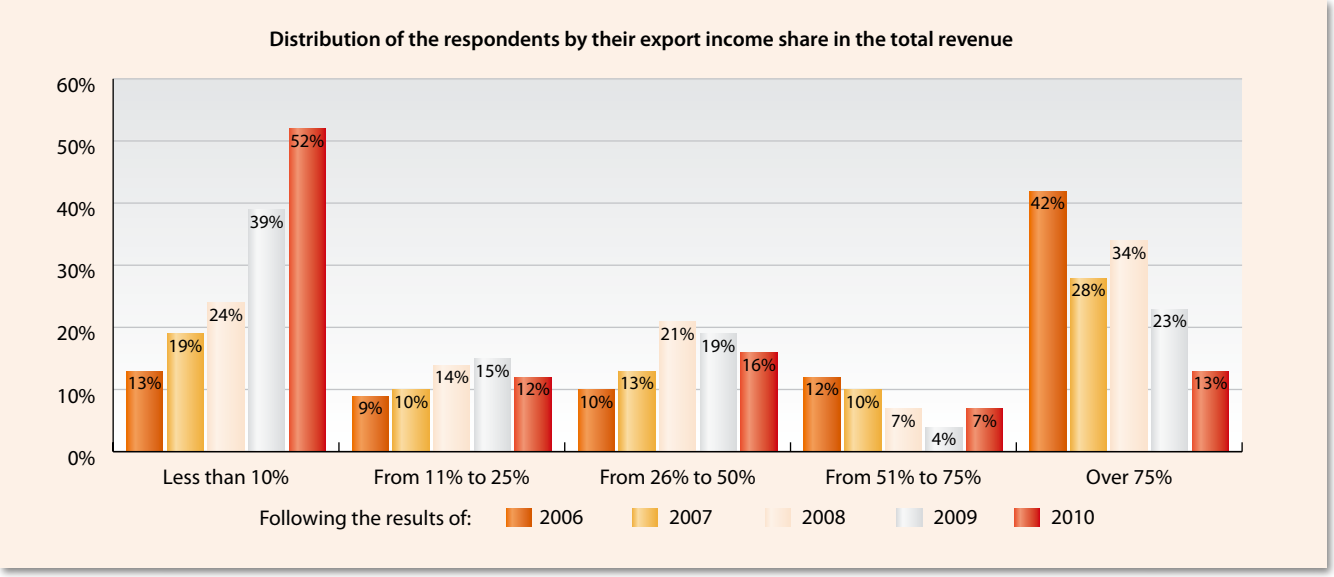
When considering the distribution of respondents depending on their export income share in the revenue, we notice that the number of the participants with under a 10% export share in their revenue gradually increased. We can assume that in the process of the domestic market recovery (especially upon completion of the sharp phase of the crisis), business, first of all, concentrates in the local market following the deferred demand.

When comparing companies' export indicators by the year of foundation, we can determine that the majority of the Russian companies which obtained world recognition (48%!) appeared in the market before 1998. From 1998 to 2007 inclusively, the number of new market players participating in the survey annually grew by approximately 3–4%. During 2008–2010, this indicator decreased to less than 1%. As a number of development institutions were created by the state during this time, we can assume that during these years, these companies existed, but, due to their youth, were not yet included in the RUSSOFT Association contact base. These companies will probably appear among respondents in coming years.

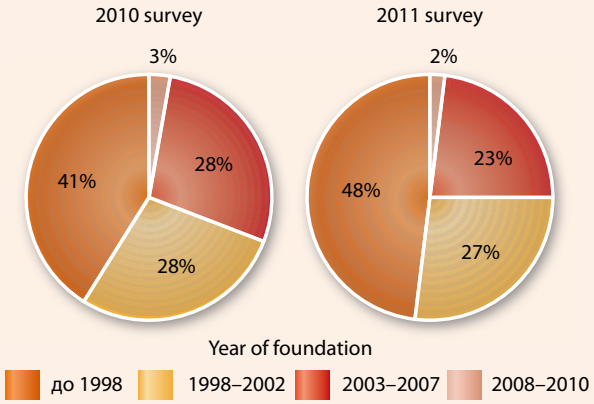
The results of the survey conducted by Opinion&Marketing Research and RUSSOFT Association in February-March 2011 constitute the foundation for this research. At the same time, a considerable part of the information about the industry's status and the various markets required for the research was received from other sources. Some such sources include the ratings of reputable analytical agencies, research companies' reports, information from foreign and international software developer associations, publications in Russian, and foreign mass media. In this research, we also used the opinions of experts and the heads of recruiting agencies; additionally, information from training centers as well as industry experts during communication with the heads of the companies which are not the respondents of the survey.

After preparing the research results, both the content and the drawn conclusions were verified by experts (the heads of the companies which are active members of the RUSSOFT Association). As was to be expected, the experts offered invaluable insight into discovered changes and trends.

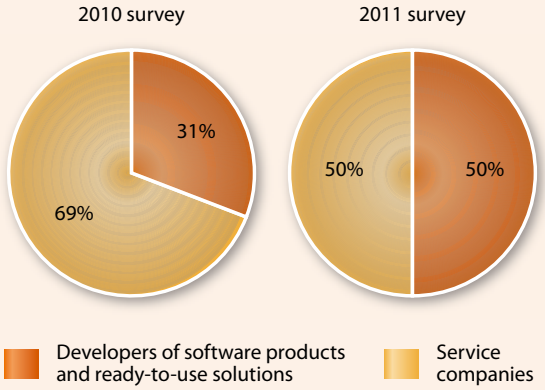
As the questionnaire sent to respondents remains, for the most part, unchanged over the years and includes the same key parameters for comparing companies' indicators, it is fairly accurate in tracking and forecasting industry trends and maintaining the continuity of the measurement process. This is facilitated by the strictly adhering to a standardized information collection procedure and of the content review of the experts who are in charge of the leading NP RUSSOFT companies and who have served as moral authorities for the entire industry for many years.



Distribution of the respondent companies by year of foundation (share of all respondents)



Distribution of the respondent companies based on their specialization



CHAPTER 1.

POSITIONS OF RUSSIA IN THE WORLD MARKET OF SOFTWARE AND SOFTWARE DEVELOPMENT SERVICE SUPPLIERS

During 2010, Russia's position in the world software and software development service market became stronger by a number of parameters. We can confidently state that there are positive dynamics in Russian software industry development. The financial crisis reduced growth rates; following the results of difficult 2009, software and software development service export from Russia increased by only 5%, but this growth occurred in spite of an overall IT world market compression observed during that period. In 2010, the export growth rates reached 20%, hitting the pre-crisis level (in 2008, the export growth was also about 20%).

In addition to this, preconditions for the emergence of new sources of export revenue growth appeared, with venture capital support, as new perspective companies arose in the market during the previous two years and a number of foreign corporations declared their intention to open R&D divisions in Russia. In particular, Microsoft, Cisco, and Symantec all proclaimed their desire to transfer their R&D departments to the Russian territory. In January 2011, Nokia Siemens Networks assumed the liability of opening several new R&D centers in Russia.

In Russian cities, several dozens of international R&D centers have already been operating (their staff size varies from 10 to 1,000 employees).

Companies which have their own R&D centers in Russia:

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

From significant events of the last period, we should especially note the initial public offerings at foreign exchanges successfully performed by the Russian Internet colossuses — Mail.ru Group and Yandex (in November, 2010 and in May, 2011 respectively). Following the results of the IPOs, Mail.ru Group is valued at $5.71 billion, and Yandex, at $8 billion. Such success had a positive effect on the image of Russia being now seen as a country that possesses developed and perspective technologies, as well as professional management teams capable of competing with global leaders. This success positively redounded upon the entire Russian IT industry as well, making it more attractive to foreign investors — again, all thanks to the success of Mail.ru and Yandex.

Now, it is important to expand this success and prevent the disappointment of investors who believe in the future prospects of Russian companies. Mail.ru Group and Yandex changed their development strategy. Previously, their main task was the protection of their market; this they did quite successfully. For example, Yandex managed to keep a considerable advantage over Google by the measure of the number of users in the Russian market despite the difference in weight in the global market. After successful IPOs, the Mail.ru Group and Yandex companies declared their planned expansion abroad which is considered by the heads of both companies as the unique way to maintain their leadership in Russia and to establish further development.

Experts expect IPOs of other Russian IT companies. The first candidate is the leading IT service supplier in Eastern and Central Europe — the EPAM Systems company, which has already officially declared the preparation for their IPO. Kaspersky Lab, Parallels, etc., are next.

The celebration of the first human space flight's 50th anniversary in April, 2011 became an important event which influenced interest to the Russian IT industry in the West. The event was reported about in the most popular mass media — both in separate countries and globally. For whatever reason, some of the publications focused on the problems which Yury Gagarin, the first ever spaceman, encountered during his flight. But, mostly, the generally reported material was positive. In addition to the last achievements in space exploration, current successes were also noted. For example, it was pointed out that, currently, 40% of all space starts are carried out in Russia; this share is expected to increase to 50% in the coming years.

One more achievement connected to space exploration which caused a positive response in the world community was the beginning of Global Navigation Satellite System (GLONASS) operation. Currently, such global systems are available only in the USA (GPS) and Russia. Many leading chip producers — Broadcom, STMicroelectronics, ST-Ericsson, Qualcomm, Atheros, CSR, MStar Semiconductor, ZTE (on demand of the "MTS" Russian cellular operator) — have already began to or intend to produce chips with built-in GLONASS receivers. It is probable that iPhone, along with the GLONASS receiver built-in chip, will be available in the near future.

The history of creation and development of the "Russian Navigation Technologies" company, the largest Russian producer of satellite communication systems based on GPS/GLONASS, has been included in the training program of Stanford and some other American universities in the form of a business case study.

The Swepos Swedish company serving the national satellite navigation station network became the first foreign company to use the GLONASS system, preferring this system over GPS.

An increase in the number of GLONASS users has not only a positive effect on the image of Russia, but it also stimulates development applications for devices with the navigation function and, most likely, will favorably affect the Russian software export volume.

Other significant events and Russia's achievements in the IT sphere:

— in March 2011, a 1 PPLOPS supercomputer was successfully tested in the Sarov Nuclear Center; this supercomputer aims to take the 12th spot in Top-500 world rating;

— according to the largest industrial publication, HPCwire, Vsevolod Opanasenko, CEO of the "T-Platforma" company, has been rated as one of the Top-10most influential people in the supercomputer industry;

— in the spring of 2011, it became known that the use of a phono expertise system of a Russian speech recognition system developer — the Speech Technology Center company — helped formulate the accusations brought against Mel Gibson, an American actor and producer, and resolve the controversy of the singer Britney Spears with The Radar and Star magazines concerning the authenticity of the singer's telephone conversations published by them;

— to avoid crowds by the Eiffel Tower, the most known tourist attraction in Paris, the French decided to use the AnyLogic simulation modeling environment created by XJ Technologies, a St. Petersburg development company;

— at the end of 2010, Microsoft acquired an American-Russian virtualization solution developer, the AVIcode company, with the main development center in St. Petersburg;

— in May 2011, the representatives of the NGI Russian fund gained a majority in the supervisory council and board of the Mandriva company (a French Linux-based open source operational environment developer); Leonid Reiman, the former Russian Minister of Communications and IT, became the chairman of the board,

— Russian students achieved another success in the programming world contest, having won 5 out of 12 medals in the final (the achievements of Russian school students, university students, and working programmers are described in chapter 6).

We can confidently state that the gradual improvement of the attitude towards Russian high-technology companies is evident at the global level, and this improvement, in many respects, grows out of the successful promotion of Russian IT business to leading positions in the global market. Sometimes, people get to know about that for the first time as there are still many negative publications on Russia in foreign mass media. Such improvement of Russian IT business perception has resulted in new orders for software development and sales of ready-to-use solutions and products from Russia, primarily from economically developed countries.

At the same time, there is little to no progress in solving most of the industry's problems. Thanks to the crisis, the stringency of the labor market slightly relaxed, but after the economic revival during mid–2010, the deficiency of specialists is felt once again. Soon after the introduction of a privilege on insurance premium payment for software development companies in 2010, in response to Russian president Dmitry Medvedev's order to reduce the insurance premium load for all business issued in April 2011, the government prepared proposals to introduce an additional charge in the amount of 10% for compensation of decrease in insurance premium rates, therefore the IT business tax load will increase by 40% to 50%.

The problem connected with the lack of a high-technology export state support system comparable with competitors has not been solved in any way.

ACHIEVEMENTS OF SEPARATE COMPANIES

The share of Russian software development companies in various IT-connected ratings continues to increase. In some ratings, a few of the companies dropped out of the world-best or region-best lists (for example, in Europe or EMEA), but others entered in their stead. Further, for the last year, generally there were more ratings which reflected Russian developers' achievements.

We have to state that many export companies do not participate in the ranking process because they do not wish to provide the data necessary for rating compilers. For many Russian companies, entering world ratings is not a significant event from a marketing or PR point of view, sometimes company managers simply do not have time for data preparation. As a whole, we can state that some Russian software entities' dropping out of the ratings does not mean a decrease in competitiveness and/or the occurrence of problems but is simply happenstance. After a temporary disappearance from the top-list, next year they often return to the top-rank circle.

The 2011 Global Services 100

There is good communication between Global Services researchers and Russian companies. As a result, nine Russian service companies entered the 2011 Global Services 100 rating: Artezio, Auriga, DataArt, EPAM Systems, Exigen Services, Lanit-Tercom, Luxoft, MERA, and Reksoft. Only the USA (35 companies) and India (31) have a greater number of representatives in Top-100 service companies. Only five companies in this rating represent China.

The 2011 Global Services 100 is not the list of the world's largest service companies. When creating the

rating, turnover is not the main criterion; customer service quality is more important. When estimating the results of annually published Global Services ratings, we can draw a conclusion that if China has a slightly greater IT service export volume than Russia, it is considerably behind Russia in the understanding of business processes and in the quality of customer service.

In addition to Russian companies, developers from neighboring countries — Ukraine and Belarus (IBA, Intetics, Itransition, SoftServe и Ciklum) — represent Eastern Europe in Top-100 of this rating. Thus, 14 software companies which entered the 2011 Global Services 100 represent three countries from the region. A year ago, there were 13 companies from Russia and neighboring Russian-speaking states in the Global Services rating.

In addition to the Top-100, Global Services analysts also determined the best service business representatives in various nominations. EPAM Systems and Luxoft have been leaders in Eastern Europe for many years and among their six competitors there are two more companies with powerful resources in Russia — Exigen Services and MERA.

The EPAM Systems company got to the Top-10 Product Engineering Vendors list, and Exigen Services, MERA and Luxoft are among the Top-13 in the Top Specialty Product Engineering Vendors nominations.

Luxoft and EPAM Systems are also among 13 winners of the Top Global Mid-Tier ITO Vendors.

In addition to this, the Luxoft company is the only Russian representative among eight Leading Mid-tier ADM Vendors.

The 2011 Global Outsourcing 100

In 2011, the number of Russian companies in the rating created by International Association of Outsourcing Professionals (IAOP) remained unchanged. Like a year ago, in the 2011 Global Outsourcing 100, there are only three Russian representatives — Artezio, Auriga, and EPAM Systems, as well as four companies from Belarus and Ukraine — IBA Group, Intetics, SoftServe, and Itransition.

The Black Book of Outsourcing

In 2010, only one Russian company, Auriga, entered the Datamonitor Top-50 of world leading IT service suppliers (2010 Black Book of Outsourcing research). However, it occupied a very high 15th place, having bested Xerox, Microsoft, SAP, Fujitsu, and Oracle, which were also classified as service companies by the rating authors.

Following the results of 2011 research, Datamonitor analysts recognized Auriga as the number one program engineering service provider in the world. In this nomination, the Russian company is ahead of such companies as IBM, Dell, HP, HCL, Wipro, and Siemens.

As the main comparison criterion in this research is service provider work assessment by customers, we can attest, once again, to the increased level of service business vision by Russian companies.

Deloitte Technology Fast 500 EMEA

Among the 500 fastest-growing high-technology companies in the EMEA region, according to Deloitte, there was only one Russian company, compared to just one year ago, when there were four. The Rosservice company, which serves the all-Russian Federal Tax Service IT infrastructure, is the third fastest-growing high-tech entity in the region within the last five years. Most likely, there are no Russian companies in this rating because its organizers require the full financial disclosure of participating companies.

Software 500

In the Software 500 (according to Software Magazine's version), the EPAM Systems company rose 21 places — from the 190th to the 169th spot. The companies representing Ukraine and Belarus take lower places in this rating but are also on the rise: IBA Group rose from 254th to the 232nd place, iTransition — from the 409th position to the 355th place and CS Odessa — from 496th to 451st place. The Artezio company, which is the most active rating research participant among all mid-size service companies, rose 70 spots, taking the 431st place in the Software 500.

Inc.5000

In the rating of the fastest-growing US companies (by all industries), DataArt, Exigen Services, and Acronis are present; although these companies have their headquarters outside the Russian Federation territory, they are officially Russian, according to the location of their main production site.

Top 100 Worldwide Packaged Software Vendors by Revenue

According to an IDC research company report, Kaspersky Lab took second place by revenue growth rates in the Top-100 largest serial software suppliers rating in 2010.

Most Innovative Companies 2011

Russian companies, Yandex and Kaspersky Lab are recognized by the Fast Company American magazine experts as among the most innovative in the world. In the Top-50, they took 26th and 32nd places respectively, having bested such companies as

Microsoft, Samsung, and Cisco Systems (with Yandex rating above IBM and Amazon too). Previously, Russian companies did not enter this rating at all.

FinTech 100

For the second year in a row, the Luxoft company was included in the FinTech 100 rating of leading world suppliers of technologies and services for the financial industry.

Global 100 Software Leaders

The Pierre Audoin Consultants French analyst company placed Kaspersky Lab at the 68th spot in the list of Top-100 world's largest software companies (by volume of receipts from the sales of software). Among European companies, Kaspersky Lab takes 7th place. In Europe, Russian companies "1C" and Jet Infosystems are also among the 100 largest companies. Once again, it is a matter of regret that Russian software producers do not display activity in advancement in this rating. Otherwise, if its compilers had the relevant information, there would be about ten more Russian companies in the European rating.

Other Achievements of Russian IT Companies

In 2010, the FineReader Express Edition for Mac solution of the ABBYY company won the main prize in the "Best professional software" category according to Macworld's British magazine version.

PCMAG.COM magazine editors recognized the Paragon Hard Disk Manager Suite 2011 solution of the Paragon company as the best product among all hard disk management programs.

The combined virtualization platform share of the Parallels company constituted more than 54% in the world virtual infrastructure lease market in 2010. According to the Tier1 Research analytical center, Parallels Virtouzzo Containers is the most popular solution for virtual server lease (VPS) services.

European Outsourcing Association recognized Luxoft as the outsourcing company of the year.

RUSSIAN ICT MARKET

In 2010, after an annual break due to the world financial crisis, rapid growth of the Russian IT market renewed. In comparison with the previous year, according to different estimates, it increased by anywhere from14% to 19% and reached $15.1 to $18.6 billion. However, its volume did not reach the pre-crisis (for Russia) level of 2008.

Thus, the consolidated revenues of the 100 largest Russian IT companies increased by 45% (to $24.9 billion). The indicator of revenue of the 100 IT companies appeared to be more than of the total IT market volume because they sold a considerable part of software and hardware solutions to each other before delivering to the end customer.

In spite of the fact that the growth rate indicator once again became double-digit, IT companies' heads cite that the IT market will never be the same as it was prior to the crisis. In other words, there are (and will be) much less unreasoned orders and purchases that are not connected with solving direct business challenges, which were previously financed just because organizations had spare money. We can quite reasonably assume that enterprise IT implementation efficiency generally increased.

The ICT share in country's GDP decreased from 4.6% in 2009 to 4% in 2010. However, it is connected with the fact that GDP grew quicker due to oil price explosion. If there were no price leap, the ICT share, most likely, would have remained unchanged or would have grown insignificantly (according to IDC reports, during the last ten years, ICT expenses in Russia steadily followed oil price dynamics).

By the Internet penetration level, Russia is slightly behind the European Union, where 57% of households have access to the global network (according to Eurobarometer data). Russian research companies more often measure this indicator as the share of certain age users (for example, 12+) of all inhabitants of the same age. By the spring of 2011, this indicator reached, according to different estimates, 38% to 50% (most likely, about 45%). In Moscow and St. Petersburg, the share of active users only (those who browse the Internet every day) is 70% and 65% respectively. The Public Opinion Foundation predicts that these indicators will reach 89% and 78% by 2014. It is expected that in two years, Russia will take the first place by the absolute number of Internet users in Europe (currently, it is behind Germany only). Nearly 3% all Internet users in the world are in Russia, while its population share is only about 2%.

The data on the IT market for the first half the year shows that its rapid growth continues. Many analysts expect a significant increase in its various segments in the coming years. IDC predicts that in 2010–2014, the annual average growth of IT costs in Russia will reach 16.8%. According to the Asteros group, the IT service market volume will increase by approximately 19% in 2011. According to the Strategic Outsourcing Association ASTRA forecast, following the results of the current year, the IT outsourcing commercial market will increase by 25% to 27%.

The "1C" company sees good prospects in the field of enterprise automation as the share of Russia in this segment of the world IT market is only 1.6%, and the share of the country in the global GDP is 2.7%.

RUSSIA IN GLOBAL IT RANKINGS

In the ratings reflecting the level of development and use of information technologies, Russia, as a rule, is far from the top position. It really cannot

The main indicators characterizing the Russian ICT market in 2010 (in comparison with 2008–2009):

Indicator	2008	2009	2010	Drop (-) / Growth (+) following the results of 2010	Source
ICT market capacity (with export)	—	1.796 trillion rubles ($56.7 billion)	1.808 trillion rubles ($59.5 billion)	+2,1% (+5%)	Ministry of Telecom and Mass Communications
ICT share in GDP	—	4.6%	4%		Ministry of Telecom and Mass Communications
Revenue of IT industry entities	570.7 billion rubles ($23 billion)	496.5 billion rubles ($15.67 billion)	565.8 billion rubles ($18.6 billion)	+14% or +3.7 % with inflation (+19%)	Ministry of Economic Development and Trade, Ministry of Telecom and Mass Communications
Consolidated revenues of 100 largest Russian IT companies	—	—	757 billion rubles ($24.9 billion)	+45% (+51.5%)	CNews100 rating
IT market capacity	615.3 billion rubles ($24.8 billion)	446.7 billion rubles ($14.1 billion)			IDC
IT market capacity	—	—	$15.1 billion	+19% (against -32% in 2009)	"1C"
Number of PCs in the country	—	—	62 million pieces	+18.4%	Ministry of Telecom and Mass Communications
IT service market capacity	—	—	$4.67 billion*	+30% (against -50% in 2009)	IDC
IT service market capacity	—	about $4 billion	4.1 billion	+15% (against -30–33% in 2009)	Asteros group
IT service market capacity	—	—	—	+12%	"1C"
Commercial IT outsourcing market	—	—	$1.03 billion	+21%	ASTRA Strategic Outsourcing Association
Internet economy contribution into Russian GDP (share)	—	$19.3 billion (1.6%)	—	—	The Boston Consulting Group (on Google demand)
Russian companies' IT department budget	—	—	—	no more than +10%	GlobalCIO.ru (Russian Union of CIO)
IT cost share (of consolidated revenues)	2010 e-o-y	0.87%	—	—	GlobalCIO.ru (Russian Union of CIO)

Individual segments of the Russian IT market

Indicator	2009	Change at the end of 2009	2010	Change at the end of 2010	Source
Number of computers sold (laptops, including netbooks)	7.3 million pieces (3.3 million pieces)	-26% (-16%)	10.75 million pieces (5.84 million pieces)	+48% (+76%)	ITResearch
Total revenues of companies engaged in Web-development (companies in all)	7.2 billion roubles		9.75 billion roubles (2,300)	+35%	CMS Magazine and Rating Runet
Software market capacity	—	-30%			IDC
Software market capacity				+24%	"1C"
Hardware sales				+22%	"1C"
Licensed software market capacity			$2.85 billion		"1C"
General-purpose software market capacity			$1.1 billion	+30%	"1C"
Business software market capacity			$905 million (ERP ~ $450 million)	+25%	"1C"
Domestic software market capacity				+7%	"1C"
Information security market capacity			$662 million	+18%	LETA

Revenue growth from sales in Russia in 2010 for some large companies representing ICT-sector

Company	Absolute value	Growth
Acer (shipment of products to Russian distributors)	$1.2 billion	33%
Microsoft	More than $1 billion	20%
Merlion	77.99 billion roubles	49%
National Computer Corporation	81.39 billion roubles	50%
OCS	—	63%
SAP (for CIS countries)		53%
Asteros Group	11.18 billion roubles	36%
TechnoServ Group of Companies	33.52 billion roubles	18%
Nokia	€1.74 billion	14%

yet pretend to get in the Top Ten list for most parameters. However, its position in the middle of the first hundred and sometimes even outside this range raise great doubts. Probably, the expert estimations are affected by old stereotypes (or enemy image political games taking place).

It is not clear, why Russia has a higher growth rate in the majority of the separate directions, but the integrated index does not show even a minimal improvement. Only in certain cases, progress, however, is reflected in international rankings.

Russia has the most unenviable position in the ranking of countries on the level of information technology development in 2010–2011, which is comprised by the World Economic Forum. It took only 77th place among 138 countries, though it climbed three places in one year. It's the fact that countries such as Tunisia, Egypt, Uruguay, Kazakhstan, and Azerbaijan were above that causes questions. Also, Russia is at the end of the list of the level of IT market development and legislative regulation taking respectively 118th and 111th places. The validity of such ranking is at least questionable. Apparently ranking compilers did not have the full information.

Russia was located slightly above in the ranking of the ability of countries to use ICT technologies in business, public administration, and social sphere (Economist Intelligence Unit) — 59th place. It occupies the same position in the E-Government Survey 2010 research published by the United Nations which reflects the level of electronic government institute development.

Most likely, as a result of the long-standing problems the World Intellectual Property Organization

Use in Russia of Internet-technologies in 2009–2010

Indicator	Time	Absolute value	Indicator change	Penetration indicator	Source
Internet-user number	2010 e-o-y	47/4 million users	—	—	ComScore
	2010 e-o-y	46.8 million users		+11.2%	Ministry of Telecom and Mass Communications
	Spring 2011			38%	Levada-Center
Number of Internet-users over 12 years (using daily)	End of 2010	57 million users (22 million users)	—	—	Fund "Obshestvennoe Mnenie"
Number of wired broadband Internet subscribers over 12 years	End of 2010	31 million subscribers	—	—	Fund "Obshestvennoe Mnenie"
Number of wired broadband Internet subscribers	I quarter 2011	19 million subscribers	+35%	36%	iKS-Consulting
Number of domain names in the .RU zone	Beginning of 2011	3.3 million	+17%	—	Ru-Center
Number of social network users	Autumn 2010	31 million subscribers	—	38%	J'son & Partners
Volume of Russian e-payment market	2010 e-o-y	70 billion roubles	+75%	—	Russian Association for Electronic Communications

Russian market of cellular communication and mobile phones

Indicator	Time	Absolute value	Change	Source
Number of mobile phones sold (sales volume)	2010 e-o-y	34.8 million pieces (155.2 billion roubles)	+25% (+7%)	MTS
Number of communicators and smartphones sold (sales volume)	2010 e-o-y	2.62 million pieces	+41%	SmartMarketing
Mobile phone sales volume	For 2009 (for 2008)	26.2 million pieces ($4.1 billion)	-27% (-45%)	Euroset Company
Share of Russians over 12 years having at least one mobile phone or mobile device	End of 2010	86%	—	Fund "Obshestvennoe Mnenie"
Number of sold devices with navigation	2010 e-o-y	2.6 million pieces	+123%	
Russian mobile content market	2010 e-o-y	—	+26%	J'son & Partners Consulting

(WIPO), there was a fixed decrease in the number of international patents registration applied for under the rules of Patent Cooperation from Russia (by 21.2% — from 711 to 560). Meanwhile, the worldwide indicator of patent registration grew by 4.8%. The share of the Russian developers is now only 0.34% of all patents.

According to the ranking of the Economist Intelligence Unit on the level of IT industry competitiveness, Russia occupied the 39th place in 2009 (ahead of other BRIC countries). Probably this position of the country is more objective than the previously noted 77th and 59th places. If you consider the number of Russian companies which have already achieved success in the world market or will do so in the near future, then the claims of the Russian IT industry to enter into the first twenty of the world ranking have good reasons.

At the same time, these companies either are generally known so far only in Russia or they do not disclose abroad the location of their main production sites. Sometimes, the headquarters of some Russian software companies are officially in other countries (for example, in Cyprus, Great Britain, Switzerland, etc.)

One may agree with the serious lag in preparedness to apply digital technology in state bodies. This problem is not so much technical as political and it is related in many aspects to the stalwart resistance of officials to create greater transparency in their activities. However, Russia should not take a place in the middle of a hundred on infrastructure and population preparedness to use IT, especially as there are other international rankings which confirm our thesis.

For example, the Royal Pingdom research company announced in November, 2010, that Russia occupies the 27th place among the 50 leading countries on average Internet connection speed. Generally speaking, for analytical value judgment, Russia's ranking is almost always higher when using measure parameters versus synthetic indicators.

Russia' is mentioned in the Connectivity Scorecard 2011 research of ICT efficiency for socio-economic development. This research, based on methodology developed by Professor Leonard Waverman, Dean of London Business School was conducted by the consulting companies Berkeley Research Group and Communicea, at the request of Nokia Siemens Networks. Russia rose in this ranking among countries with a resource-oriented economy from 5th to 3rd place, behind only Malaysia and Chile. Meanwhile, many countries with similar rankings which had higher positions than Russia in the Connectivity Scorecard 2011 research were ranked lower than Russia.

However, it is worthy to note the relatively good positions of some Russian cities in the world IT ratings. For example, analysts of Ericsson put Moscow at 12th place in the ranking of the 25 world megalopolises on the level of ICT development. They believe that the Russian capital could take a higher place if considerable investments associated with using ICT in transport management, health care, social security, and other spheres would be more effective.

The ranking of cities with the best possibilities for software development outsourcing (The Top 100 Outsourcing Cities) compiled by Global Services includes four Russian cities: St. Petersburg — 33rd place, Moscow — 46th, Nizhny Novgorod — 63rd, Novosibirsk — 97th. It should be noted that the representation of the Russian cities in this ranking increases as ranking compilers get more information about Russia.

Low ranking for the ICT development level contradicts the first places that are traditionally given to Russia for spam, cyber attacks, and viruses. This contradiction is practically not taken into consideration though obviously there is a relationship between the level of ICT development in the country and the level of technological capability of its inhabitants to create malicious software. Unless, of course, you envision the ridiculous idea that all computers and experts in Russia are involved in spam sending, creating viruses, and cyber attacks. Meanwhile, on some indicators of malware production and distribution, Russia ranks similarly with the USA, Brazil, the Netherlands, South Korea, and other countries.

Admittedly, Russia is naturally behind in measures against web-based crimes, due to legislation differences between Russia and those of the leading countries. However, there is some progress in this area. Crimes are being solved and perpetrators arrested, and the legislation is changing. Therefore, we can expect that Russia in such ranking as well as the USA will continue giving the leadership to other countries.

PUBLICATIONS IN FOREIGN MASS MEDIA

There has been a cardinal change in representation of Russia in foreign print media (including Internet resources) over the last year. An analysis of publications in newspapers and magazines (both printed and online versions), including newsreels of analytical agencies (34 resources in total) showed a sharp rise in the number of messages which reflect Russian achievements in the high-tech field. From July, 2010 to July, 2011, there were more articles reporting more or less positive information about Russia than those contributing to its negative image. As a comparison, during 2010, negative articles regarding Russia occurred almost one and a half times more often than positive ones.

This breakthrough happened due to several significant events, two of which are related to the cosmos: the 50th anniversary of the first human flight

Types of articles in foreign mass media (from July, 2010 to July, 2011)

Impact on Russia's image	Number of publications	Part by all editions	Part by specialized editions	Part by business and general-political publications
Positive	38	21%	11%	42%
Most likely positive	82	45%	52%	31%
Most likely negative	14	8%	9%	7%
Negative	47	26%	28%	20%
Total	181	100%		

Publications by subject area

Space	15	8%
IPO of the Russian companies	10	5%
Investments	6	3%
Use of free software in state bodies	9	5%
Agreements with Skolkovo Fund	5	3%
Identification of threats to information security	35	19%
Fight against cyber crime in Russia	18	10%
Russian cyber crime	43	23%
Fight against dissent	14	8%
With reference to the Kaspersky Lab company	17	9%
With reference to the Elcomsoft company	10	5%
Others	28	15%

in space, celebrated in April, 2011, and the ending of American shuttle flights. Thanks to the first flight anniversary, the mass media reminded readers what country was the first pioneer in space exploration, and the final missions of American space shuttles became an occasion to report about Russia's domination space exploration in the coming years.

The Russian Global Navigation Satellite System (GLONASS) has not yet attracted the attention of journalists, but there are some publications on the topic currently and likely, there will be more to come.

A significant buzz was created by the successful IPOs of the Russian Internet giants Mail.ru Group and Yandex. There was not only news about share placing on the stock exchanges (plans and IPO went through), but also interviews and reviews. Overall, the interest in all Russian Internet companies considerably increased for the year.

Also, news of the threats to information security and various system and device vulnerabilities discovered by Russian companies (first uncovered by Elcomsoft and Kaspersky Lab) positively affected Russia's image.

Some publications focused on the kidnapping of the son of Evgeny Kaspersky, the founder of Kaspersky Lab. Such publications served to remind readers that the high-tech companies competitive in the world market were in Russia as the information about Kaspersky Lab was disseminated in almost every article. Meanwhile, the negative information related to the kidnapping was mitigated by the fact that the son of Evgeny Kaspersky was released very quickly. At the same time, Kaspersky Lab was represented in some articles as the only Russian software company which achieved success in the world market (though, to be fair, it should be noted that, in fact, it was only the largest of nearly ten Russian software producers which have taken leading positions in their respective segments).

Articles about the ultimatum delivered to the Russian government by Intel Corporation may have had a dual effect. Intel threatened to move their research and development from Russia to other countries (for example, India). At the time, the Intel research centers in Russia had more than 1,000 people. On the one hand, the unfavorable conditions of business for the high-tech companies was reported, and, on the other hand, it came to light that there were a large number of qualified specialists able to troubleshoot the issues of the world's largest processor manufacturers. Meanwhile, the official confirmation of the ultimatum or any Intel staff reduction in Russia did not occur.

Other articles went on to discuss news of the agreements for the creation of new R&D centers in Russia between world renowned corporations and the Skolkovo Fund and also the Russian Prime Minister's statement about federal executive bodies transitioning to using "free software".

Russian investments in foreign high-technology companies (as well as foreign investments in Russian IT companies) have been highlighted in foreign mass media publications recently. Although the successful performance of Russian students at the World championship on programming a year ago was mentioned in one article, no corresponding article was found in the analyzed editions.

Often, the negative information publicized about Russia's IT sector is associated with cybercrime. As before, Russia is pegged as one of the leaders in this field although the reasons for this are not always clear. At the same time, articles exist citing that the strength and organization of the Russian hackers is often greatly exaggerated in the West. Further, many articles report on the fight against cybercrime which actively began in Russia (arrests of hackers and crime organizers, adoption of legislative changes, etc.).

The second most important source of negative information was Microsoft's statement that, under the pretext of the fight against piracy in Russia, non-profit organizations engaged in human rights activities and/or environment protection were persecuted. The checks which were not carried out on a mass scale shall not to be considered. Most likely, it is a question of Microsoft's desire to demonstrate its commitment to democracy and environmental protection.

It is necessary to note that the once-inviolable rule stopped working relative to the analyzed editions: the farther from policy, the more publications that were beneficial to the image of the high-technology sector of the Russian economy. Following the results of last year, the more positive attitudes towards Russia appeared not only in specialized IT editions, but in business and general-political mass media as well.

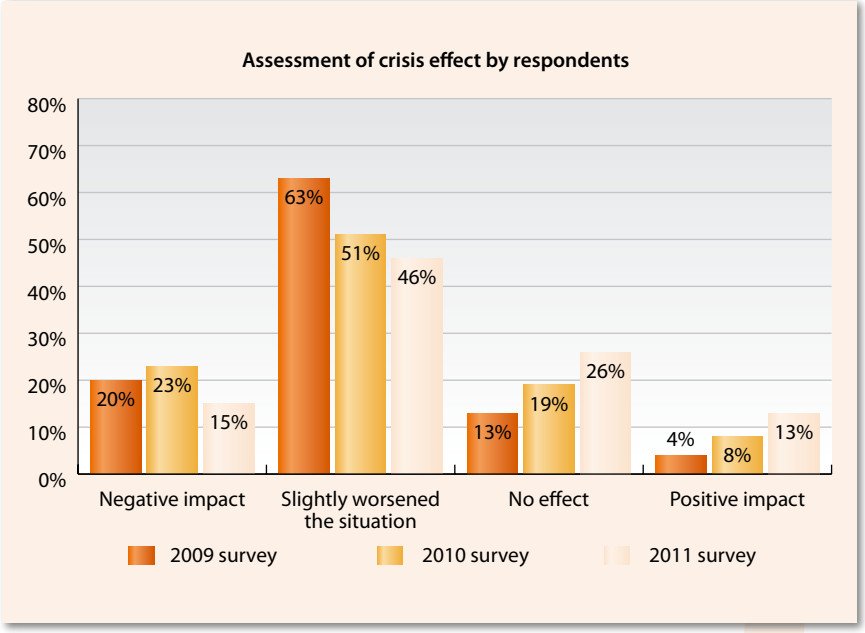
The mass media and news resources of research companies covered by this research:

Aberdeen Group, Asia Times, BCC, Business Week, CIO Magazine, CNET, Computerworld, The Independent, EE Times Europe, eWeek (PC Week), Financial Times, Forbes, Forrester Research, Gartner, Global Services magazine, Government Computer News, The Hindu, IDC, IT Europa, IT Week, InfoWorld, InformationWeek, Linux Magazine, MacWorld, Network World, The New York Times, PC World, REUTERS, Smart Enterprise, TechNewsWorld, The Washington Post, The Wall Street Journal, Virtualization Journal, and ZDnet.

CRISIS EFFECT ON INDUSTRY

As the distance from the industry's difficulties in 2009 increases, the market participants' attitudes towards the crisis' effect is gradually mitigated. This year, the survey has shown that even more respondents saw its positive impact on their companies. However, no cardinal change in assessment was found.

Most likely, companies have already become used to the new realities of post-crisis life. Once again, the problems of employee search and retention, as well as reducing the tax burden, are moved to the forefront while the anxiety and nervousness of the crisis time are pushed to the background...before a new wave of crisis.



CHAPTER 2.

VOLUME AND STRUCTURE OF RUSSIAN SOFTWARE EXPORT

Rapid growth of software export was experienced after a pause caused by the world financial crisis. If, in 2009, Russian software companies' export revenue increased by a symbolical 3% to 5%, following the results of 2010, export growth was already at 20%. Thus, the export volume of the software and services for its development in 2010 reached about $3.3 billion; this figure very closely coincides with last year's forecast of our research.

Export of products and replicated solutions has had priority growth rates for several years in a row. Respectively, their share in the total export volume also increased, and in 2010, it was as much as 41%.

Investment in international development centers decreased during the crisis (with the Motorola development center suffering the greatest loss), but after the crisis, most corporations have maintained their same respective positions as in 2009. At the same time, some large foreign companies increased the number of full- and part-time researchers and developers working in Russia. Because of these companies, investments in international research and development centers increased by about 10%. To this, it is necessary to add service export growth in the research field provided by universities and institutes of Russian Academies of Sciences which made up about 15%. However, this total growth was lower than product export growth; therefore, the share of the R&D centers of foreign companies in terms of total amount of export was reduced from 12% to 11%.

Until 2008, the export revenue of Russian software development companies grew by 40% to 50% a year. The annual average growth of compound interests (CAGR, compound annual growth rate) for the period from 2002 to 2007 was 44.3%. Since 2008 (excluding the crisis in 2009), the growth rates decreased to 20%. Based on the respondents' assessments, we can assume that they will remain at this level for the next two years (as a rule, the forecast on the basis of these expectations has been proven to be highly accurate).

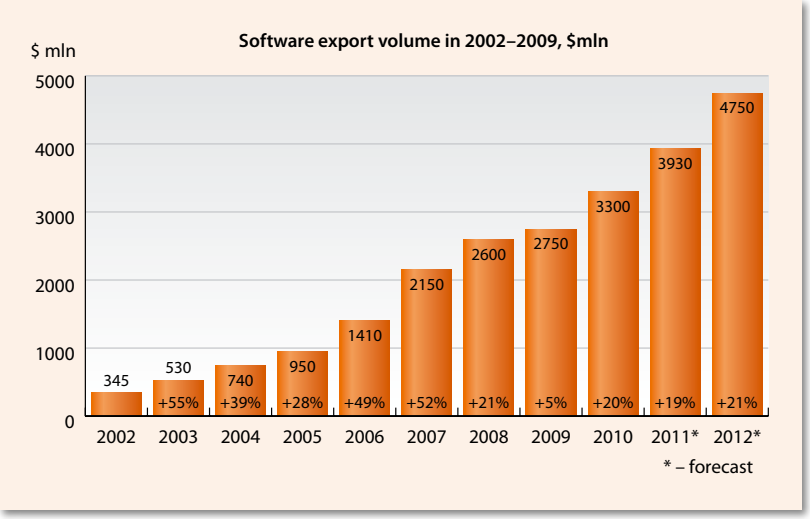
However, the existing potential in the industry allows Russia to have no less than $10 billion a year from software export. Therefore, lower export growth rate is less connected with the achievement of saturation of the export revenue growth curve (further rapid growth is already impossible), but more with the remaining unresolved problems of legislative and administrative environments in which businesses have to operate (these issues are discussed in Chapter 4).

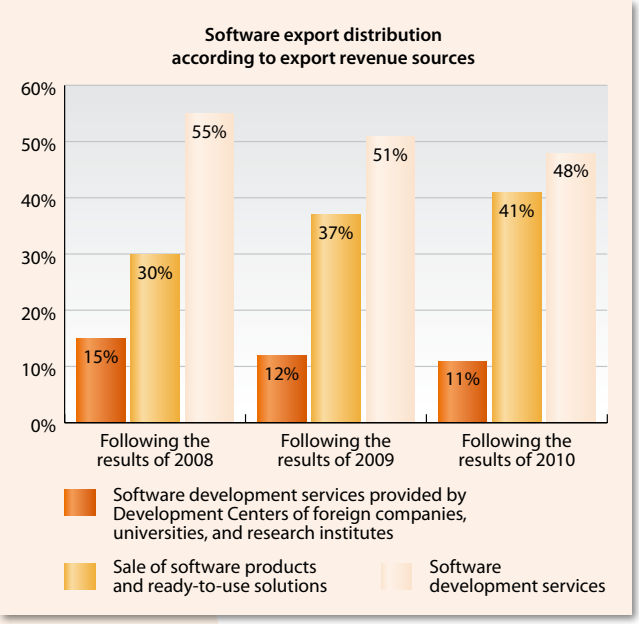
Creating a favorable business environment for exporters is especially important as they provide fast growth rates for the software industry, even within the growing internal IT market.

The results of 2010 showed, once again, that economic indicators are better in those companies which have the structure of consolidated revenues with the greater share of export. When the share of export is less than 10% of turnover, the total revenue growth of companies has averaged 10%. Those companies, in which the share of export exceeds 75%, grew on average by 30%.

Let's remember that, in 2009, which was very difficult for the industry, the companies receiving the most revenue from sales of products and services in foreign markets have achieved growth, albeit small, (on average, about 2%). While the companies focused on the Russian market (with export share from 0% to 25%), they reduced their revenue by at least 10% to 20%.

As the threat of a new wave of world crisis looms, we must consider that the diversification of markets allows companies to avoid falling sales by marketing maneuvering and niche establishments in the global market (which is incomparably larger and more varied than any domestic market). Thus, the resulting business experience in the global market provides an invaluable advantage to exporters in comparison with





those who focused exclusively on the Russian market. This advantage is shown not only in a company's ability to react quickly to changing conditions, but also in the quality of provided services and solutions used by enterprises in all sectors of the economy.

PRODUCTS AND READY-TO-USE SOLUTIONS

Volume — $1,350 million
Export growth — about 30%

Export growth of companies specializing in developing products and ready-to-use solutions has reached about 30%, by the most conservative estimates. Even though a number of respondents from large companies did not disclose data on last year's turnovers, their personnel policies show that they are expanding their activities abroad.

Export growth of product companies remained at the level of the previous year and even slightly increased. As in 2009, the greatest contribution to the increase in consolidated export revenues was made by Kaspersky Lab, which provided nearly one half of the growth.

According to IDC, Kaspersky takes the 4th place in the ranking of the world's leading manufacturers of security solution for end users. The company management has established a goal of getting into the top three antivirus developers. Moreover, its turnover shall exceed $1 billion in the next few years (at the end of 2010, the company earned $538 million or 38% more than in 2009).The company may well achieve their goal. It has already taken first place in the markets of some major countries (for example, Germany).

The achievement of a $1 billion turnover became the purpose for owners of two more fast-growing companies. That is Parallels (virtualization and automation software) and Acronis (solutions for backup, restoration, and protection of operating systems and data). Their respective annual incomes exceeded $100 million as far back as two to three years ago, and their growth rates are at least 30% a year.

The achievement of a billion dollar turnover in the next few years is also quite realistic for the Transas Group of Companies, whose subsidiary company, Transas Technologies, is a leader in the development of software solutions for the synthesis of 3-D images, vessel navigation and traffic control systems, and sea and air transport simulators. The turnover of the Transas Group of Companies at the end of 2010 was more than $300 million.

The total export volume of the three largest product companies (Kaspersky Lab, Parallels, and Acronis) exceeds $500 million. Except them, the Russian developers of software products and standard solutions noticeable in the world market are CBOSS (complex automation of communication business on the basis of innovative convergent self-produced IT solutions), ABBYY (electronic dictionaries, image recognition systems, etc.), Paragon Software Group (system utilities for work with the data on hard disks, multi-profile software for intellectual pocket devices, etc.), SPIRIT Dsp (built-in software for voice, video, and data transfer over various communication channels), PROMT (machine translation systems) and Speech Technology Center (speech recognition and synthesis systems). The PROGNOZ company of Perm (information analysis and decision support systems), 1C (accounting systems, enterprise management systems, and games), ASCON (CAD/CAM/CAPP/PDM systems), DocsVision (document management systems) extend their export positions, but these companies are more focused on the Russian market.

A certain contribution to export of the industry was made by the companies specializing on the development of Internet technologies and applications for mobile devices. The total volume of the export of software generated by them is estimated at 100 million dollars a year. Those Russian companies developing software in the field of information security have good prospects. Some of them began to actively promote their solutions abroad just in recent years.

Development of various applications is stimulated by development of the Russian global navigation satellite system GLONASS. These applications are in demand primarily in Russia, but they are already sold in CIS countries and possibly will find customers in other foreign markets.

It is remarkable that the large Russian software distributor, Softline, began selling its own development product, DeskWork (enterprise portal for automation business processes and organization of intracorporate network Intranet), in the USA in the spring of 2011. Thus, in the future, this distribution company could become a major software exporter. Just for this purpose, it has a marketing budget and established sales channels. Now Softline has offices in 21 countries (in Europe, Asia, Africa, and South America) through which it sells the software products of various vendors.

FOREIGN CORPORATION SOFTWARE DEVELOPMENT CENTERS, UNIVERSITIES, AND RESEARCH INSTITUTIONS

Volume of $350 million
Export volume growth — about 10%

Some major corporations in the last three years announced plans to create in Russia new divisions which will be engaged in software research and development (in particular, Nokia and Microsoft). As a rule, they do not specify any plans in terms of investment volumes. Apparently, the implementation of these intentions will depend on how favorable the

conditions are for the activities of research divisions in Russia. Currently, not all heads of corporations with Russian R&D centers are fully satisfied with the business climate. First of all, questions are raised by another change in the insurance fee payment procedure which, in many respects, nullifies the benefits received under the directive of the President of the Russian Federation at the end of 2010. At the same time, the companies do not go out of business in the field of software research and development in Russia, though they do not considerably increase their staffs of researchers and developers nor do they create new centers. Two exceptions are the EMC Corporation, which recently increased the staff of specialists in their St. Petersburg R&D center by almost 25%, and the Nokia Company, which created some new research laboratories in Russian universities.

It is remarkable that, during the time after the critical phase of the world economic crisis, the number of Universities and Russian Academies of Sciences institutes have strengthened their positions as service providers for research and development by orders of foreign corporations. In particular, it is worthy to note the Institute for System Programming (ISP RAS), St. Petersburg State Polytechnic University (SPbGPU), and the St. Petersburg Institute for Informatics and Automation (SPII RAS). According to the respondent experts that are close to the academic and educational circles, the total amount of cross-border services provided by such organizations has increased in 2010 by 15%, reaching about $80 million. Taking into account this growth, the total volume of export generated by this segment of the research and development centers reached $350 million in 2010.

SERVICE EXPORT

Volume — $1,600 million
Growth — about 14%

The potential of export growth for software development services has not been exhausted yet, despite the personnel deficit in the Russian labor market. Large service companies compensate for the lack of specialists in Russia by creating foreign development centers. In addition, there is a certain reserve to fully utilizing human resources, and the personnel deficit does not mean that there are no new specialists (university graduates) in the market. The shortage is caused by the fact that this proposal is currently below the existing demand. In the case of the existing discrepancy between the demand and the proposal, a small annual increase in the total number of programmers, nevertheless, allows for the potential increase in the export of service companies by a few percent.

Structure of Service Company Income (by Types of Provided Services)

The structure of the export income of service (outsourcing) companies in comparison with the previous year includes one serious change: a considerable reduction in the share of custom software development (from 72% to 49%), which used to be called "offshore programming". Meanwhile, the share of the development and adoption of software solutions also considerably increased (from 11% to 30%). The share of other IT services (maintenance of IT infrastructure and IT systems) also increased.

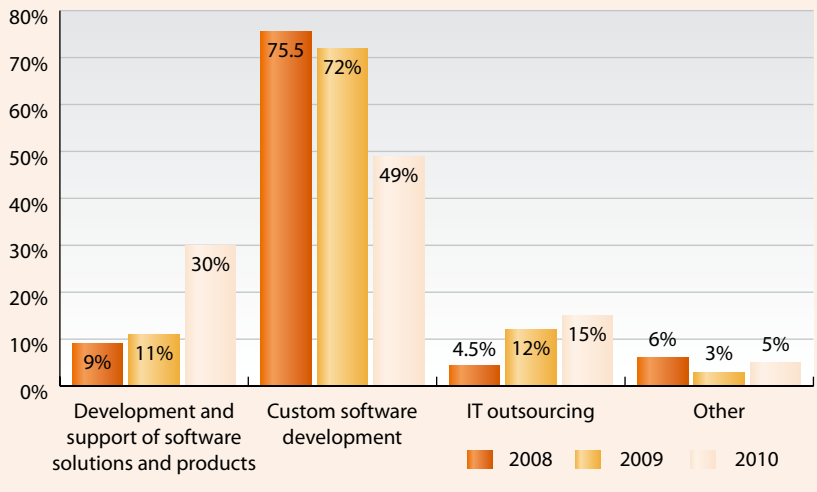
An important confirmation of transition from custom programming according to specifications to more difficult works based on program engineering is the fact of improving positions of the Russian service companies in the international rankings (see Chapter 1).

During the first decade of the development of the IT service industry in Russia (1990–2000), Russian companies attracted customers with the capabilities of their developers to solve complex technological problems, but the volume of tasks passed to Russia was limited by the problems of complex project management and the absence of the certification.

Then, at the beginning of the second decade, Russian service companies successfully mastered the modern standards of quality management (CMM/CMMI) occupying the front running place among European companies by pushing the number of certificates of compliance to the highest levels (4 and 5) of the international standard CMMI (Capability Maturity Model, Integrated).

By the end of the second decade, they began to occupy the highest positions in the rankings the companies providing the best possible services to their clients (Auriga Company received the No 1 ranking in the category of Engineering Services in the Black Book of Outsourcing, Datamonitor, 2011).

Structure of service company export in 2008–2009



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

Growth of world IT expenditures was restored after the crisis. According to the Gartner analyst company, it increased by 2.4% in 2010. IDC analysts saw an 8% growth. However, the global software market and the IT services market, according to their calculations, grew more slowly, at just 4% and 2% respectively. In addition, IT expenditures on the main markets for Russian companies have also increased to a lesser extent than the similar world indicator. According to IDC, the IT expenditure in the USA has increased by 5%, and in Western Europe, by 3%.

For Russian exporters, information about the situation in the global IT market is important, but does not yet warrant a high priority. Their income increases due to competitors rather than due to the growth of the global market. Russian software companies have no more than 2.5% of the global software market (including custom development services).This share increases approximately by 0.1% every year.

Partly, this tenth of one percent share of the world market per year is taken from India. Various sources indicate that customers are not always satisfied with the service quality of Indian software developers – the main competitors of the Russian service companies. The similar tendency was noted by analysts of the Everest Group and Offshore Insights companies. It is known that Due t this, Indian companies lost some profitable contracts (some of them jumped to the Russian market) over the last two years.

Further, Indian companies are faced with the protectionist actions of the US government that essentially affected sales volumes due to their high dependence on the American market. As a result, Indian companies were and are forced to shift to markets in Asia and Europe where they find it difficult to compete with East European companies because of existing cultural barriers.

The major British telecommunication company, New Call Telecom, has concluded that the services of the Indian outsourcing companies are not as cheap as they once were. Because of this, customers in Britain are ready to redirect to other contractors. In addition, China engages in tough price competition with India.

Despite all these problems, India's National Association (NASSCOM) has announced that the services export in the field of IT and business process outsourcing (BPO) in India continues to grow quickly. Following the results of 2010, it increased almost by 19%, reaching $59 billion. According to Gartner, the share of the Indian companies in the global IT services market grew from 4.8% in 2009 to 5.5% in 2010.

The export of software development services in India is about $10 billion which is six to seven times more than the similar Russian index.

However, it is not clear, how Indian service companies achieved an almost 20% increase in export as the growth of the global market was lower many times, with all main competitors announcing only two-digit increases in growth. It can be assumed that a considerable part of the work under the contracts received by the Indian outsourcing giants is transferred in outsourcing to countries with lower labor costs. Thus, with a rather small growth of the global market of outsourcing services, the "internal" outsourcing is growing rapidly, allowing to consider the initial contract several times that eventually lead to the fact that export of the corresponding services is growing by 10% to 20% at once in many countries.

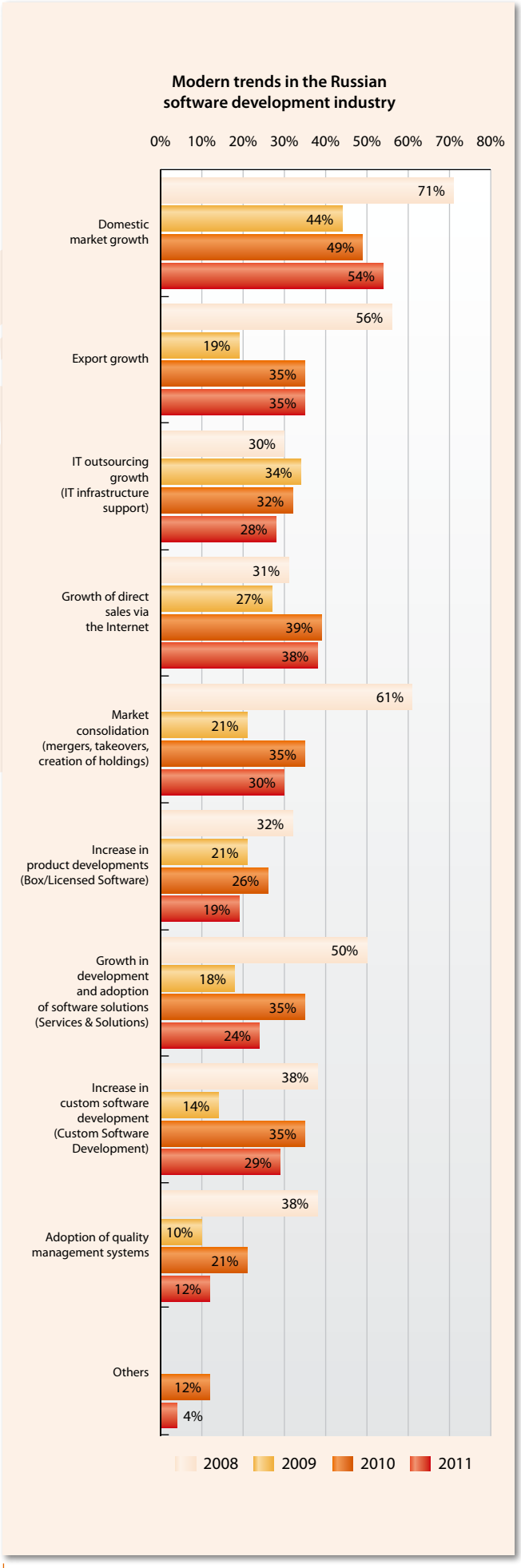
According to the United Nations Conference on Trade and Development, the volume of global "offshore" outsourcing was $94 to $96 billion in 2009 (60% of which is IT services, and 40% is the outsourcing of various business processes). Based on this breakdown, according to NASSCOM, two-thirds of the global "offshore" outsourcing market belongs to India.

Russian Indicators in the Context of Changes on the Global Market and in Individual Countries

indicator	Absolute value following the results of 2010.	Growth in 2010	Growth (+) in 2011 or absolute value (forecast)	Source
Total IT expenditure of companies in the world	$2.4 trillion	2.4%	$2.5 trillion (+3,1%	Gartner
Global IT expenditure	$1.5 trillion	8%	$1.65 trillion (+7%)	IDC
Global software expenditure		4%	5%	IDC
Global IT services expenditure		2%	4%	IDC
Aggregate IT expenditures in USA		5%		IDC
Aggregate IT expenditures in Western Europe		3%		IDC
Global IT services market	$793 billion	3.10%		Gartner
Russian software export	$3.3 billion	+20%	$3.9 billion (+19%)	RUSSOFT
Services export in the field of IT and business process outsourcing in India	$59 billion	18.7%	16-18%	NASSCOM association (India)
Global IT outsourcing market			$254 billion	Forrester Research
Total revenue of all IT companies			963 billion euro (+4.3 %)	European Information Technology Observatory
Global expenditure on application software			31%	Gartner

CHAPTER 3.

MAJOR TRENDS IN THE RUSSIAN SOFTWARE DEVELOPMENT INDUSTRY



Compared with last year, the views of companies on modern trends in the Russian software development industry have changed slightly.

The main distinction in the survey results, in comparison with last year, was a decrease in the number of respondents who have cited a particular trend regarding almost all survey items. Each respondent noted, on average, fewer overall trends than one year ago.

The only trend noted by more than a half of the respondents was the trend of domestic market growth on which 54% of respondents voted (last year, this trend also dominated, with 49% of respondents voting for it).

The trends of export growth (35%) and the growth of sales via the Internet (38% in 2011 and 39% in 2010) maintained their positions. All other trends were mentioned by an essentially decreased number of respondents.

The largest decrease is observed on the topic "Adoption of quality management systems" (from 21% in 2010 to 12% in 2011). Most likely, the decrease in the importance of this trend is explained by the changed structure of the massif of companies surveyed (increasing share of software products and standard solutions developers in comparison with service companies), as well as by the fact that the industry, as a whole, reached a certain level of maturity. All major service companies are now certified to the highest levels of the CMMI standard, and all other companies have the necessary adjusted development quality management systems, so that the adoption and maintenance of quality management systems is a routine procedure.

It should be noted that this comparison table for market trend ratings is only responsible for general trends recognized by most market players. The trends with the rating of 30% or more are as follows: domestic market growth, export growth, growth of sales via the Internet, and market consolidation. Considering the wide range of the companies represented in the survey, it is reasonable to consider the differences in the responses of companies depending on the segments to which they belong.

Among the most obvious differences are the following:

— Developers of software products and standard solutions mentioned "Growth of export" as an important trend more often than the service companies (38% versus 32%)

— Larger companies with a turnover of more than $4 million noted much more often the "Growth in development and adoption of software solutions" trend and much less often the "Growth of direct sales via the Internet" trend than the smaller companies

— Market consolidation is better seen by the large companies in Moscow and/or St. Petersburg, as well as the companies with export share in total revenues of more than 50%

— The companies focused on the Russian market

(with an export share of less than 50%) more often (34% versus 26%) mentioned the "Increase in custom software development" trend than the companies with the export share of over 50% (apparently, the demand for custom development in Russia grows more rapidly than from foreign customers)

— The small companies located in regions other than Moscow and/or St. Petersburg are more focused on sales via the Internet

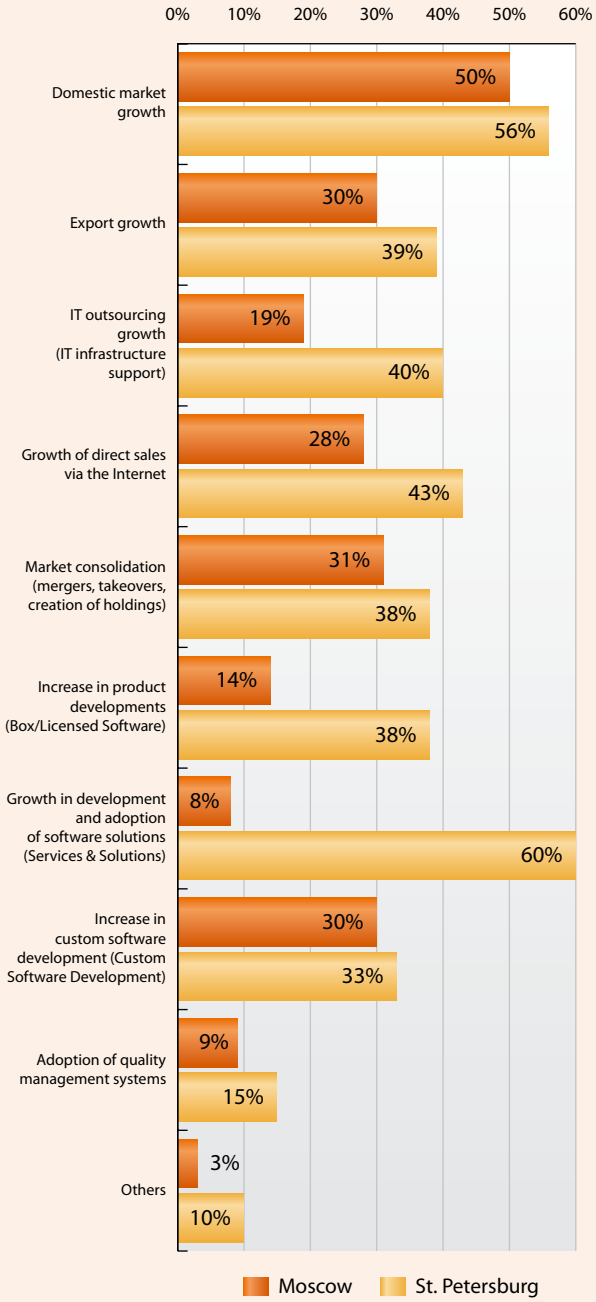
— The companies located in Moscow and St. Petersburg mentioned the "Increase in product developments" trend more often than regional companies (24% versus 12%)

The companies of Moscow and St. Petersburg have very different visions of market trends, despite the fact that they are similar to the companies in the outlying regions in many ways. In general, the St. Petersburg companies were the most active regarding the selection of certain trends and exceeded the indicators of the Moscow companies by the 6% — 24%. The "Growth in development and adoption of software solutions" trend should be especially noted. This trend was mentioned by 60% of the St. Petersburg companies and by only 8% of Moscow ones.

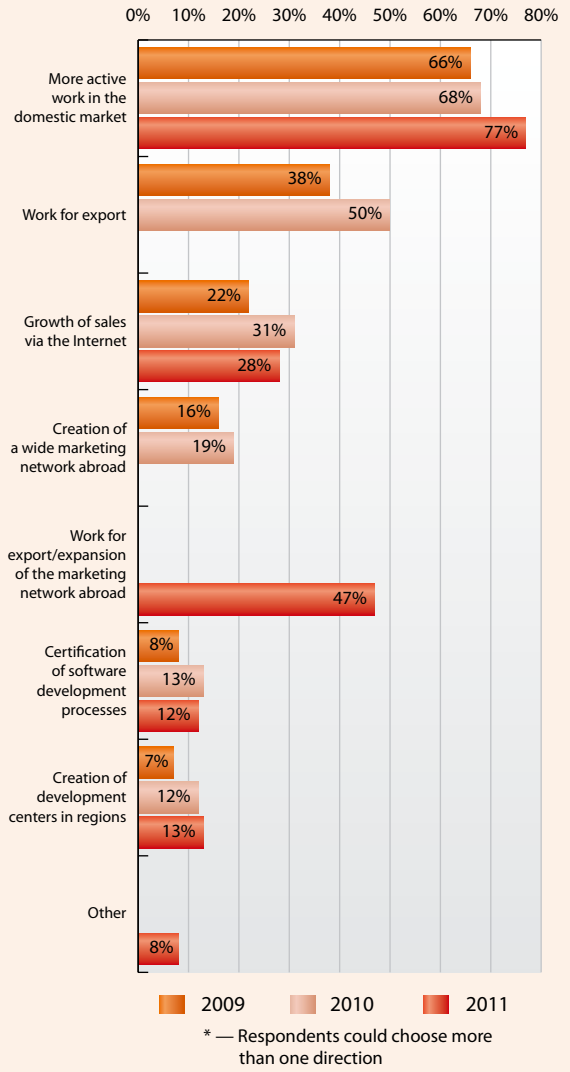
It is difficult to make assumptions concerning the reasons of such enthusiasm of the St. Petersburg companies, but it is possible to assume that it reflects a bit the hopes of the companies from St. Petersburg for further market development and for growth of their possibilities in this market.(There are too many mentions of some form of "grow"; maybe this should be reworded to be less redundant.) Time will tell…

Compared with the survey results of the last year, among the development directions of companies, the importance of the local market grew. It is connected with more rapid growth of the local market after the critical phase of the crisis. For example, active work

Vision of modern trends in the Russian software development industry from Moscow and St. Petersburg



Main directions of companies development*

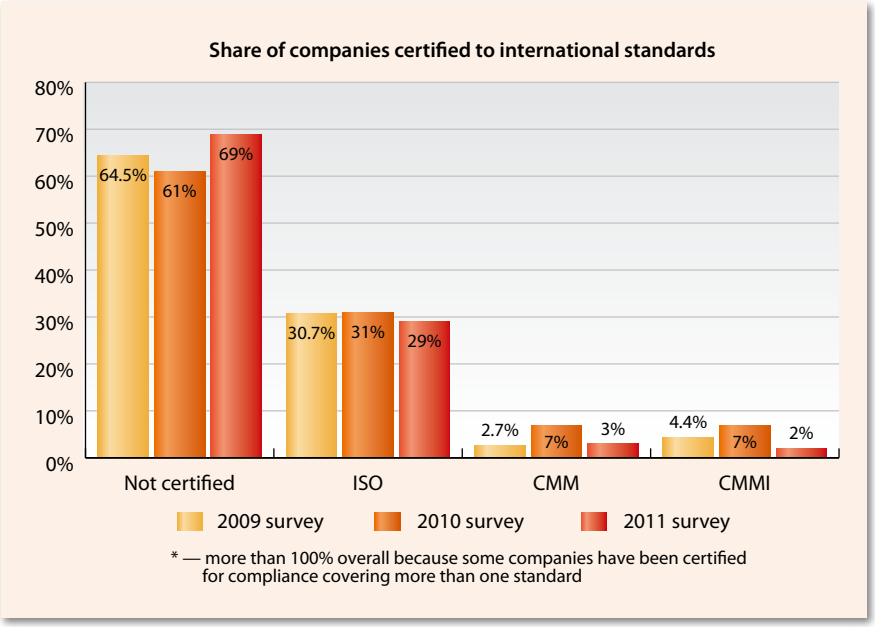


* — Respondents could choose more than one direction

in the local market as the main activity was mentioned by 77% of respondent companies (last year, this figure was 68%).

Export growth is still one of the main objectives for half of respondents (this development direction is now combined with the "Creation of a wide marketing network abroad" direction). Considerable changes in other directions are not noted in comparison with last year's survey.

Export is more important for those companies which have the most income in sales abroad (79% mentioned this as their main direction). However, it is the main objective for 39% of companies focused on the domestic market. Most likely, the experience of the Russian market collapse during the global financial crisis pushes everyone to diversify their businesses. Many players, mainly of the Russian market, are going to increase their share of export in total revenues.



Developers of software products and standard solutions mentioned more often (than service companies) the activation of work in the domestic market as their main direction (86% versus 68%), and less often the export (43% as opposed to 53%). They are also more often focused on sales via the Internet (31% versus 26%). For service companies, certification (15% compared to 10%) and the creation of remote development centers (16% versus 10%) are more important. Also, the more the share of export in turnover, the higher the need for remote development centers.

For regional companies, sales via the Internet is more important (with 40% mentioning it as the main direction) than for the St. Petersburg and Moscow companies (22%). Additionally, certification is more important for them (19% compared to 9%). The Moscow and St. Petersburg companies, in turn, are more anxious about the creation of remote development centers (15% versus the 9% of the regional companies).

If we compare just the Moscow and St. Petersburg companies, the main difference is that, in Moscow, there are more companies that view their main task as being the activation of work in the domestic market — 86% (while in St. Petersburg, it's 66%).

Generally speaking, the larger the company, the more important it is for it to increase export and create remote development centers. The small companies (with a turnover of up to $4 million) more often mentioned as their main task sales via the Internet and the certification of quality management systems.

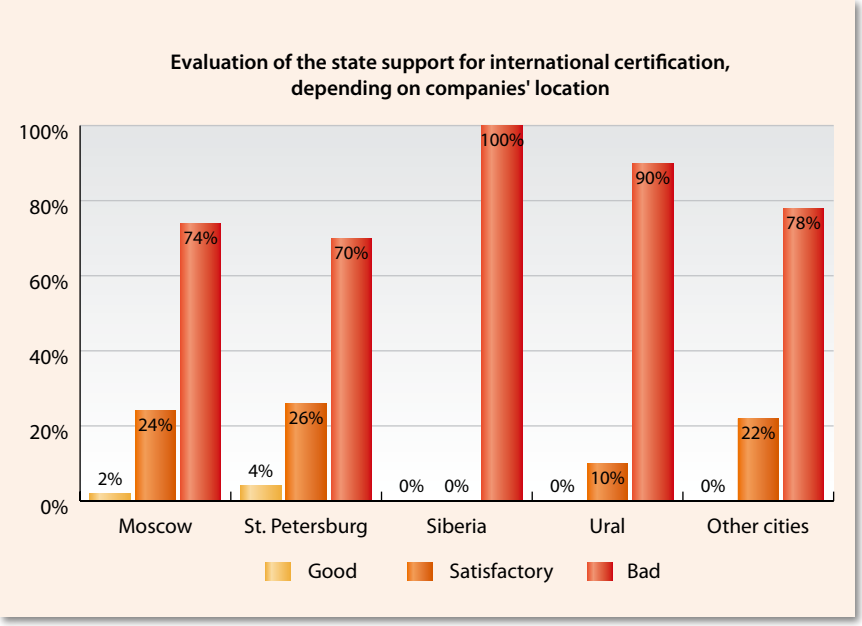
QUALITY MANAGEMENT SYSTEM CERTIFICATION

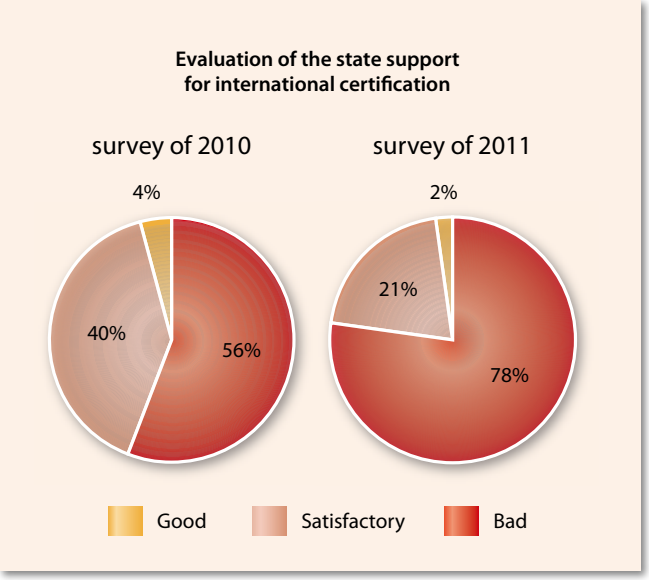
Overall, the number of the companies with at least one certificate of compliance to any standard of quality management (CMM, CMMI or ISO) has decreased. However, this is connected primarily to the restructuring of the massif of companies surveyed (increase of the number of small software developers for which such certificate is not critical). Most likely, the total number of certified companies has not changed significantly. The share of companies that are planning to undergo this procedure in the next two years (20% of all companies surveyed and 22% of those which do not currently have certificates of compliance) is also stable.

According to the interviewed experts, the issue of establishing a quality management system in the software development companies in Russia has lost its urgency because practically all companies, to some extent, have their own internal quality management systems. For those service companies which participate in international tenders with formal requirements of the availability of the CMMI certificates, this problem is solved by the official certification. All product companies and small service providers are satisfied with ISO and implement their own quality management systems based on ISO and CMMI, without requiring the expenses of certification and its confirmation.

If one fifth of companies are planning certification in the upcoming years, but the total number of certified companies does not increase, then we can conclude that the formalization of compliance to a particular standard is not critical for successful business though the companies do understand the reasoning behind and necessity of such certification under state support.

The difference between intention and capability has led to a notable increase in the number of





unsatisfactory assessments of the state support of certification for compliance with international standards. Providing state support in the passing of certification procedures is sporadic and does not affect most software development companies.

Authorization of the Russian company Inspirex Consulting expert as the Lead Appraiser for CMMI in May, 2009 should have lead to a reduction of the certification processing cost for the companies located in Russia. The number of companies which have the CMMI certification has increased only as a result of the 2009 survey.

Most companies without the formal certification are located in Siberia (75%). Thus, 58% of the Siberian companies are planning to obtain certification within the next two years, and 100% are not satisfied with the state support in the field. For the companies located in other regions, this indicator is much lower (from 15% in St. Petersburg to 27% in Moscow). It is remarkable that in Moscow there are fewer non-certified companies than in St. Petersburg (52% versus 62%).

INVESTMENT ATTRACTION

In 2010, 9% of the surveyed companies managed to attract investments. For 2009, that number was nearly the same (8%). About 10% of the companies planned to attract investments this year, but failed to accomplish this task. Probably now some companies will more realistically estimate their chances, as the share of companies planning to find investments in 2012, reduced from 20% to 16%.

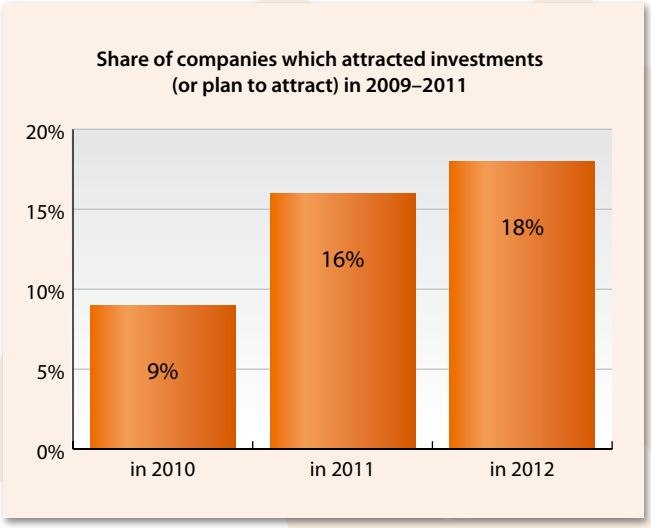
Moscow companies are less anxious about investments (6% of these companies found investments in 2010 and 13% plan to pursue investments in 2011).

St. Petersburg and Ural companies have the greatest interest in pursuing investments.

Software products development and market promotion typically requires considerable initial capital, but companies specializing in the development of software products and prototype solutions are almost as interested in investments as service companies.

The companies which orient their activity towards the fast-growing Russian market often need investments.

In 2010, no company with more than $20 million turnover found investments, but, in the next two years, 20% of such companies will be seeking investors.



EVENTS OF 2010

According to the Cnews Internet edition, a few significant events which can affect the development of the IT industry happened last year.

In November, 2010 the Prime Minister of Russia, Vladimir Putin, signed an order on approval of the "Information Society" state program for 2011–2020. The estimated federal budget expenses for this program are 123,1 billion roubles (more than $4 billion) annually. The subjects of the Federation will annually allocate about 50 billion roubles more for the program.

In December, Putin signed the plan for changeover of power structures and federal state employees to free software. According to the document, the implementation of Linux within the power structures will begin in the second quarter of 2012. Further, this document provides for the complete changeover of all the federal authorities and state employees to free software.

In November, the Mail.ru Group had their initial public offering (IPO) at the London Stock Exchange (LSE). The amount of the offering was $912. 04 million (17% of shares), so the Mail.ru Group capitalization reached $5.71 billion.

Also of note is the extremely successful Yandex IPO in May, 2011 at the New York exchange NASDAQ. Also in 2011, the owner of the social network Vkontakte announced his plans for entering the stock market, and the largest supplier of IT services in Central and Eastern Europe, he EPAM Systems Company, has already announced preparations for its IPO. It will be no surprise if, in the next two years, the largest Russian product companies also have their IPOs and enter the global stock market.

It is obvious that, as a whole, the Russian software development industry has entered a phase of globalization. After leading product and service companies and our Internet giants, a number of system integrators already actively work in CIS countries and study the better developed foreign markets. The industry is clearly set to compete on the level of global leaders and trendsetters.

CHAPTER 4.

EVALUATION OF BUSINESS CONDITIONS IN RUSSIA

Over the last year, respondents viewed Russian business conditions more critically. The average grade in comparison with the previous year's poll decreased from 2.7 to 2.58 points (using a five-point grade scale). Thus, the questioned companies still consider business conditions unsatisfactory (the "satisfactory" rating corresponds to 3 points); in fact, they are getting worse. Thus, in only one area, the protection of intellectual property rights sphere, are the state activities estimated higher than 3 points.

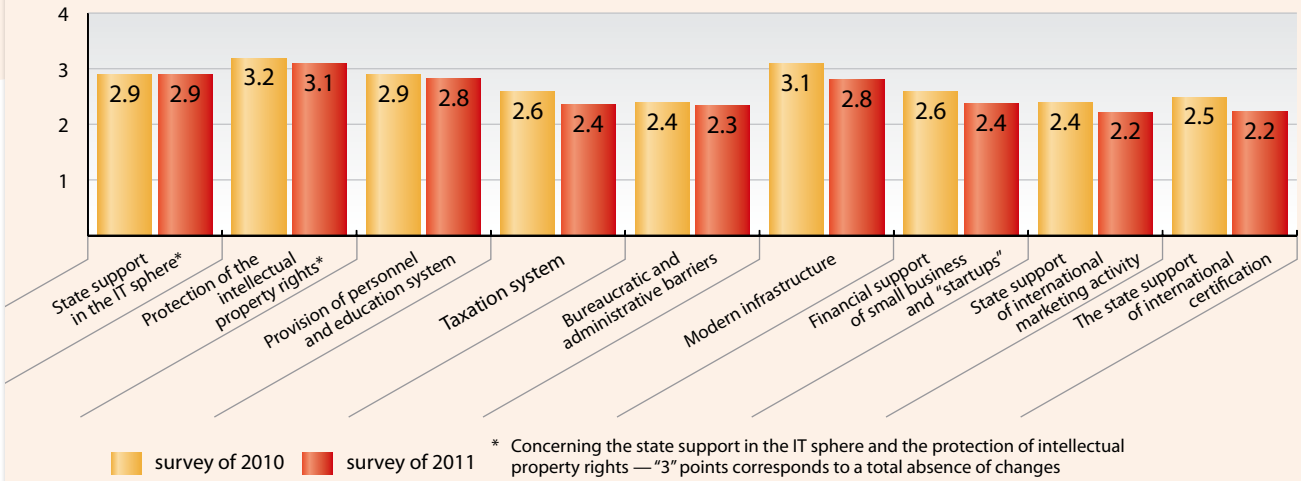
Most likely, the lowering of the state work evaluation reflects the general business community's spirits, which appear to be directly connected to the deceleration of economic growth after the satisfaction of the pent-up demand caused by the world financial crisis. Another factor influencing the respondents' negative estimation is the still-unstable situation of the insurance fee payment procedure. After passing the laws reducing insurance fee rates for software development companies to 14% at the end of the year, the Ministry of Finance and then the Government of the Russian Federation announced imposition of an additional 10% payment from the employee salary sum exceeding the descending scale level.

Even more disappointed were the heads of small companies (those with personnel of less than 50 people) for which the law established a 26% insurance fee rate. The imposition of the additional 10% fee from the sums exceeding the descending scale practically pushed out these companies from the market (it especially affects the small companies from major centers — Moscow, St. Petersburg, Nizhny Novgorod, Novosibirsk, etc.).

It is probably safe to assume that strengthening the negative attitude of industry representatives towards the state activities is connected with the coming parliament and president elections which will take place at the end of 2011 and in the spring of 2012 respectively.

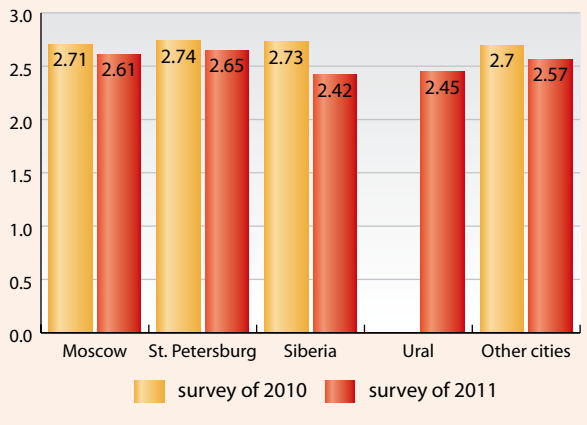
Nevertheless, some deterioration of business conditions, most likely, actually did occur. Initially, the aggravation of the labor market situation is obvious (during the crisis, companies suffered from shortages of experts to a much lesser degree). Secondly, property leasing prices started growing after the fall in 2009. As survey results of previous years showed, during the evaluation of business conditions process, the respondents attach the greatest value to the labor

Average estimation of business conditions in Russia according to a five-point system by results of the software exporters survey

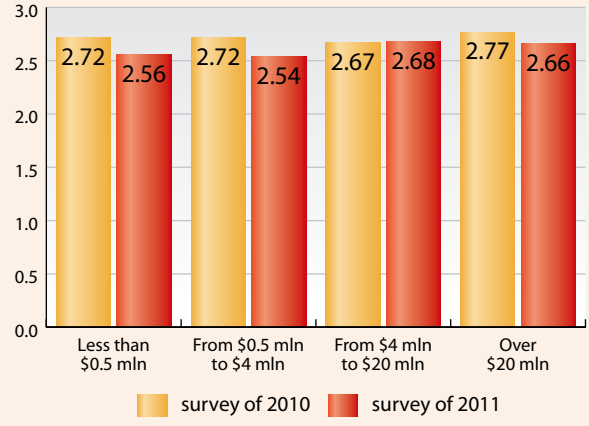


* Concerning the state support in the IT sphere and the protection of intellectual property rights — "3" points corresponds to a total absence of changes

Estimation of conditions in Russia depending on the company location



Estimation of business conditions in Russia depending on the company turnover



market situation (including the manpower costs), the tax load, and property costs.

At the same time, it is necessary to note that in addition to the aforementioned factors, there is some improvement in the situation of the state attitude towards innovative businesses as a whole, which the majority of respondents have , most likely, not noticed yet, as these improvements did not affect them directly. For example, it's already been more than a year since law No.217 FZ took effect, according to which budget science and educational organizations acquired the right, without an owner's consent, to create economic societies for the practical application of intellectual activity results — inventions, know-how, computer programs, etc. Although this law is not perfect, it has already led to the creation of new software companies in universities. This change is barely reflected in mass media and affects a narrow band of the questioned companies which were not among the respondents.

That lowering of the average estimation of the state industry support activities to 2.58 points is caused by real change in marketplace. Now, overall, business conditions in Russia can hardly be called satisfactory.

Business conditions are worse in some regions, despite the lower lease rates and manpower costs. The St. Petersburg companies estimate these conditions higher than the Moscow ones.

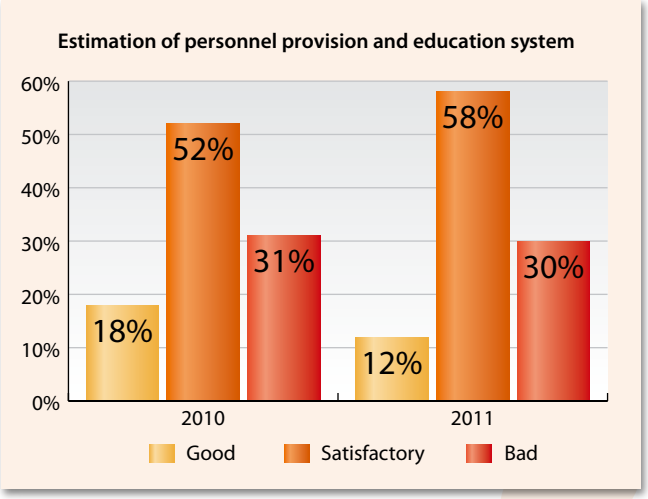
Small companies (with turnovers of less than $4 million) are more critical to the existing business conditions than companies with turnovers of more than $4 million. Thus, traditionally, most of the dissatisfied respondents are among the companies with turnover anywhere from $0.,5 million to $4 million. This fact reflects the increased discontent of small business with the negligence of the state for not including these companies (with personnel of 50 or less) in the list of the software developers for which, according to Federal law No. 272 FZ enacted on October 16, 2010, there should be a decrease in the insurance fee rates to 14%.

The matter is that, for the smallest companies (e.g., "startups"), high insurance fees are not critical, as at the early stage of company growth, the usually low salaries of the initiators are compensated by the future hopes of business growth prospects (therefore, only small payments to insurance funds are connected with this). Any companies already past their "startup" phase, unlike the smallest ones, have to face Russian bureaucracy even more often. They become notable taxpayers, and their turnovers draw the inevitable attention of various inspection bodies. Further, they actively enter the market, participate in tenders and often aim at additional employee recruitment. In this situation, they compete for resources and market share with the larger companies, which leads to a revaluation of the situation, including the state policy. The software products and prototype solutions developers estimate business conditions lower than the service companies (2.55 points versus 2.61).

The estimations dependent on an export share in turnover is not shown.

PERSONNEL PROVISION AND EDUCATION SYSTEM

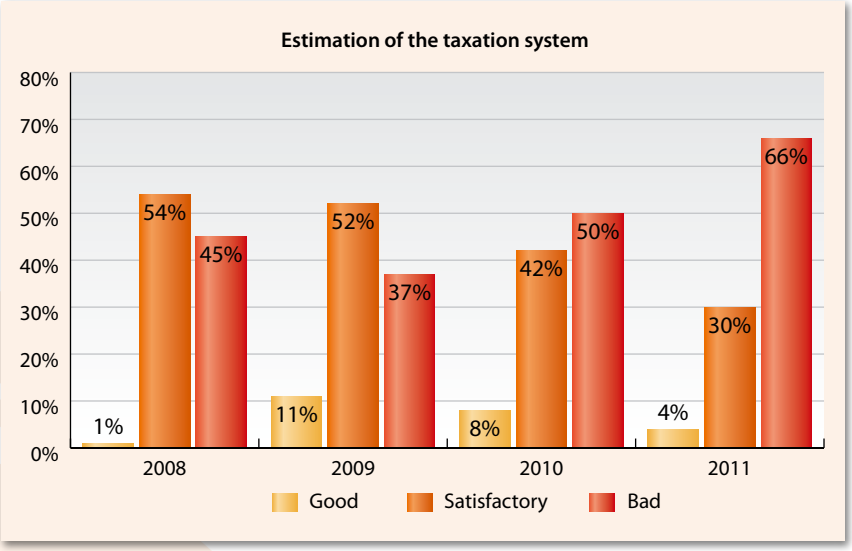
About 6% of the respondents who estimated the personnel provision and education system as "good" a year ago, changed their estimation to just "satisfactory", which corresponds with a slight and predicted deterioration of the Russian labor market situation last year. In comparison with the previous survey, other significant changes did not occur. The obvious dependence of estimation on location, turnover, export share, and specialization was not noted.



TAXATION SYSTEM

The degree of discontent with the taxation system existing in Russia reached a record level for all the years surveyed. Sixty-six percent of the questioned companies feel it deserves a "bad" rating. One year ago, there were only 50% of such respondents.

Apparently, the confusion regarding the procedure required and the amount of insurance premium due completely destroyed companies' illusions concerning the existence of the state policy in this arena. After a two-year fight to preserve the existing insurance fee rate of 14% for software exporters (set during 2008 to 2009 with UST payment) and for the privileges to all software developers (working both in Russian and in the global market), the industry was finally granted this privilege in 2010. Federal law No.272 FZ gave privileges to IT companies with state accreditation the share of profile activities income of at least 90% and with personnel of at least 50 people. Up until 2017, the total amount of insurance fee rates for these companies will be 14%, with a 21% cap in 2018 and 28% in 2019 respectively. Thus, the privileges are applied to the relations arisen since January 1, 2010.



However, initially, the 14% privilege did not extend to the small companies (those with less than 50 people). For the small companies (using the simplified tax regime), performing scientific research and development, and also for the organizations whose activities are connected with the use of computer facilities and IT, provided that the share of profile activities income is at least 70%, by Federal law No.284 FZ of December 28, 2010, the amount of insurance fees was lowered (not all the way to 14%, but to 26%) with a subsequent increase to 30% within two years.

Secondly, at the beginning of the year, after the president's directive to reduce the insurance fee rate for all business from 34% to 30%, under the Minister of Finance Alexey Kudrin's recommendation, the government suggested compensation measures for the budgetary losses from implementation of the new rate of insurance fees, according to which, from 2012, the additional charge in the amount of 10% from a salary exceeding the descending scale level of insurance fees was brought. As a result, the total insurance fee loading grew for practically all software development companies (small, (mid-sized or medium), and large) by anywhere from 40% to 50%! These changes will significantly raise the business tax load starting in 2012 (much more so than for other business spheres, what with the software development industry having the highest average salary level, anywhere from 30% to 50% higher than the average than that of the country overall).The aforementioned factors, most likely, caused the increase in the number of the dissatisfied respondents.

Disclosing the tax sphere situation, it is necessary to note that in the autumn of 2010, the State Duma in the third reading accepted a bill bringing about the creation and outlining the functions of what would be known as the "Skolkovo" innovation center, and also approved amendments to the Tax code of the Russian Federation, establishing an income tax, a property tax, and VAT privileges for the entities of the "Skolkovo" center. Within ten years, the project participants will be exempt from VAT payments, and the total amount of the compulsory pension, medical, and social insurance fees for them will be reduced to 14%.

The first "Skolkovo" residents who can take advantage of these privileges began to appear in the spring of 2011 (before this survey). As of yet, there are not very many of them among software development companies. Therefore, the majority of the surveyed companies felt that the change was for the worse. It is likely that the overall discontent was even further aggravated by the very existence of companies enjoying the privileges set about by the "Skolkovo" initiative. Add to this the fact that those not participating as privileged "Skolkovo" members were forced to incur an increase, let alone, receive an actual reduction of the insurance payment amount due; it's easy to see why overall discontent was on the rise. An article of the Ministry of economic development of the Russian Federation published in the spring of 2011 may be interesting to the large companies. According to a draft of a Government of the Russian Federation order prepared by this department, the status of an "innovative" company is to be determined by the exchange platform on which its securities circulate. There are a number of tax privileges earmarked for public innovative companies. However, among the Russian software companies, public companies are very rare ("Armada", Mail.ru, and Yandex being the exceptions).

Among companies with turnovers of more than $4 million, there are traditionally fewer companies not satisfied with the taxation system (50% to 54%) than among companies with turnover less than $4 million, (67% to 72%).

An analysis of estimation dependence on company location shows that the majority of companies dissatisfied with the taxation system are the regional organizations. Among them, the "bad" assessment share increased from around 38% to 47% to anywhere from 67% to 85%. However, the number of the dissatisfied companies increased even among the capital companies (located in Moscow and/or St. Petersburg) from 51% to 53% up to 63%.

It is necessary to note that a year ago, there were more dissatisfied companies in the two Russian capitals. Most likely, the sharp growth of the regional companies' discontent with the state tax policys caused by the fact that most of them are small companies unqualified to receive the insurance fees privilege under Federal law No. 272 FZ (again, those employing 50 or less), and do not believe in getting the resident status privileges of the capital "Skolkovo".

The average estimation of the taxation system by

the developers of software products and prototype solutions is slightly lower than the estimation given by the service companies (2.32 points as opposed to 2.42).

BUREAUCRATIC AND ADMINISTRATIVE BARRIERS

There has been no breakthrough in the resolution of the bureaucratic and administrative barriers problem over the last year. Crucial changes in this area are slow to come. Nevertheless, the number of companies dissatisfied with the situation has increased. This growth is, most likely, linked to the process of corruption control in Russia which is directly connected to the bureaucratic and administrative barriers problem (these barriers are often created artificially to impose the cost of "unofficial" services). Judging by the increasing number of identified corruption cases and the real punishments that followed, this process is going on not only on paper. However, it has not led to a change of the unscrupulous officials' collective consciousness yet (their craving for profit still overrides their fear of getting caught, and the inevitability of punishment is not so obvious, taking into consideration the high corruption level in power structures).

In this situation, with an increase in the number of revealed bribery cases and seemingly illogical official decisions, the majority of citizens consider corruption to be growing — even more so, what with the proximity between businesses and officials and deputies trying to influence public opinion in an attempt to discredit the very idea of corruption. This promotes the idea that as a result of this supposed corruption control, in all actuality, corruption is growing, and consequently, any attempts at corruption control will not result in any positive changes in the first place. Regarding the afore mentioned respondents' spirits, even if there is progress in this field, there are no expectations that there will be a substantial increase in the estimations of bureaucratic and administrative barriers problem solving. Larger companies with turnovers more than $20 million give less unsatisfactory estimations of the state's actions for administrative barriers reduction (45% of respondents); they, obviously, have more opportunities to overcome these barriers. Smaller companies are more critical (68% to 78% offered up "bad" estimations).

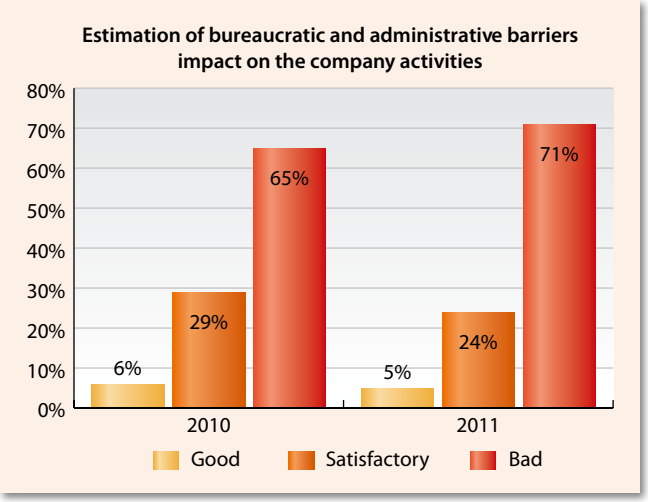
Most of the companies dissatisfied with the bureaucracy problem resolution are located in Siberia and Ural. However, we cannot draw the unequivocal conclusion that there are more bureaucratic barriers in these regions than in Moscow and St. Petersburg. Such attitudes are grounds for a more serious study of the situation.

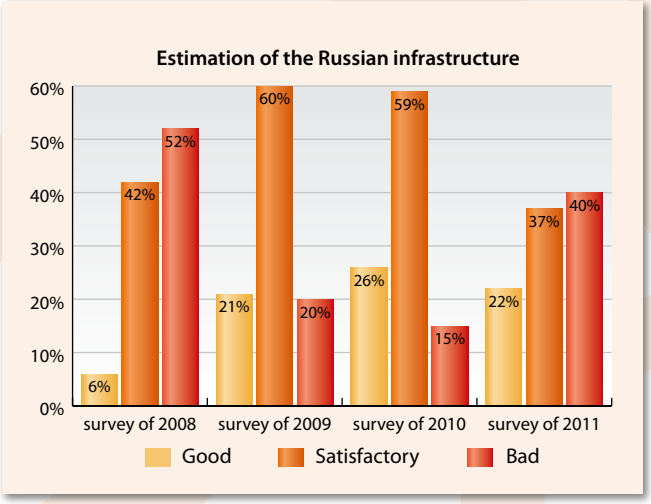
MODERN INFRASTRUCTURE

As the results of previous surveys showed, the respondents' regard to infrastructure is first of all connected with the leasing costs of high-quality office space. When the crisis began, lease rates lowered, and the number of respondents satisfied with the modern infrastructure sharply increased. In 2010 and in the beginning of 2011, leasing rates started gradually coming back to the pre-crisis level (in some cities they have already reached it), and owing to that, the number of "bad" estimations increased (though, so far, to a lesser extent than in 2008).

A year ago, the greatest number of respondents dissatisfied with the infrastructure was among the Moscow companies. Apparently, it was caused by the high lease cost for office space and infrastructure overflow in Moscow. This year, capital companies lagged behind on the discontent indicator; they were outrun by software developers from Siberia and Ural. The least number of dissatisfied companies for the second year in a row were in St. Petersburg (only 21%). Probably, in this way, the St. Petersburg companies estimated quite good, compared to other cities, ratio of quality, cost, and load of the infrastructure objects.

The most critical organizations to infrastructure are the average companies with a turnover of $0.5 to 4 million. Nearly 50% of these companies consider the infrastructure condition unsatisfactory. A little



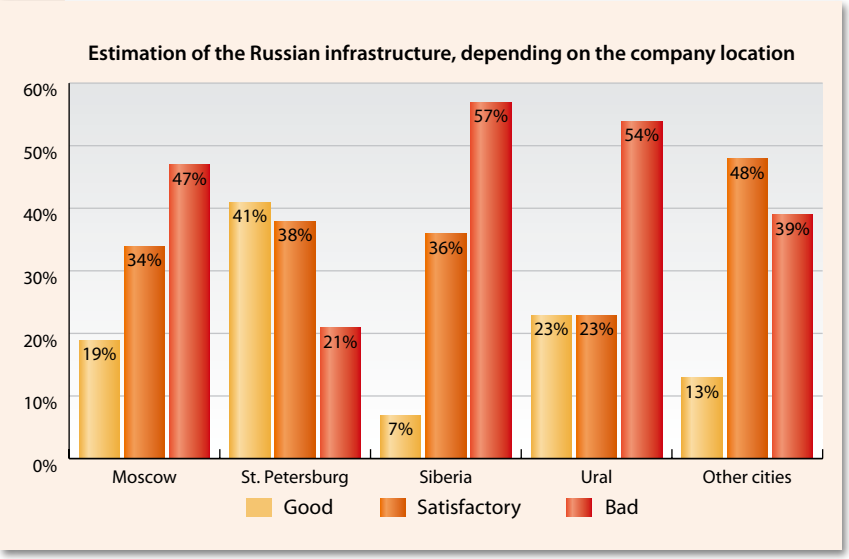


less (44%) of the dissatisfied is among the smallest companies. A year ago, among these companies, there were the least amount of unsatisfied — only 10%. Owing to the insignificant income amounts of the small companies, the leasing price fluctuations in the real estate market, connected with the ending of the sharpest phase of the economic crisis, affected their budgets more than in the large companies — even more so, as low leasing rates for the large companies (that often are "anchor lessees") are unavailable to them.

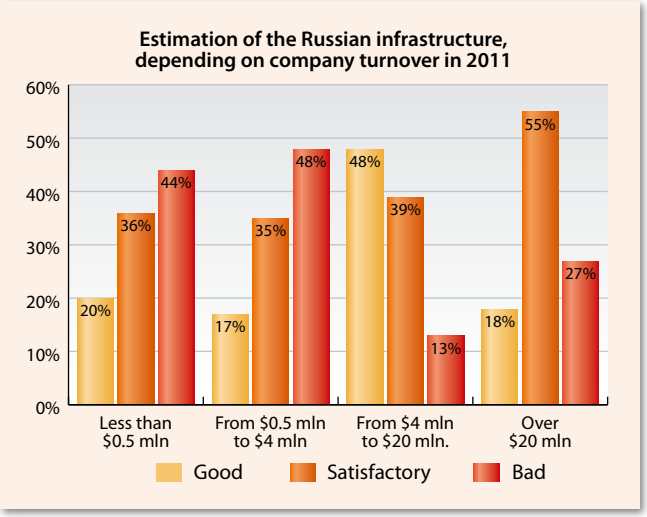
The average cost of office space, as determined by the results of this survey, does not correspond to the data of the Russian market overviews on commercial real estate. Judging by the results of our survey, the software development companies pay slightly less for office space than the average market price, characteristic for those business centers of in the A and B class. Their payments correspond, to some extent, to the rates of the business centers of the C class. For example, in St. Petersburg, according to the information of the real estate agencies, the cost of a square meter in business centers of the B class is anywhere from $29 to $32 per month, whereas St. Petersburg software companies in 2010 paid, on average, around $25.3 per month. For the questioned Moscow companies, the average rate was even less — $21.2, though, generally speaking, offices in Moscow are much more expensive than in St. Petersburg.

Apparently, the majority of the software development companies' offices are located far from the central districts of the large Russian cities in which they reside (the most expensive areas with high concentration of business centers). Some of them are located in universities, leasing space at a price much lower than that of the market.

One more discrepancy can be seen in lease cost dynamics. If real estate agencies report an appreciable growth of rates during 2010, and the stabilization of them in 2011, the survey of the software development companies showed that the lease cost for them, for the most part, did not change during that year. The average rate for all companies was, like a year ago, about $20. The difference can be explained by the fact that the real estate agencies reflect changes in rates which the lessees will pay in the future, and the questioned companies reported the actual payments of the last year. Respectively, in reflection of the lease value changes, there is a time lag. It is possible to assume that, in the survey result for next year, the average lease rate for the questioned companies will increase. If this does not happen, we will be able to draw the conclusion that the software development companies are mainly located in offices, the prices for which change in a different way than in business centers of the A and B classes.



The larger a company is, the more it pays for office space, and the less that leasing expenses share in its cost value. The grounds for this dependence are that with the growth of turnover, the share of lease expenses decreases, and a possibility to move to a better and more expensive premise arises. Besides, large service companies have foreign corporations among their customers, and these corporations impose high requirements for their contractors' offices. First of all, these requirements typically concern information and physical security.



A comparison of leasing rates in different cities showed that there is a higher rate in the medium segment of real estate in St. Petersburg versus Moscow and other regions, while in Moscow, there are more companies (15%) using offices of the highest class (A).

Efforts of the state directed at infrastructure development according to the requirements of high-technology companies have not lead to any appreciable result yet. Currently, the infrastructure objects of several types are created at the expense of the federal and regional budgets: Science and

Technology Parks, Special Economic Zones (SEZ) of technical innovation type and Science cities. Creation of the Science cities actually stopped when several small Russian cities tried to obtain this status. Expected infrastructure development in these cities did not happen, as the state investments planned for the purpose were not allocated in full, or did not reach the receivers.

After a year's break connected with a change of name and governance, the Ministry of Communications and Mass Media announced the creation of 12 science and technology parks within the federal program, providing corresponding state financing. However, so far, there is no information that the construction process for at least one of these centers is completely finished. Partially, the Science and Technology Parks projects are at the stage of business incubator creation. The exception is the Science and Technology Parks in Kazan, Tomsk, and Novosibirsk, where some objects are built, and where some innovative companies are relocating.

However, large software development companies do not aspire to place their development centers in these Science and Technology Parks. Incubators created at the expense of federal and local budgets bring about a certain effect. However, "startups" located in these incubators were not considered in this research because they were new to the business. Therefore, the respondents could not fully appreciate the efforts of the creation of the state incubators for high-tech companies.

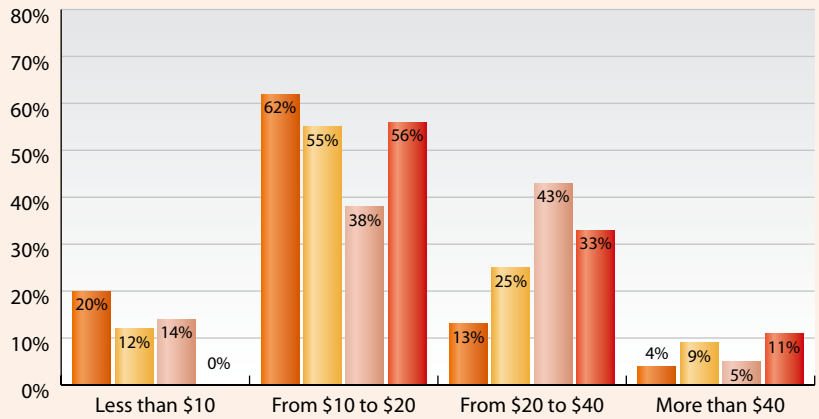
The Russian government intends to continue financing the Science and Technology Park network creation program. To further ensure this process, The Science and Technology Park Association in high technologies has been created and has been functioning for a few years now.

In 2010, the first Science and Technology Park constructed at the expense of a commercial company budget was created in Russia. It was built in St. Petersburg by the Finnish Technopolis company, which manages the largest Science and Technology Parks network in Scandinavia. The space put into operation at the first stage is about 23,000 square meters. In the St. Petersburg Science and Technology Park of the Technopolis is where the large software development center of the Exigen Service international company specializing in the development of custom software is located. However, most space is occupied by offices of large foreign companies of different profiles, so the Technopolis Science and Technology Park is more a business center with a convenient location (near the Pulkovo airport) than a Science and Technology Park in its traditional meaning.

Private Russian and foreign companies continue opening new business centers of the A and B classes. The supply of high-quality office space is gradually corresponding to the demand for them, though the disproportion remains.

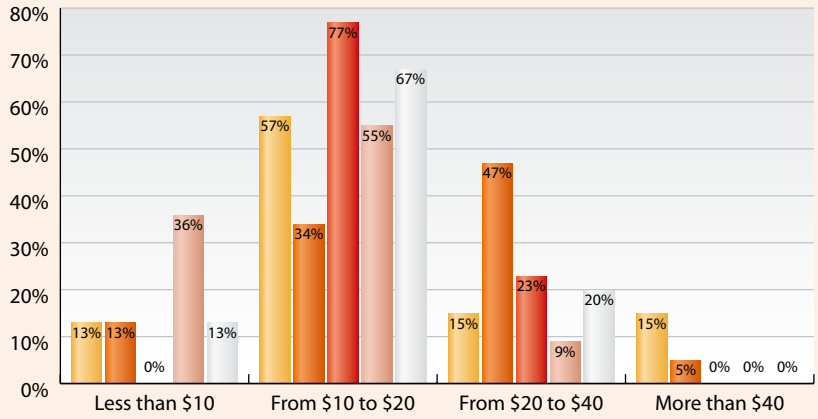
There is a little progress in the creation of Special Economic Zones, where residents are provided with privileges in social payments and in payments for connection to engineering infrastructure. Besides, in these zones the special customs regime is imposed,

Lease costs of office space in 2010, depending on company turnover

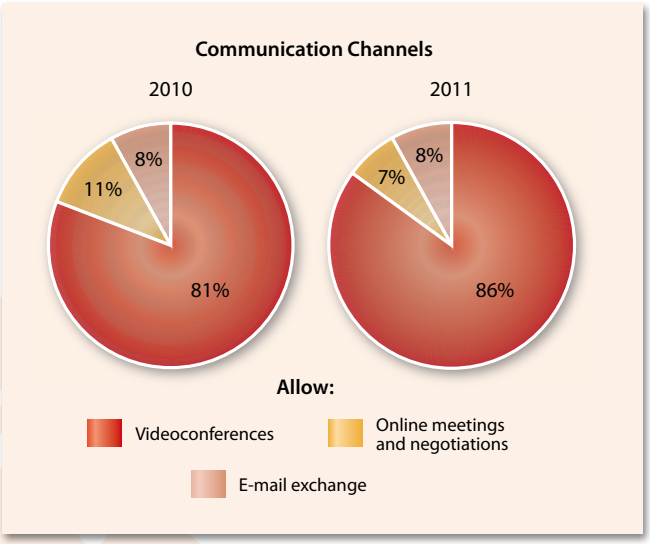


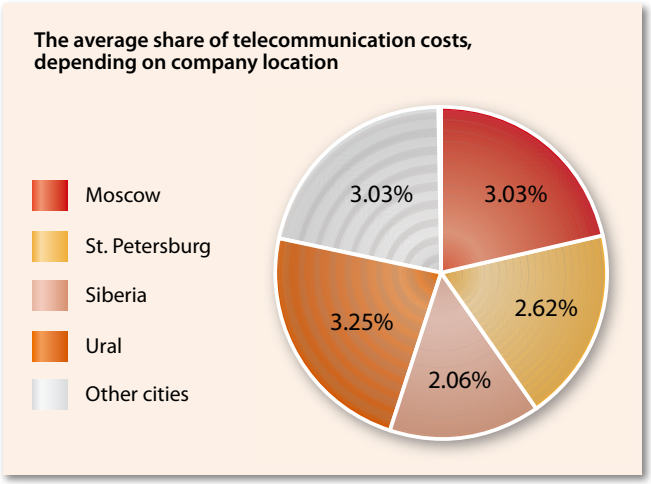
	Less than $0.5 mln	From $0.5 mln to $4 mln	From $4 mln to $20 mln	Over $20 mln
The average costs for the group	**$16.8**	**$20.4**	**$21.8**	**$23.3**

Office lease costs in 2010, depending on company location



	Moscow	St. Petersburg	Siberia	Ural	Other cities
The average costs for the group	**$20.8**	**$25.3**	**$18.5**	**$13.6**	**$17**

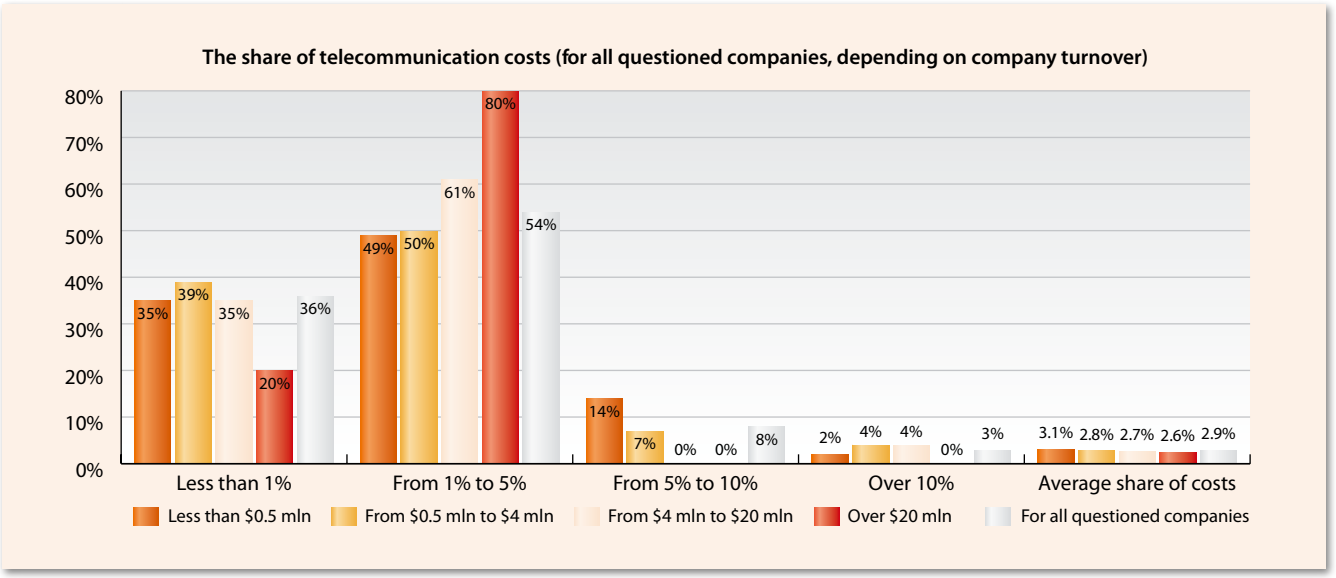




and a preferential leasing rate for small companies is offered. The SEZ are constructed at the expense of the government budget (infrastructure objects and office buildings) and money allocated by the companies having the status of residents (they build their own production and office premises). Four of these zones should have already appeared in St. Petersburg, Zelenograd (this city has the status of a Moscow district), Dubna (the Moscow Region), and Tomsk. However, because of a staff reshuffle and a disbanding of the SEZ Agency, and also owing to the crisis and slowness of the officials, no SEZ creation project has been completed. Besides, these projects mainly concern equipment manufacturers, not software companies.

Many world renowned software developers declared their intention to open their own R&D centers in the Skolkovo Innovation Center — the new city being created near Moscow for the innovative companies. Some of them have already become residents receiving subsidies from the Skolkovo fund for their project development. However, Skolkovo now functions only as a fund, allocating grants for perspective research and development projects. Even though the Skolkovo Innovation Center project is already prepared, but there is no clear concept for it. Its construction has not begun yet. Nevertheless, the idea of the Skolkovo Innovation Center creation is supported by such companies as Microsoft, Intel, Nokia, Cisco, and many others. Representatives of these companies were included in the governing bodies of the Skolkovo fund. At the same time, the majority of the Russian IT company heads have a negative attitude towards the Skolkovo Innovation Center construction plans or do not see arguments for cost efficiency of its creation yet.

If the software developers have problems with office space (there are not enough high-quality offices and costs are often higher than in Western European cities), the question on communication channels capacity will not be put aside in the next year or two. According to the survey of 2011, 86% of the companies already have Internet connection that allows videoconferencing. A year ago, there were 81% of such respondents. Even the smallest companies, with turnovers lower than $0.5 million, can afford having high-speed communication channels (with videoconferencing available to 82% of these companies). Probably, in the future, it will be necessary to determine the share of companies that can afford



videoconferences with High Definition (HD).

The vast majority of the questioned companies (no less than 80%), irrespective of their location (the survey covered companies from 30 cities), use high-speed communication channels. Typically, problems with the high-speed communication channels exist only in the Far East and in remote small settlements where export companies do not appear anyway.

The share of telecommunication costs in total expenses of the questioned companies decreased from 3.88% to 2.86%. It decreased evenly in all groups of companies, irrespective of their location and/or size. If the companies' turnover grew on an average nearly 20% (probably, the total expenses also grew approximately to the same degree), and the cost of telecommunication services decreases, this reduction is quite natural, though partly it can be caused by measurement inaccuracy and a change of the questioned companies array structure.

FINANCIAL SUPPORT FOR SMALL BUSINESS AND STARTUPS. INVESTMENT FUNDS

In the field of startup financing, there has been obvious progress during recent years. In Russia, a large number of venture and investment funds and business incubators have been created, and also several state programs for small business support have been launched. Both state and private funds increased their investments in new high-tech companies last year and during the first half of 2011.

Investments of the state Russian Venture Capital Company for 2010 was about 2,7 billion roubles, exceeding the 2009 indicator by almost two times (1,4 billion roubles).

In July, 2010 the Runa Capital fund with an equity of about $30 million was founded for investments into the startups in the IT industry. The Chairman of Parallels and Acronis companies' Board of Directors, Sergey Belousov, and the founder of another fund — Almaz Capital Partners — Alexander Galitsky, became founders of this fund. In February, 2011 the Runa Capital seed fund attracted new partners and increased its amount of financing by $20 million. In 2011, the fund plans to finance eight or nine new startups.

Yandex announced its intention to invest in teams developing new technologies, applications, and services.

The Intel Capital global fund is increasing its activities in Russia. Yandex announced plans to implement multi-million dollar investments in two Russian companies — AlterGeo and Sapato.ru.

The Bricolage incubator and the Fund for Early Financing of Technological Companies were established on the base of the Digital October new technologies center. During the first stage of the incubator development, the investments will mostly go to IT companies. It is projected that Digital October will work according to the Y Combinator model — the well-known Silicon valley seed fund founded by Paul Graham in 2005. But, if the Bricolage incubator is intended for small "startup" investments, the Digital October fund plans to finance companies in later stages of development. In total it is planned to allocate at least $300 million for venture projects financing.

The largest IT innovative tender project in Russia, the Web Ready, carried out by the Ingria St. Petersburg Science and Technology Park continually expands its geography. The first time it involved, generally, development teams from Moscow and St. Petersburg. Now they are planning the regional stage of the project in Siberia.

At the beginning of July, 2011 the i-Free company announced the opening of the i-Free Ventures seed investment fund which shall invest in IT venture projects.

In the spring of 2011, the Skolkovo fund was created; it provides grants for the financing of perspective research. The first grants from this fund were received mainly by the daughter companies of world renowned software developers — Parallels, ABBYY, and Speech Technology Center.

The Microsoft corporation has implemented a three-year program, according to which it intends to invest in the Russian IT industry 10 billion roubles (about $300 million); part of this money will be allocated for the support of innovative Russian startups.

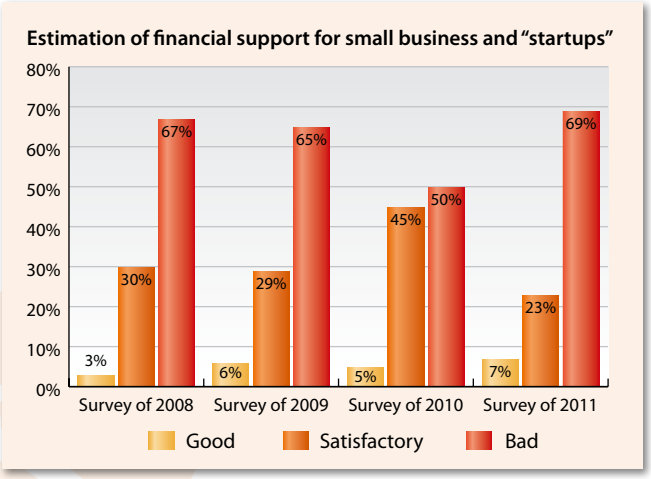
In 2009, Softline, a large Russian software distributor, created the Softline Venture Partners venture fund.

In the summer of 2008, Cisco announced that with UFG support, they would invest $60 million in the Almaz Capital Russia Fund I venture fund. This money is intended for small- and medium-sized IT companies.

Troika Capital Partners, the company created by the Russian financial group Troika, at the end of 2009, declared that it had created three funds (in Tatarstan, Krasnoyarsk Krai, and the Moscow area) with a total amount of more than 1 billion roubles (more than $40 million). Twenty percent of these funds are supposed to be invested in high-tech projects at an early stage, and 80% in IT.

According to the information of the National Association of Innovations and Development of Information Technologies (NAIRIT), in the first half of 2010, the number of new projects submitted by innovators increased in Russia on average by 32% (a year before, the surplus was 15%).

In 2011, 4 billion roubles from the government budget is being directed to the Foundation for Assistance to Small Innovative Enterprises in Science and Technology. More than 20% of this money will be received by small IT projects in grants of up to 15 million roubles. The Prime Minister of Russia, Vladimir Putin, reported that in 2011, 11 billion



roubles from the federal budget will be allocated to three state foundations for science support (in 2010, they received from the state 10 billion roubles).

At the beginning of 2011, the Russian National Association of Business Angels (NABA) joined the European Association of Business Angels. This allows the NABA to use the European association's resources for various Russian events and projects, and also participation in its international events. According to National Association of Business Angels forecasts, within the next three to five years, financing at the early stage in Russia will grow two to three times (currently, its annual amount of individual venture investments exceeds 15 billion roubles).

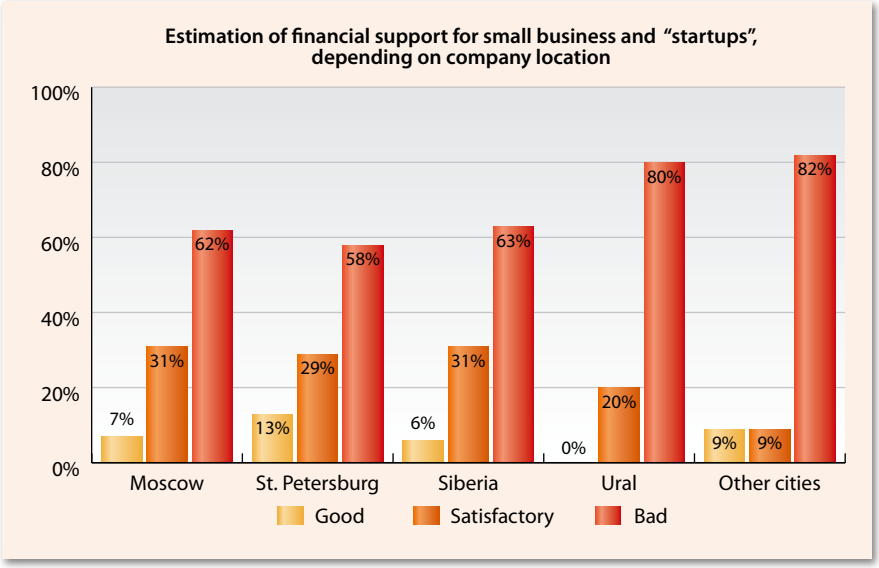
The President of Russia, Dmitry Medvedev, in one of his statements in the summer of 2010, reported that there are 108 venture funds in Russia, only 48 of which are currently operating, and that their total equity was $2 billion. He believes that it is not enough, as in economically developed countries, investments amounts for venture projects are much more considerable.

The Director General of the Russian Venture Capital Company, Igor Agamirzyan, sees the following "bottlenecks" of the Russian innovative and venture ecosystem: the lack of adequate organizational and legal forms for direct and venture investment funds activities; the overregulation and inflexibility of existing business "startups" forms; and the insufficient amount of grant support at early stages.

At the same time, according to some experts and venture fund representatives, there is more than enough money allocated for new high-tech companies, and there are not enough good ideas and projects for all financing possibilities.

Most of the questioned companies, for all intents and purposes, did not notice any positive changes in the financial support for "startups". In comparison with last year's survey, the number of "bad" estimations of "startup" situations even increased — from 50% to 69%. Most likely, it was the respondents estimating not exactly the support of "startups", but, instead, the operational conditions for small businesses as a whole. The vast majority of the questioned companies actually represent this very segment of the business. The support of these companies from the state is really insignificant and affects only a few of them. However, no deterioration in this sphere was observed. It is possible to assume that the increase in the number of negative estimations is connected with the emotional perception of the negative information flow, first of all — the growth of insurance fees and the exclusion of the small companies from those who can apply for the insurance fee privilege according to Federal law No.272 FZ. As a result of the unequal situations, with insurance fee rates, small companies have no possibility to compete with larger companies in the labor market. The exclusion of small companies in certain cases is a normal and natural process in the existing state value system. Therefore, the small companies' discontent is not a sign of a worsening of the situation with "startups".

If conditions for "startup" creation are improving, the conditions for their formation as established companies can hardly be called favorable. As surveys of previous years showed, companies have the greatest problems during the stage of transition from "startup" to an average sized company. It is necessary to promote their transition to the category of average, and then on to major companies (with turnovers estimated, at least, in the tens of millions of dollars). Otherwise, the support of "startups" will not give the necessary result for the country and will lead to expansion of technology and talent emigration from Russia. New companies, many of which are created with state financing support, will aspire to move abroad as soon as possible.



There are more respondents dissatisfied with small business and "startup" support among the companies located outside of Moscow and St. Petersburg. It is connected, first of all, with the fact that venture and investment funds mostly finance the companies from these two largest Russian cities.

STATE SUPPORT IN INTERNATIONAL MARKETING ACTIVITY

There is no regular state support in the international marketing activity of the high-tech companies in the Russian Federation at all. Periodically, financing is allocated from the federal and local budgets for the participation of Russian enterprises in foreign events (exhibitions, conferences, trips with the state delegations, etc.). For example, from May 12 to May 15, 2011 in the Feria de Madrid exhibition complex (Madrid, Spain), the Sci-tech and Innovative Achievements of Russia exhibition took place, becoming the main event of the year for Russia in Spain. At this exhibition, 244 Russian companies presented their latest sci-tech and innovative projects. The event took place according to the order of the government of the Russian Federation and used the support of the Presidential Administration of the Russian Federation, the profile ministries of Spain and Russia, and related trade unions and associations.

However, such events happen infrequently, involve a narrow band of companies, and the support of these events, although it exists, is not always effective. For a small or average sized company, representing the majority in the software development industry, it is rather difficult to receive money from the budget for steady promotion of services and products abroad. Expenses for document preparation are comparable with the size of the required funds, so just a limited number of companies having resources for mass creation of tender applications can take part in these programs. The majority of the software companies know nothing about this.

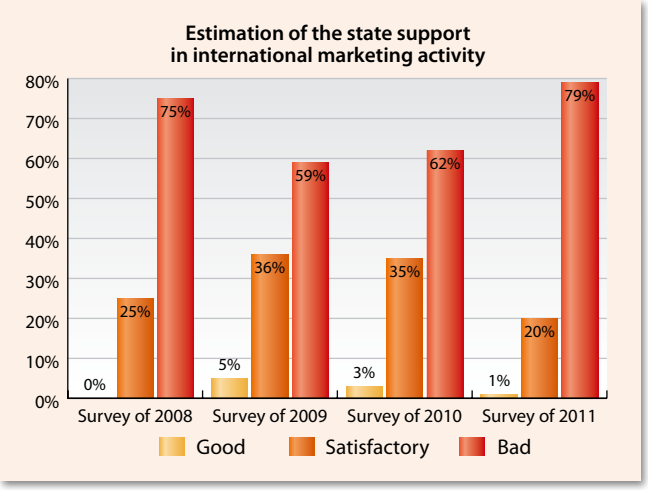
Therefore, the high discontent with state assistance in the marketing field is not surprising. Nearly 80% of the questioned companies gave this support the lowest estimation overall. It is remarkable that nearly no one gave a "good" estimation – only 1% of the respondents. Any and all good marks are from Moscow companies. Probably, the 3.5% of the Moscow companies that responded favorably are actually those receiving the state support.

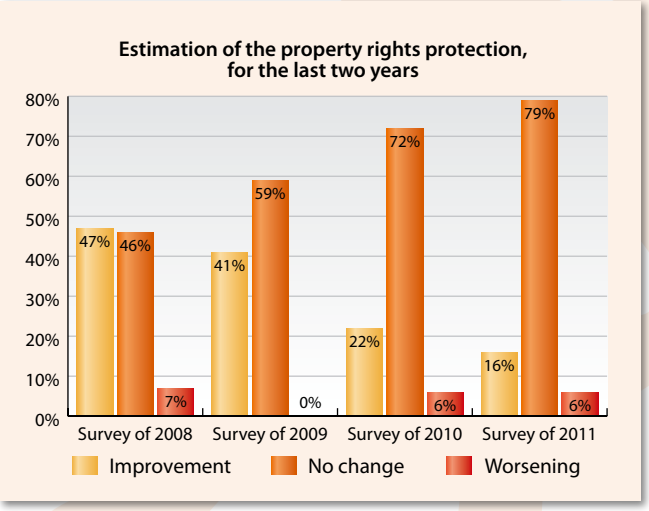
The number of companies unsatisfied with the state support in international marketing for IT companies increased, in comparison with last year; but it was affected by the previously mentioned issues (e.g., insurance fee growth) Obvious deterioration in this area did not happen.

INTELLECTUAL PROPERTY RIGHT PROTECTION

Piracy control in Russia is still going on, with participation of organized business on behalf of the APKIT and NP PPP Associations. This process leads to certain positive results noted by the software development companies, most of all of whom were suffering from unlicensed software installations. The level of pirated software use in Russia in 2010 was 65%, which is about two percentage points lower than in 2009.This information is given in the 2010 Global Software Piracy Study research carried out by the international Business Software Alliance (BSA). Besides, considerable improvement to the computer piracy situation in Russia has been noted by Microsoft. According to the results of its computer retail piracy level monitoring in Russian regions, the number of outlets offering unlicensed software installation decreased to 20%. In comparison with the results of previous research, this particular situation improved considerably in all regions of Russia.

These reports were intended for the Russian mass media, but abroad, Microsoft offered up negative comments, having declared that, in Russia, under pretext of piracy control, the non-profit organizations





engaged in human rights activities and/or ecology protection are being persecuted.

According to the majority of the questioned companies (79%), the situation in the sphere of property rights protection has not changed for the last two years. As a whole, they are probably right about the situation. But, in the context of the given data of authoritative source researches, the piracy situation in the software sphere in Russia should have received more positive estimations.

STATE SUPPORT IN INFORMATION TECHNOLOGIES

Concerning estimation of the state support in the IT sphere, the number of opposite opinions increased among the respondents. The share of the respondent companies which consider that it improved increased from 9% to 14.5%, while the share of those believing that it had actually worsened — from 19% to 24%. Some changes really did take place, but the respondents did not reach a consensus in their estimations. Some of them think that the state support became more notable, and others, in all likelihood, expect no positive effect from the changes. At the same time, the majority of respondents (61.5%) assign no special value to all of the governmental efforts towards the stimulation of high-tech sector development. They either don't have sufficient information to justify their attitude towards these efforts, or they consider the state support system to be just a demonstration of support, rather than a true support system (this attitude was expressed in previous years as well).

The large companies located in Moscow and St. Petersburg acknowledge more positive changes in the state support. They are located closer to the federal center and are the ones most associated with organizations engaged in lobbying interest in support of the industry (organizations like RUSSOFT and APKIT). In this regard, companies from the two Russian megalopolises are able to provide more support for the industry than representatives in other Russian cities.

We can note the following positive changes from 2010 to 2011 in the field of the IT sphere state support:

1. Recapture of the privileges on insurance premium payment into the Pension Fund, Compulsory Social Insurance Fund and Federal Medical Insurance Fund (which actually stopped acting upon UST cancellation since January 1st, 2010) and the privileges for all software developing companies (corresponding to a number of criteria).

2. Passing of a bill outlining the creation and purpose of the Skolkovo Innovation Center, as well as the approval of the amendments to the Tax code of the Russian Federation establishing an income tax, a property tax, and VAT privileges for the members of the Skolkovo Center.

3. Allocation of the first grants to software companies for perspective research by the Skolkovo fund.

4. Approval by the RF government of the national program platform which shall provide import substitution, national security, economy IT level recovery plan, and an increase in the competitiveness of domestic developments in the world market.

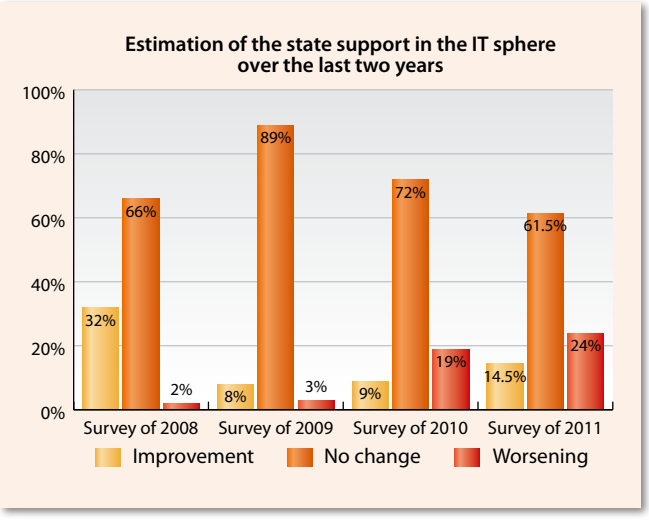
5. Establishment of the OpenDocument open office application national standard (ODF).

6. Preparation of the amendment in the "About Information, Information Technologies, and Information Protection" law which resulted in the establishment of the Software Developer Self-Regulatory Organization (SDSRO).

7. The engagement of foreign scientists for Russian science within tender projects with the mega grants allocated by the state. One of the invited scientists is Peter Slot, a professor at the University of Amsterdam as well as the editor-in-chief of two scientific journals: The Journal of Computational Science and Future Generation Computing Systems. Additionally, he has headed the Laboratory of Perspective Computational Technologies which was created at the St. Petersburg State University of Information Technologies, Mechanics and Optics based on the Research Institute of High-Tech Computer Technology.

8. In the Ministry of Telecom & Mass Communications, a new department for the IT and information coordination state policy has been created. This department is specially intended to allow the organization, among other things, an open dialogue with the industry.

9. The president of Russia signed what is known as the "About approval of the high-priority directions in development of science, technologies and machinery in the Russian Federation and of the list of critical technologies of the Russian Federation" decree. The list of the high-priority directions includes information and telecommunication systems, with Information Technologies cited as one of the critical technologies.



CHAPTER 5.

GEOGRAPHIC REACH AND MAIN VERTICAL MARKETS OF RUSSIAN SOFTWARE DEVELOPMENT INDUSTRY

MAIN GEOGRAPHICAL MARKETS

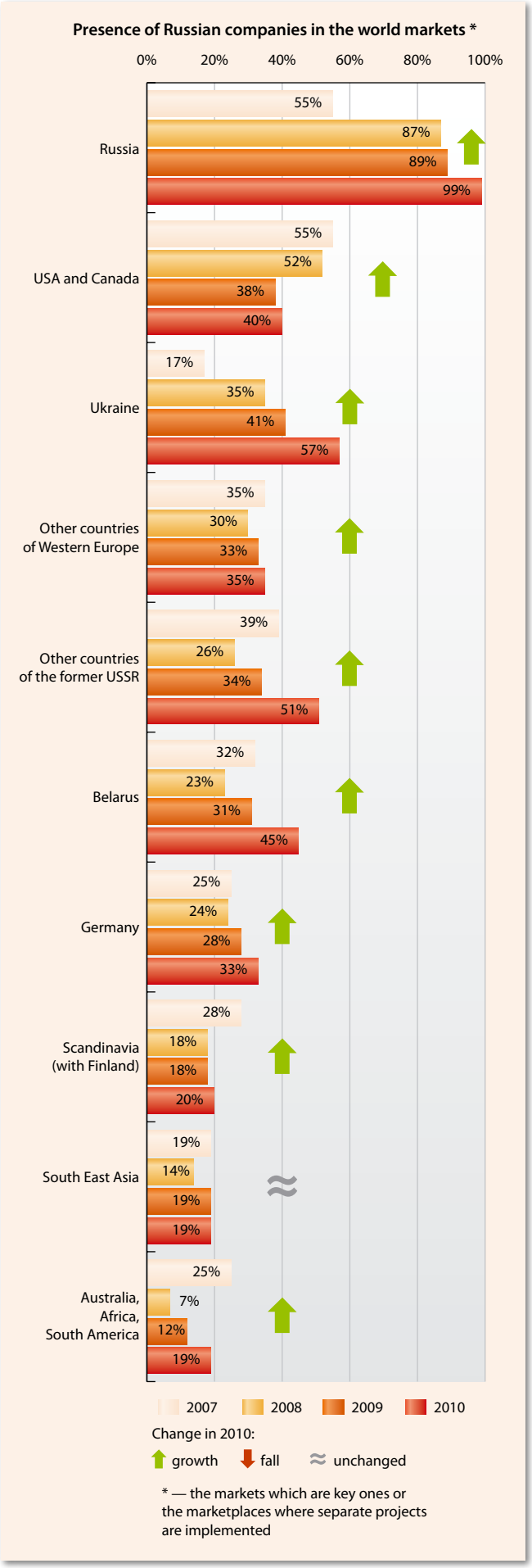
Last year, the decrease in the importance of the "USA and Canada" market for Russian software developers begun a few years ago continued. Let's remember that, from 2006 to 2007, the US was one of the main markets for approximately one half of the respondents. Following the results of 2009, there were 26% of such companies, and if the share of respondents which marked their presence in the market did not change (it was stabilized at the 40% level), in 2010, North America became the key market for only 15% of the respondent companies.

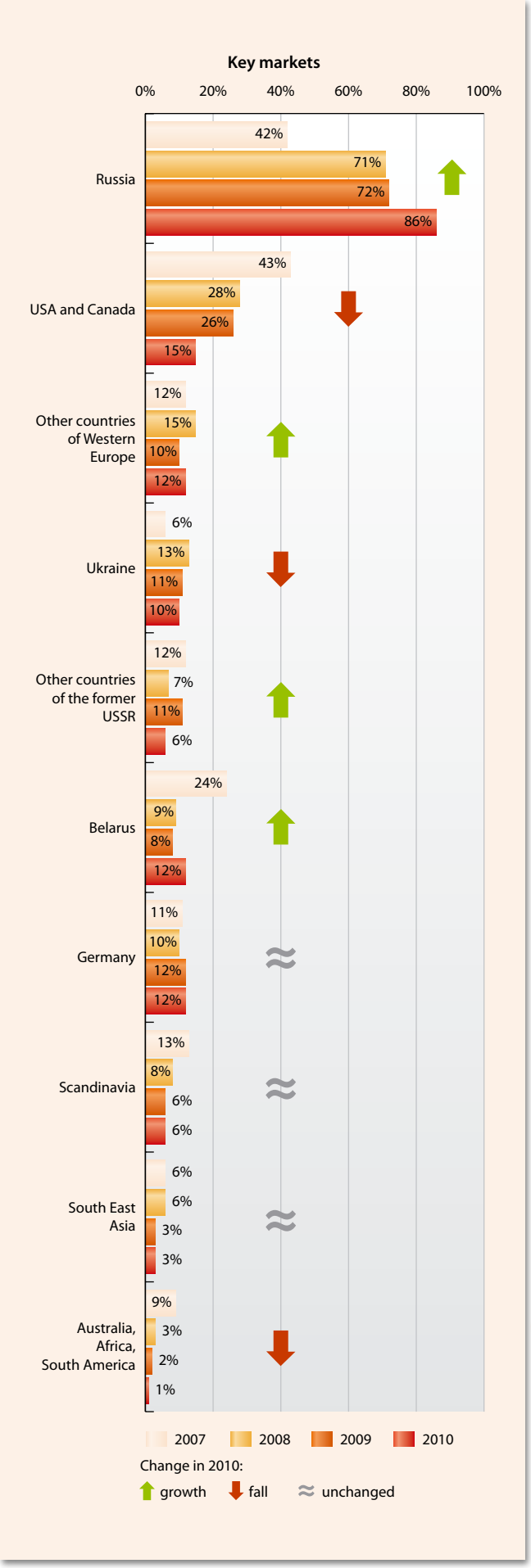
In recent years, it is mainly small companies that have lost their interest to America. However, in 2010, the share of the large companies (with over $20 million turnover) which consider the US market to be key also considerably decreased. Their share dropped from 63% to 27%. At the same time, it should be noted that 73% of the companies providing 76% of export are still present in the American market (a year ago, there was 75%). The majority of them realize separate projects in the American market, but their priority is promotion of services and solutions in other countries.

The attraction of the American market as a high-priority one decreases, first of all, for service companies. In the US, demand for software development services is hardly growing. Further, for the purpose of job preservation, the American government (as well as the governments of some individual states) undertakes certain measures limiting the activities of foreign service companies in the country. The protectionism already displeased the largest Indian outsourcing companies for which the US market is the main one. This resulted in a reduction of their dependence on the American market (the US provides approximately 60% of Indian software development service export) and more active promotion of their services in Europe and Asia.

In the future, the attraction of the American market, most likely, will continue to decrease. Existing problems in the economy and the consequences of the world financial crisis are not contributing to its growth. Attempts to correct the situation only twist the knife further. In any case, Paul Otellini, CEO of Intel Corporation, thinks so. In the summer of 2010, he showed his discontent with the US government economic policy, predicting inevitable recession in the IT industry if this policy did not change. However, after that, government officials suggested raising taxes for software companies. In their opinion, tax payments from companies such as Microsoft, are too small and it is unacceptable when the debt of the country is so huge. Implementation of this idea will hardly have a positive effect on the American IT market.

At the same time, this market will remain the world's largest for a long time. The Russian developers which produce competitive software





products and provide services for the world market still have possibilities for a significant increase in sales there. However, this will require intensive investment in marketing which is affordable mainly for large companies. In any case, a presence in the American market was noted by 31% of the product developers and 47% of the respondent service companies.

Russian customized software developers do not have such a strong dependence on the situation in the US market as their Indian competitors (as per the 2010 survey, the US market is considered to be high-priority by no more than 15% of the service companies that participated). For some years now, they have been reorienting back to the domestic market, as well as to the markets of the surrounding countries and Europe. In addition to this, Russian developers are starting to cultivate the markets of Asia, Australia, Africa, and South America.

The 2010 survey results indicate that there are almost no exporters with absolutely no interest in the Russian market. Ninety-nine percent of the respondents noted their presence in it (one year ago, this figure was 89%). The Russian market is quickly growing, primarily, due to the deferred demand, with prices matching those of the most attractive markets in the world.

Also, the share of the companies which noted their presence in the countries abutting the former USSR states is quickly increasing. The decision to establish a foothold in the fast-growing markets not requiring massive initial promotional costs (as opposed to the European countries and the US) is logical. For this reason, product developers (52%) are more interested in the near-abroad countries than service companies (36%).

The importance of almost all other markets (except America) is also growing but not as significantly as the markets of Russia and countries surrounding it. There is no change in the share of the respondent companies that are interested in the South East Asian market which, according to analysts, is considered to be the most prosperous. Approximately one and a half times more respondents noted their presence in the markets of Australia, Africa, and South America while only 2% of the respondent companies considered these markets as key ones (one year ago, that figure was 3%).

The most companies oriented to the markets of the western countries are located in St. Petersburg. They constitute a majority of the companies which are currently present in the markets of the US and Canada (50%), Germany (40%), Scandinavia (30%), and other Western Europe countries (38%). Among the companies located in Siberia, the most respondents traditionally noted South East Asia and the "Australia, Africa, South America" region as high-priority markets (by 29%). Their activity in Africa and South America is hardly significant. Asia and Australia are close to them in terms of geographic location and time zones.

St. Petersburg companies are the least interested in the markets of Asia and Australia (by 15%). In Ural, there are a few companies which are interested in the markets of the western countries (but no more than 8%). They are mainly oriented to the markets of Russia (100%), its surrounding countries (38%), and South East Asia (31%). However, the "Ural" group was just recently formed; it does not yet include enough companies to draw categorical conclusions about Ural companies' priorities. Moscow companies have approximately the same market indicators as all other respondents, but there is a small inclination towards the markets of Russia and its surrounding countries.

Mass media reports confirm a growth of marketing activity by Russian software companies in the habitual foreign markets and their penetration into new markets in from 2009 to 2011.

In February 2010, the Softline company, a software distributor, announced its office opening in Egypt, thereby opening up the Middle East and North Africa markets for Russian software product developers.

In October 2009, Russian company, "T-Platforms" announced its partnership agreement with the Digital Waves Indian IT company, which should become the exclusive authorized "T-Platforms" representative in India, performing sales and installation of Russian high-productive calculation solutions in the Indian market.

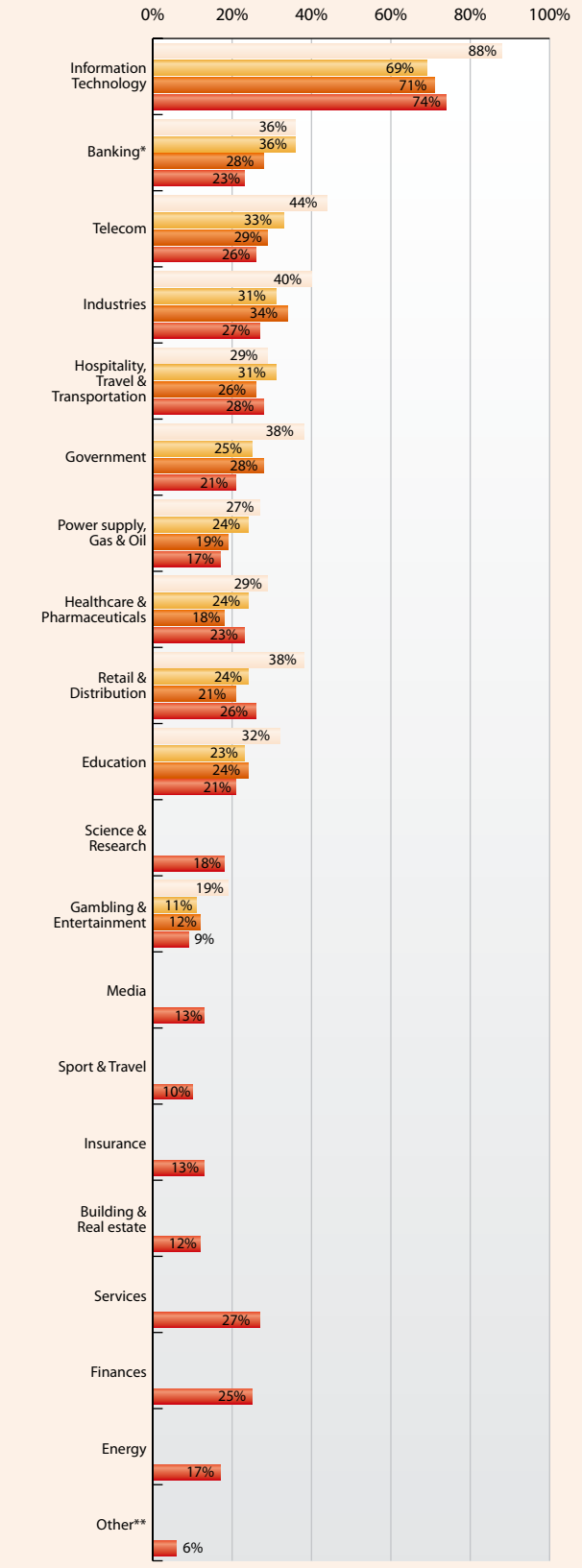
In June 2010, the Playnatic Entertainment company announced that, in the Iranian embassy, in the presence of the ambassador extraordinary and plenipotentiary of Iran in Russia, the first ever Russian-Iranian agreement in the IT sphere was signed between itself and Sina Data Company. The agreement solidifies a comprehensive partnership where Playnatic Entertainment represents the interests of gaming companies from the CIS countries in the Iranian market via the agency of Sina Data Company.

At the end of 2009, Kaspersky Lab announced opening of their first office in Africa. It is located in the Republic of South Africa and will perform the coordination of the company's activities in other countries of the continent.

In April 2009, a group of software development companies (ALT Linux, ASCON, ABBYY, Digital Design, and PROMT), together with the governmental delegation of the Russian Federation went to Caracas, the capital of Venezuela, to take part in Russian IT Week. The ACS Systems company, representing Kaspersky Lab in the Venezuelan market, also took part in the event. So far, there have been no reports on any Russian software companies' successes in the Venezuelan market, but they have taken the first steps towards securing a foothold in the Latin America market.

Also of note is Exigen Services company's entry into the Chinese market. The company opened its development center in China, which will be partially responsible for local market orders.

Frequency of vertical market references in 2007–2010 (% of all respondents)



* — before 2011 — Banking & Financial Services
** — among others, Geology, Environmental Management, Agricultural Industry, and Housing and Public Utilities were mentioned

About two years ago, the Parallels company, an automation and virtualization solution provider, reported on its plans to consolidate its positions in the cloud computing market in the Asia-Pacific region.

In August 2010, the Luxoft company reported on the opening of its technical development center in London. This center will specialize in software development, debugging service, and support specifically for British Luxoft customers.

In May 2011, the Entensys company, a Russian information security software developer, signed a cooperation agreement with ITXON, a Polish software distributor.

On January 31st, 2011, in Finland, a Vitim company office was officially opened; this company will become the main European partner of the St. Petersburg-based Speech Technology Center company and will be engaged in the development of the software for speech recording, processing, and analysis.

In June 2011, Russia's Agent Plus, a software developer, started negotiations with integrators from the US and Canada regarding an American market launch of their corporate mobile application designer.

VERTICAL MARKETS

The importance of vertical markets defined by the number of respondent companies' references did not change much last year in comparison with 2009. All deviations are within the limits of error taking into account the changed respondent array structure and an expansion of the applicable market list. For example, the share of "Banking & Financial Services" decreased because the "Insurance" and "Finances" vertical markets were added. Probably, the reduction in the share of "Government" and "Industries" and the increase in "Healthcare & Pharmaceuticals" and "Retail & Distribution" reflected real tendencies. However, these changes are so minute as to not warrant drawing unambiguous conclusions based on them.

Global IT expenses by industries (billion dollars)

Industry	Expenses in 2010	Share
Banks and stock exchanges	390	16.2%
Telecom and mass media	393	16.3%
Education	64	2.7%
Healthcare	89	3.7%
Insurance	160	6.6%
Local and regional authorities	180	7.5%
Subsoil resource extraction and industrial production	426	17.7%
Federal government	244	10.2%
Retail trade	146	6.1%
Transportations	106	4.4%
Utilities	126	5.2%
Wholesale trade	83	3.5%
Total	2407	100%

Source: Gartner

GEOGRAPHIC DISTRIBUTION OF MARKETING AND TRADE OFFICES OF RUSSIAN COMPANIES

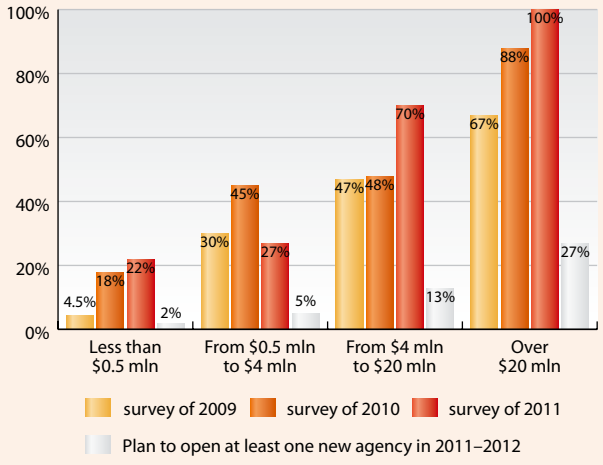
Last year, the process of opening Russian companies' sales agencies was not large scale. Therefore, the respondents mentioned them with approximately the same frequency — within the measure of inaccuracy. The share of respondents citing that they have sales offices in other countries and/or other cities was, as a year ago, about 40%. If all the trade agency opening plans which the respondent companies reported on during last year's survey had been fulfilled, this indicator should have increased by several percent. Apparently, the opening of new offices was postponed until 2011–2012. Most of these agencies will be established in Russia and in Ukraine.

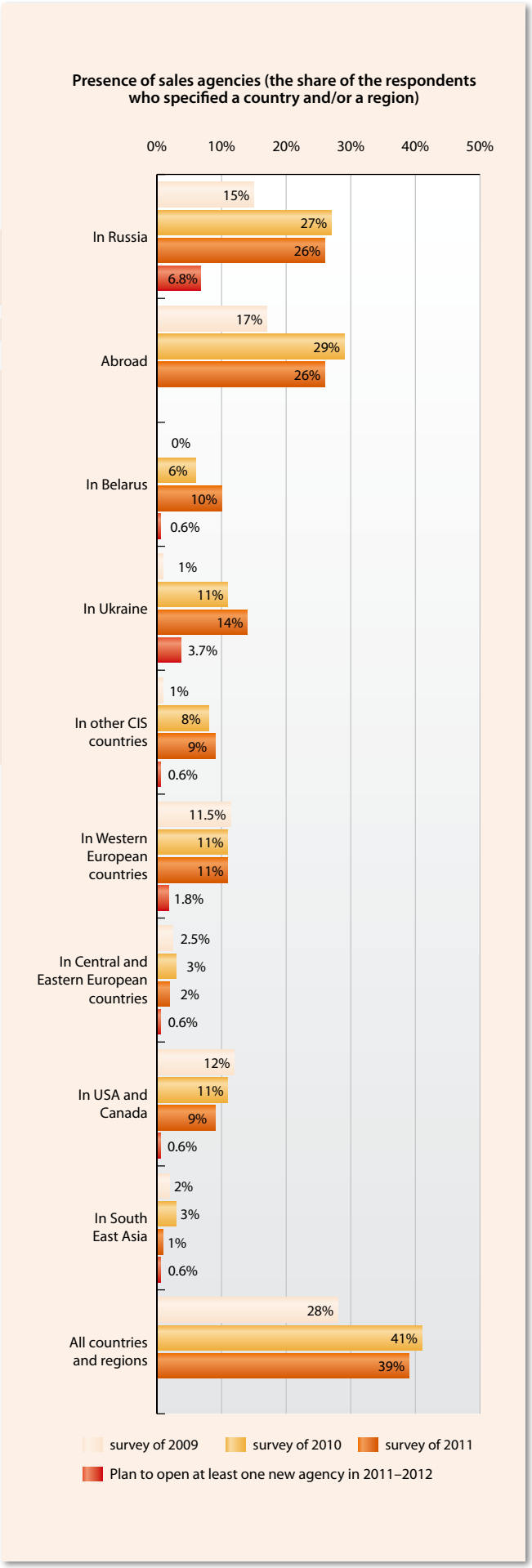
The Russian agencies of the companies are generally located in Moscow (19 references) and St. Petersburg (13 references). Other cities are cited by no more than three companies.

The presence or absence of a sales office directly depends on the company size. All companies with turnover over $20 million already have agencies in Russia and/or abroad. Nearly one third of such companies plan to open new sales offices during 2011–2012.

Also, 5% of the companies which, so far, have no remote sales offices (2% of all respondent companies) are set to open their agencies. The larger companies are, the more foreign office opening plans they have (13% of the companies with over $4 million turnover and 27% of the companies with over $20 million

Share of exporting companies with sales offices in other cities and/or countries





turnover). Planning to open new offices speaks volumes about market expansion expectations after completion of the world financial crisis first phase.

DEVELOPMENT CENTER GEOGRAPHIC DISTRIBUTION

According to the survey results, last year, the number of remote development centers reduced in comparison with 2009 (25% of the respondent companies stated having a remote development center versus the 32% of the previous year). However, this reduction, most likely, is not connected with real closing of agencies in other countries and/or cities, but with the changed structure of respondent companies' array (there is an increase in the share of small companies and software product development companies which do not need to expand their production division geography very much). Fact is, last year, there was a sharp increase in the number of the respondents claiming the existence of sales offices in other countries and/or cities (41% of respondents versus 28% a year before). In all likelihood, it is probably best to consider the similar data of the 2009 and 2011 surveys as more accurate figures (about 25% to 28%).

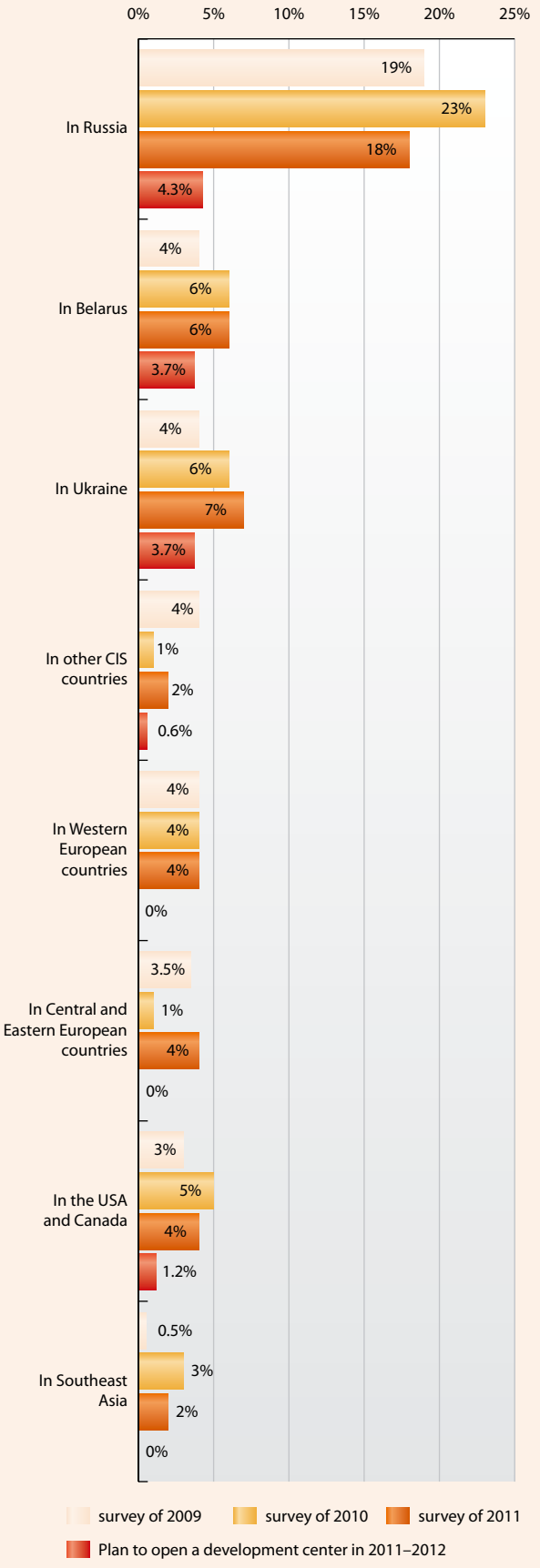
The figure of 9.1% of respondents stated having remote development centers in more than one country almost matches that of last year's survey.

During 2011 to 2012, 4.2% of respondent companies plan to create new production divisions far from their head office (it will be the first one for 1.2% of respondents).

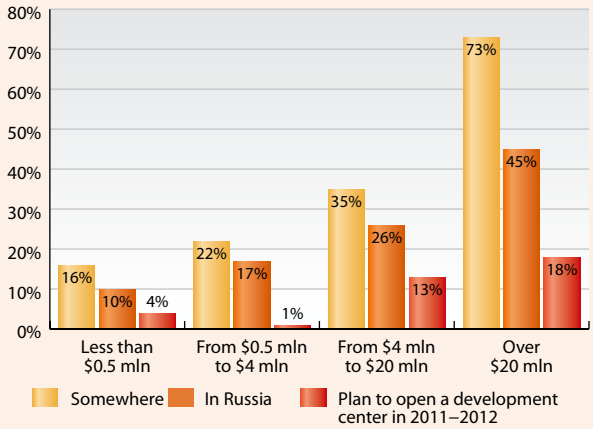
Most remote development centers will be in Russia, Belarus, and Ukraine, although the respective situation in each of these countries became less favorable for this purpose compared to a few years ago. In Russia, the salary level has already reached the pre-crisis — a rather high — level and not only in two capitals, but also in the surrounding regions. In Belarus, after national currency devaluation, there are problems of political and economic stability. In Ukraine, there are budgetary problems forcing the government to raise taxes including those for software developers (at least, such plans have been widely discussed over the last two years). In Southeast Asia, where the greatest resources of potential and acting programmers are concentrated, Russian development companies are not going to open new development centers. In this region, two large service companies, Luxoft and Exigen Services, already have their production divisions (in Vietnam and China respectively). However, no Russian companies entered this market last year.

In Russia, the respondent companies plan to create new development centers in Nizhny Novgorod, Moscow, Yekaterinburg, Novosibirsk, Dubna (a Moscow region), Chelyabinsk, and Izhevsk.

Presence of remote development centers (the share of the respondents who specified a country and/or a region)



Share of exporting companies which have remote development centers



In Ukraine, among the cities where new remote development centers can be located, only Kiev is mentioned, and in Belarus — only Minsk. Among other countries of the former USSR, only Kazakhstan is mentioned as a remote development center resident country.

Operating foreign development centers locations:

in Ukraine: in Kiev (4 references), Kharkov (2), Sevastopol (2), Kherson (1), Odessa (1), and Dnepropetrovsk (1);

in Belarus: in Minsk (4), Mogilyov (2), Gomel (1), and Vitebsk (1);

in other countries of the former USSR: in two Lithuanian cities (Snechkus and Vilnius), in Riga, the capital of Latvia, and in Almaty, the largest city of Kazakhstan

Several Russian companies opened new development centers in the first half of 2011. In the spring and at the beginning of summer, four companies simultaneously officially declared the opening of such centers: DataArt — in Kiev, Artezio — in Nizhny Novgorod, TrueConf — in Donetsk, and the Sibers company — in Barnaul. Further, at the end of 2010 and the beginning of 2011, Luxoft and Epam Systems settled in Krakow, Poland, where mass employee recruitment is planned. For example, the Epam Systems company, intends to increase its expert staff in the new Polish development center to 150 people during 2011. The Luxoft company opened its production division in London in 2010, but most likely, it will be mainly used as a customer technical support center in Great Britain and as a sales agency.

This year, the survey results showed an increasing gap in geographical distribution of software development companies between the two capital cities and other Russian cities. Moscow leads by a head, generally because it is where the headquarters of leading Russian developing companies are but also various sales and customer support offices of the majority of medium and large companies from other cities. St. Petersburg firmly occupies the second spot;

it is significantly ahead of other cities in terms of the number of software development companies' offices. Novosibirsk follows the leaders, occupying 3rd place in the Russian software developing center hierarchy during all years of research. At the same time, Nizhny Novgorod, which had been competing with Novosibirsk for the number of companies, offices, and software company agencies for a long time fell far behind giving way to Yekaterinburg, a Moscow region, and Kazan.

Rating of Russian cities (by number of company head offices and remote development centers)

1	Moscow	73
2	St. Petersburg	46
3	Novosibirsk	14
4	Yekaterinburg	8
5	Moscow Region	7
6	Kazan	5
7-8	Voronezh	4
7-8	Rostov-on-Don	4
9-12	Veliky Novgorod	3
9-12	Omsk	3
9-12	Samara	3
9-12	Ufa	3
10-21	Vladimir	2
10-21	Izhevsk	2
10-21	Krasnodar	2
10-21	Nizhny Novgorod	2
10-21	Perm	2
10-21	Petrozavodsk	2
10-21	Tomsk	2
10-21	Chelyabinsk	2
10-21	Yaroslavl	2

CHAPTER 6.

HUMAN RESOURCES AND LABOR MARKET SITUATION

The number of professional software developers in Russia has grown considerably over the last decade. This became possible thanks to a variety of factors. First, programmer outflow abroad was reduced. Departure of Russian programmers from the country was compensated to a great extent by those who came back after several years of overseas employment and/or by those foreigners who came to Russia by invitation of Russian companies. According to IT Dominanta recruiting company information, some years prior to the crisis, the flow of software developers on both sides was estimated to be several thousand people.

A growth of the number of engineers with required qualification, thanks to the additional commercial education programs organized by leading foreign vendors and large Russian IT companies, became another advantage factor. One more advantage factor was that programmer work prestige significantly increased thanks to an increase in IT industry salaries (the average software developer's salary exceeds the average salary of other engineers by 30% to 50%). Further, these salaries are at least two times more than the average salary across Russia. And, finally, the industry managed to achieve a growth of the number of state-financed studying seats in IT departments of higher educational institutions.

According to Microsoft, from 2003 to the beginning of 2010, the number of programmers in Russia increased from 212,000 to 350,000. Thus, on average, about 20,000 new professional programmers become available in Russia every year. The Microsoft estimations are based on the sales of licenses for development tools, DBMSs, and other programs typically used by programmers.

Corporate calculations coincide with those of the Ministry of Telecom & Mass Communications of the Russian Federation, according to which in 2008, Russian higher educational institutions prepared 19,000 specialists in the IT sphere provided these specialists are supposed to be programmers only. According to the Association of Computer and Information Technology Companies (ACITC), universities annually prepare at least 60,000 IT specialists, one third of whom started to work as software developers.

We must take into account that availability of new programmers in the Russian labor market was partly connected with labor migration from neighboring countries (first of all, from Belarus and Ukraine). However, foreign specialist inflow slightly decreased during the last three years and should not have a considerable influence on the Russian labor market any more.

On the basis of the ACITC data, we can calculate the total quantity of IT specialists involved in the Russian economy which constitutes at least one million employees (these figures coincide with the Russian Microsoft office estimations with pinpoint accuracy).

These figures include not only IT companies' staff but IT department specialists of various companies, organizations, and institutions as well.

According to the Ministry of Telecom and Mass Communications information, 302,000 people are employed in the IT sphere in Russia. Their share, together with the staff of telecommunication companies and enterprises specialized in the mass communications field, represents 1.52% of all Russian employees. Ministerial officials consider that this indicator is much lower than in many European countries, where it exceeds 3%.

The Ministry of Education and Science of the Russian Federation provided the data on the number of IT employees. According to this data there are 370,000 specialists in the IT sphere.

According to RUSSOFT Association experts the number of profile software development companies' staff is approximately 100,000 people, thus 60,000 to 65,000 specialists provide software development and support services and develop software products for export.

It should be noted that, according to a number of reputable sources, Russia has a huge potential in the software development sphere. The Microsoft research results which were published in the spring of 2010 testify that about 850,000 Russians have programming skills. Among them, there are school and university students who have the necessary knowledge and skills but have not tried to earn livelihood living by software development yet.

According to The Boston Consulting Group research which was carried out on Google demand, 130,000 people are employed in Russian Internet companies. They work in 2,300 Russian companies specialized mainly in Web development. In 2009, their revenue reached $23 billion.

TENDENCIES

The salary level and the number of vacancies in the IT sphere reached the pre-crisis level by the middle of 2010 (as a result of world financial crisis in 2009, labor power cost in the software development segment was reduced at least by 10% to 15%). However, the number of Russian software companies which neither hired nor fired any employees last year slightly increased in comparison with recessionary 2009. The average labor market situation estimation and the education system state estimation delivered by the respondents, for the most part, did not change for the year. The majority of the respondent companies (70%) are satisfied with solving the staffing problem (according to the sum of the "Good" and the "Adequate" grades).

Mass employee recruitment was performed by the largest service companies only. For example, the number of Luxoft employees increased from 3,000 to 4,400 during the year, but the growth was explained away by the fact that the recruiting was done across

all the company's development centers, in several countries (Russia, Vietnam, Romania, Ukraine, and England).

In 2011, Russian labor market stringency indicators already exceeded the pre-crisis level. According to the HeadHunter recruiting company, the number of vacancies in the "Information Technology and Telecommunications" sector increased in comparison with 2008 by 33% (in the "Internet and eTrade" sector — by 69%).

Thus, according to Yandex research, 88% of specialists seek employment through the Internet in their city without any intention of moving to other regions. Readiness for moving is mainly typical of the population of the Far East and North Caucasus.

Before the crisis, demand for new staff of exporting companies specialized in software development was satisfied at the expense of higher school graduates by approximately one half. Only a small part of higher school graduates (no more than 20%) appeared to be capable of working in software companies oriented to foreign markets. After the crisis, demand for experienced specialists rather than fresh school graduates grew to a greater degree.

A decrease in popularity of programmer jobs among future high school students' parents is also a last year's tendency. The survey conducted by the All-Russian Public Opinion Research Center showed that only 6% of Russians want their children to choose a programming career; two years ago, that figure was 7%. It is still too early to draw conclusions. However, the tendencies typical for economically developed countries, where popularity of technical specialties for the last two decades has decreased considerably, seem to repeat in Russia after five to ten years. This is connected with the fact that young people do not want to trouble themselves with studying difficult natural-science disciplines and, having graduated, to commit themselves to solving complex technical challenges. Parents also often would like their children to choose an easier career in the spheres of finance, law, or general management.

EMPLOYEE RECRUITMENT AND HEADCOUNT REDUCTION

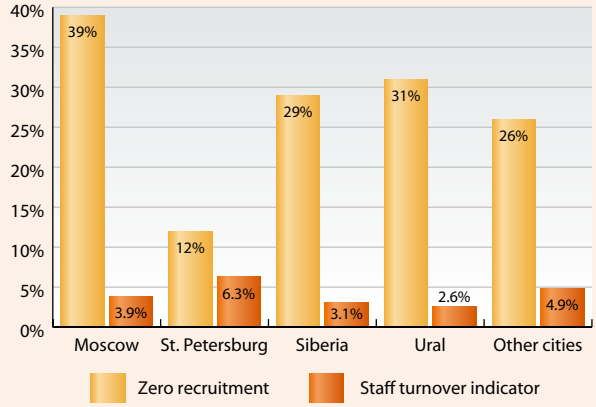
In comparison with recessionary 2009, the share of the respondent companies which employed no new employees during 2010 increased from 23% to 28%. At the same time, the staff turnover was reduced from 6% to 4.5% and the share of the companies which dismissed no employees within the last year increased from 38% to 41%. Thus, a significant number of small companies were liquidated due to the crisis (5% to 10% from all exporting companies). Reduction of these companies' staff was not reflected in the survey results; therefore, following the results of 2009, the staff turnover indicator really should be slightly higher than 6%. It should be noted that the low staff turnover indicator has been one of competitive advantages of Russia in the world outsourcing service market for ten years. In India, which is the IT outsourcing world leader, this indicator is several times higher.

The least number of companies which employed no new staff during 2010 are located in St. Petersburg (a year ago — in Moscow). St. Petersburg also leads in terms of the greatest staff turnover indicator (as well as in the previous two years).

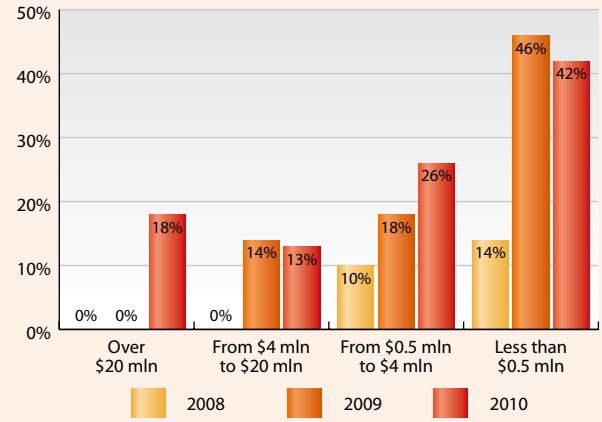
Only 15% of the companies receiving a considerable part of their revenue from export did not show any activity in the labor market. Among the companies which are more oriented towards the Russian market, there are 32% of such companies. Despite more rapid growth of the Russian IT market in comparison with the world one, companies recruit more employees for export activities than for more active work in the domestic market. The more the export share is, the higher the company's competitiveness in the Russian labor market is and the greater the opportunities for employee recruiting for its own foreign development centers are.

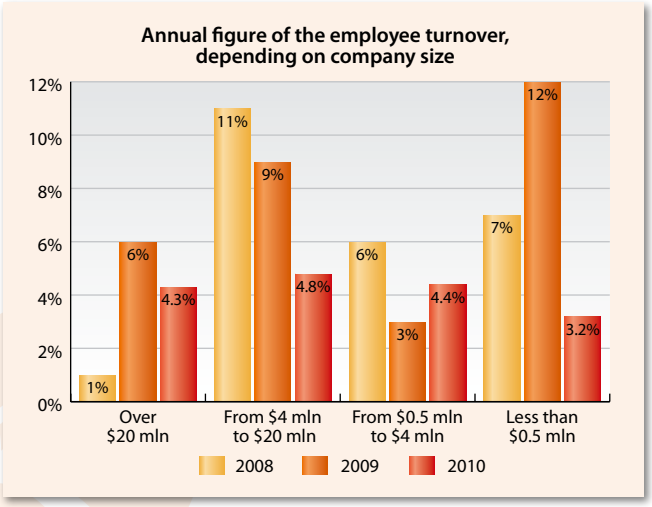
Software product developers are less active in the labor market than service companies (34% and 23%, respectively, did not employ new staff) as the income of software development service providers is more dependent on staff size.

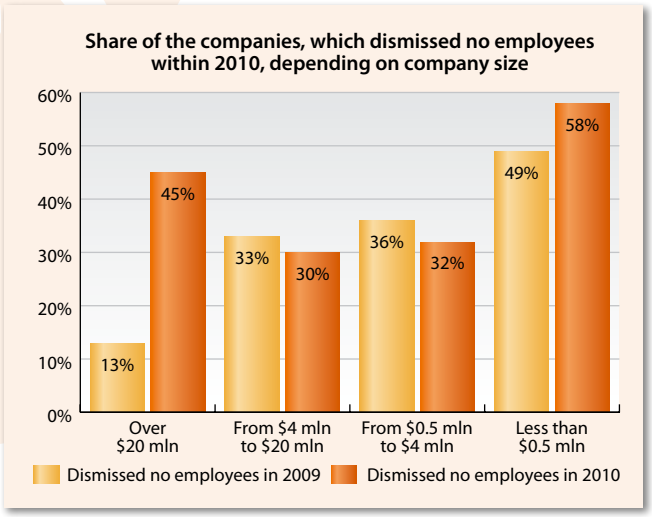
Respondent companies' activity in the labor market depending on their location

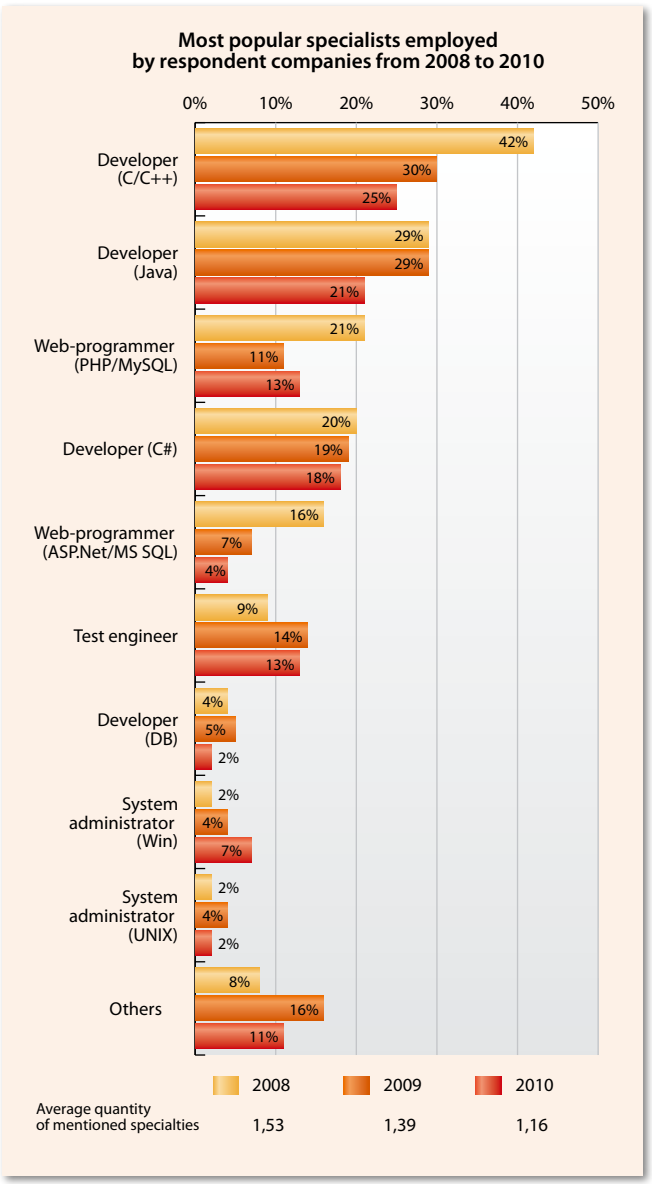


Share of the companies which did not recruit new employees in 2008-2010, depending on the company turnover









If from 2008 to 2009 there were no companies with turnover over $20 million which did not recruit employees at all; in 2010, 18% of largest companies did not show any activity in the labor market. It is remarkable that, in this category, the share of the companies which dismissed no employees within the last year increased, growing from 13% to 45%. For the companies with hundreds and even thousands of employees, such a situation is not typical. The larger a company is, the more difficult it is to retain all available employees. Moreover, large companies do not aspire to do so as even minor annual staff rotation often results in an increase in overall staff performance.

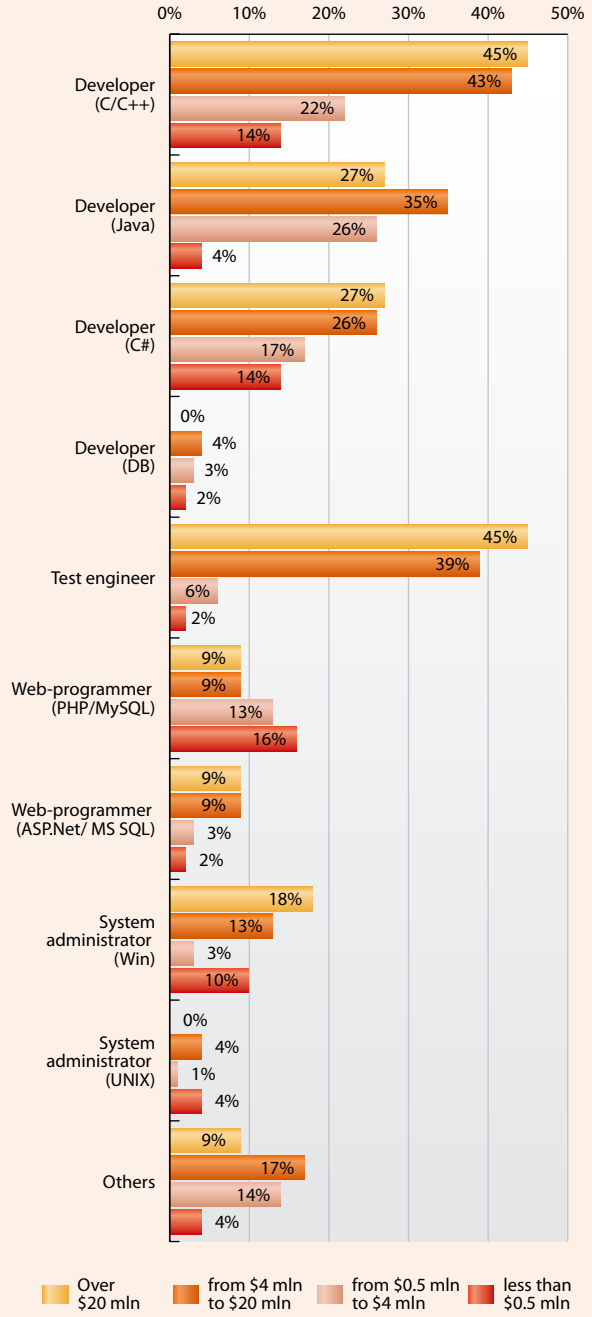
A reduction of the staff turnover indicator, as well as an increase in the share of respondents which reported that they did not dismiss nor recruit any new employees means that last year, there were more companies (including the largest ones) which adopted a wait-and-see approach. Some of them recruited employees — taking advantage of the situation — in the midst of the crisis and temporarily did not need any staff increase.

The average staff size indicator of the respondent companies increased by 22% during the year, although, according to respondents' plans, the staff size growth should have averaged about 18%. However, nearly one half of the growth was provided by one company, Luxoft, which has its development centers in several countries. In 2010, it recruited more employees than planned last year so the target was exceeded by all respondent companies.

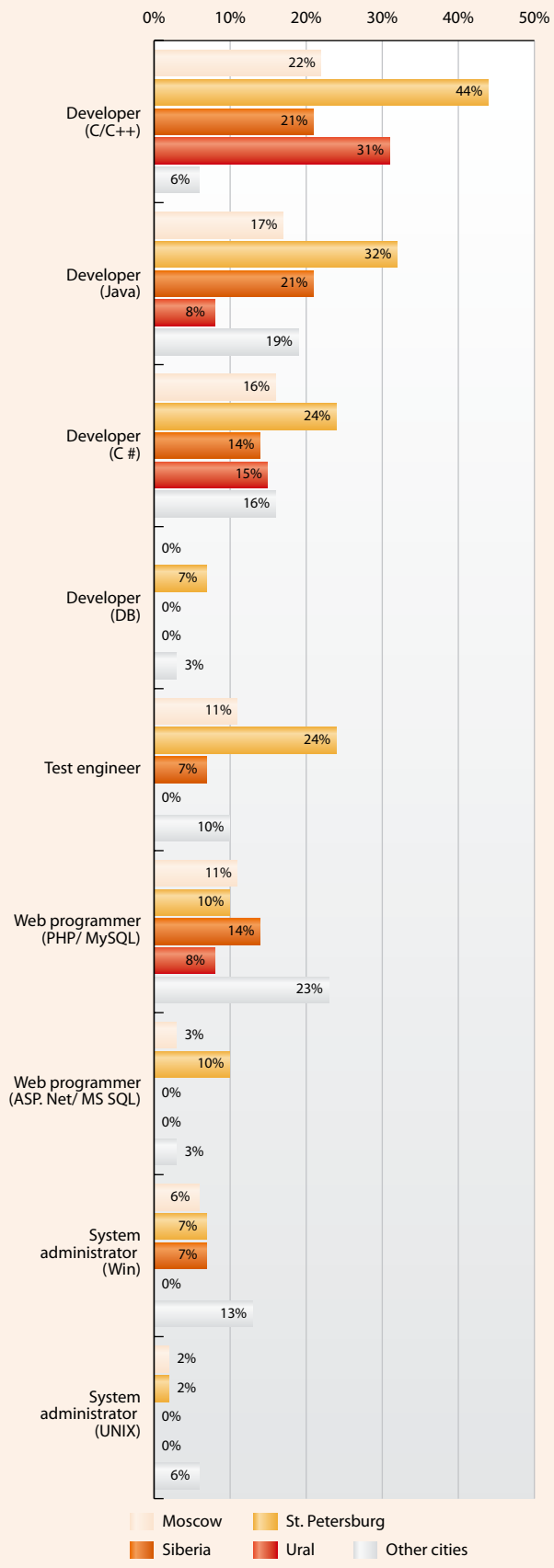
According to the staff dynamics forecast survey results, in 2011, companies' staff size should increase by an average by 15%. A bit more than a half of respondents (51%) cited their plans to recruit new employees within the next year, the same amount as a year ago. Thus, most companies which intend to display their activity in the labor market in 2011 are mainly located in St. Petersburg — 66%. St. Petersburg also has the highest indicator of the share of the companies which experience staff shortages.

The IT Dominanta recruiting company research confirms the information that the share of the companies which intend to increase their staff size is higher among St. Petersburg companies. According to IT Dominanta survey which covered ICT sector representatives in St. Petersburg, in 2010, 63% of the respondent companies increased their staff size and in 2011, 89% of the companies are planning to expand

Positions for which the respondent companies hired employees in 2010 (based on company turnover)



Distribution of positions for which the respondent companies hired employees in 2010, based on respondents' location



their staff. Respectively, we can expect a higher staff turnover indicator in St. Petersburg as many companies have to create good working conditions in order to lure employees from their competitors.

For the last three years, the average quantity of specialties for which staff recruitment was performed has reduced considerably. The recruitment of C/C++ and Java developers decreased considerably as well. Also, the quantity of references for Web programmers of PHP/MYSQL and ASP.Net/MS SQL reduced considerably (in comparison with 2008). An increase was observed only for system administrators (Win)

and testers. For the same time period, the demand for engineers having the aforementioned skills grew, so, currently, in the market, there is the deficit of specialists with these particular qualifications.

The companies receiving a great part of their income from export were very active (in comparison with those companies more oriented towards the domestic market only) in the hiring of C/C ++, Java, C# developers, and test engineers. However, they did not need system administrators (UNIX) at all.

St. Petersburg companies are the leaders for almost all positions for which recruitment was performed in 2010, with the average coefficient of various specialties mentioned as 1.6 (while for respondents from other cities, this figure was less than 1).

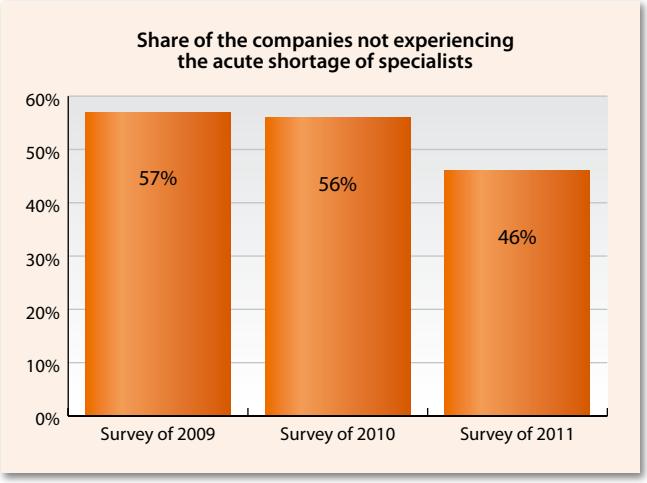
Developers of software products needed C/C+, PHP/MySQL, ASP/MSSQL, PHP/MYSQL developers more often and Java developers, test engineers, and UNIX system administrators less frequently compared to service companies. The biggest difference is for the fact that C/C+ developers were employed by 25% of the product companies and only by 9% of the service companies.

LACK OF SPECIALISTS

The share of the companies that feel an acute lack of specialists, decreased from 56% to 46%. However, it must be considered that among the respondent companies the quantity of software products developers (that are influenced by the personnel problem to a lesser degree than service companies) is much more. Therefore, most likely, this figure did not actually change as much as the survey results indicated. At the same time, many big enough companies would like to increase their staffs by 10% to 15% and have the financial resources to do this, but cannot actually perform any successful recruitment due to the lack of the required specialists available in the labor market.

Most of the companies feel the lack of Java developers (13%), C/C++ developers (10%), and ASP web-programmers with Net/MS SQL (9%) and C# developers (8%) following closely behind.

According to the HeadHunter recruiting company, currently, the greatest demand is for Internet technologies experts — such as PHP, Java, and Python; further the demand for specialists in mobile technologies is growing at a fast pace. From the summer of 2009 to the summer of 2010, the demand for mobile applications developers grew three times faster than the demand for other programmers. Moreover, the demand for Android developers grew more than seven times, iOS — two-and-a-half times, Symbian — by 163%, and Windows Mobile — by a whopping100%. The programmers with Java knowledge are currently in the greatest demand (with this vacancy share constituting 47% of the total number of vacancies for programmers for mobile



platforms).The demand for C/C++ programmers rates at second place — at 34%.

The Luxoft Personnel recruitment center concludes that one of the most popular developer categories is those developers who know multiple programming languages. The share of these programmers among the total quantity of the IT-related vacancies is 43%. Overall, the highest demand is for the Java developers.

STAFF TRAINING UNIVERSITIES

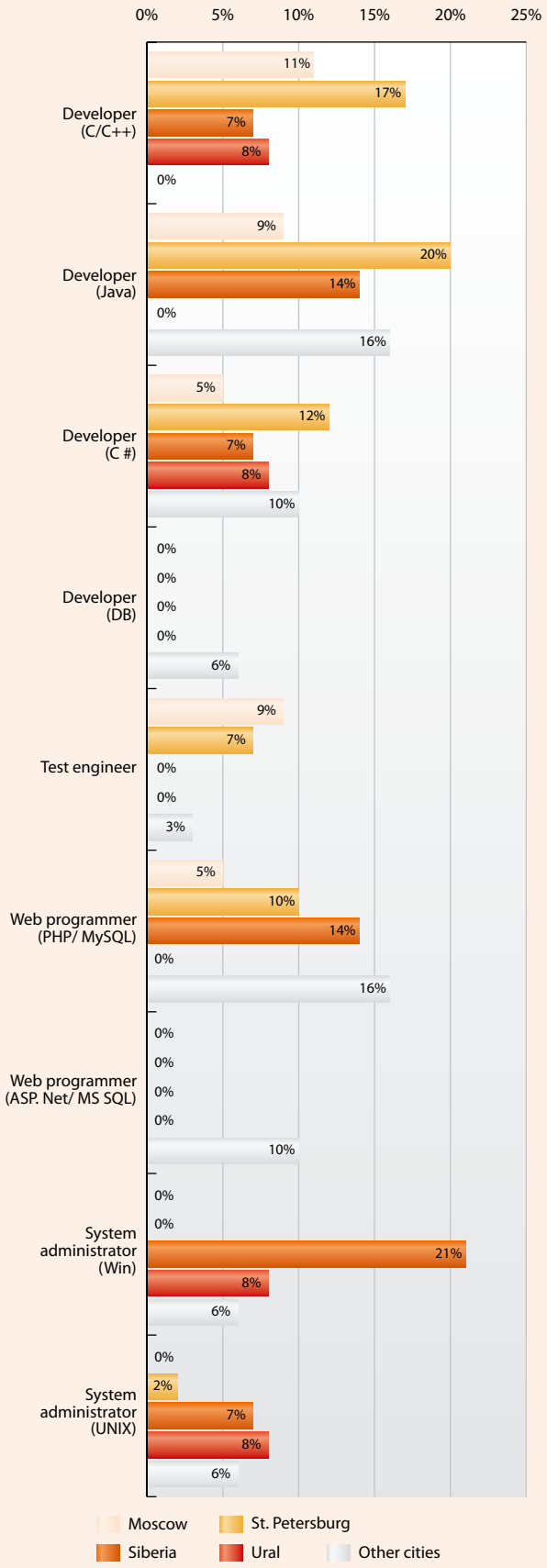
In 2010, respondents assessed the level of universities graduate qualifications as being higher than in years past. Most likely, this was caused by the sharp reduction in the demand due to the financial crisis. At the beginning of 2010, young specialists made up about 3% of the total number of all respondent companies, whereas at the beginning of 2011, this figure was 4.6% (in a further comparison, in 2009, their share constituted 10%). The share of the companies hiring no graduates from the higher education institutions decreased from 39% to 36%. Currently, 71% of all employed graduates are working in companies with turnover of more than $4 million, whereas, a year ago, there were only 60%).

In previous years, recent graduates made up a bigger share of the staff of the smallest companies (there were in 3–4 times more graduates in the smallest companies than in the largest ones); this was not so in the 2010 results. Companies with turnover of less than $0.5 million hired approximately as many young specialists as was the average for all the surveyed companies.

Apparently, small companies cannot compete with larger companies even when it comes to hiring recent graduates of higher education institutions that are typically considered less valuable to an employer due to their lack of “real world” working experience. Meanwhile, this competition is maintained by the companies with turnover from $0.5 to $4 million; on an average, young specialists comprise about 7.4% of their staffs.

It is easier for graduates to find themselves in companies which are more oriented towards the

Distribution of positions for which the acute lack of specialists is felt based on respondents' location (reference rate)

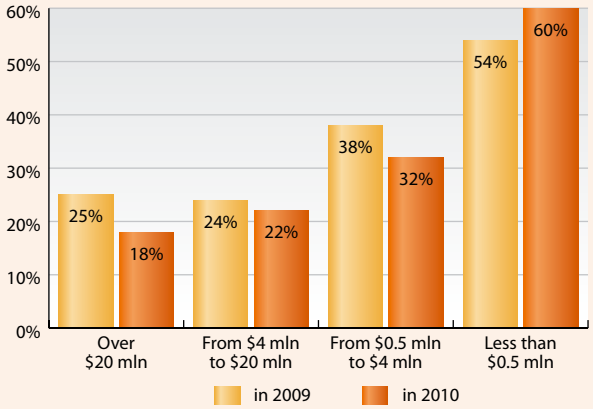


Russian market than towards foreign markets. This is explained by the fact that, generally speaking, export companies have more stringent qualification requirements for hiring. Companies with a share of export of consolidated revenue above 50% have roughly 3.8% recent graduates on their staff, while companies with an export share of less than 50% have almost double that percentage, 6.1% graduates.

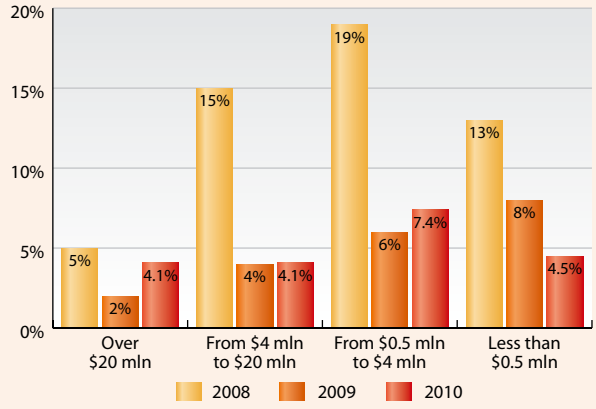
The smallest share of graduates of higher education institutions on staff is in Moscow and St. Petersburg companies. Most likely, this is explained by the fact that these companies have the most to offer to skilled specialists from outlying regions (in particular, for instance, hiring them for the distant development centers).

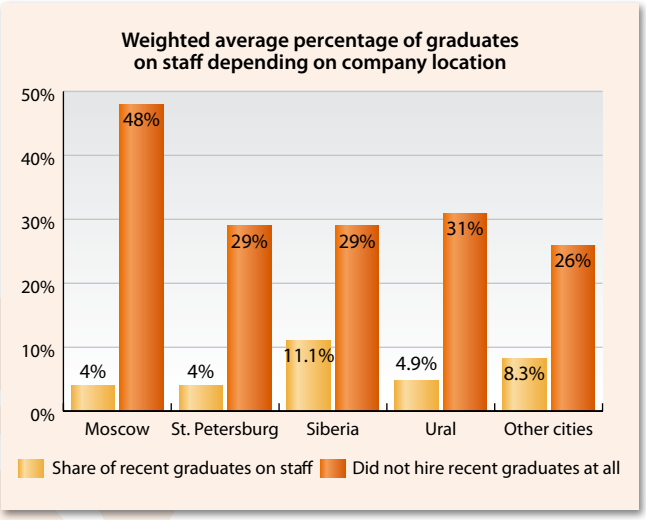
According to the HeadHunter recruiting agency, there has been a shift of demand towards more skilled specialists with at least three years of relevant experience as it is such a fast-growing market, many companies simply don't have time for training. The decline in the demand for young IT specialists is also reflected in the dynamics of the corresponding vacancies share from the overall labor market within the IT sphere. In the first quarter of 2008, on average,

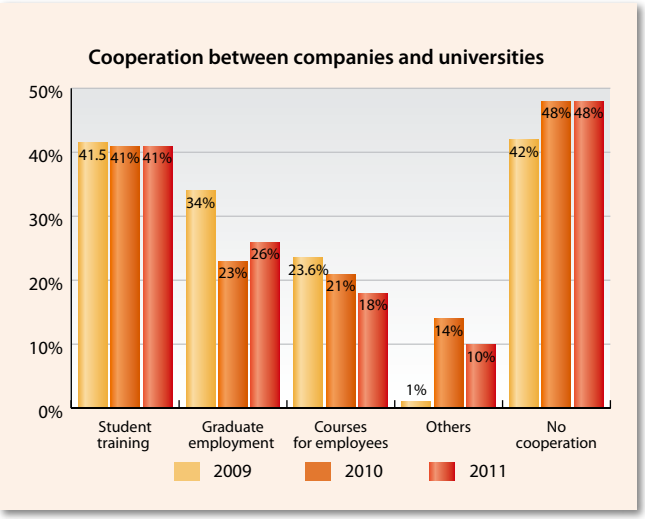
Share of the companies that did not hire recent graduates, depending on company turnover



Average weighted percentage of recent graduates staffed by companies depending on company turnover





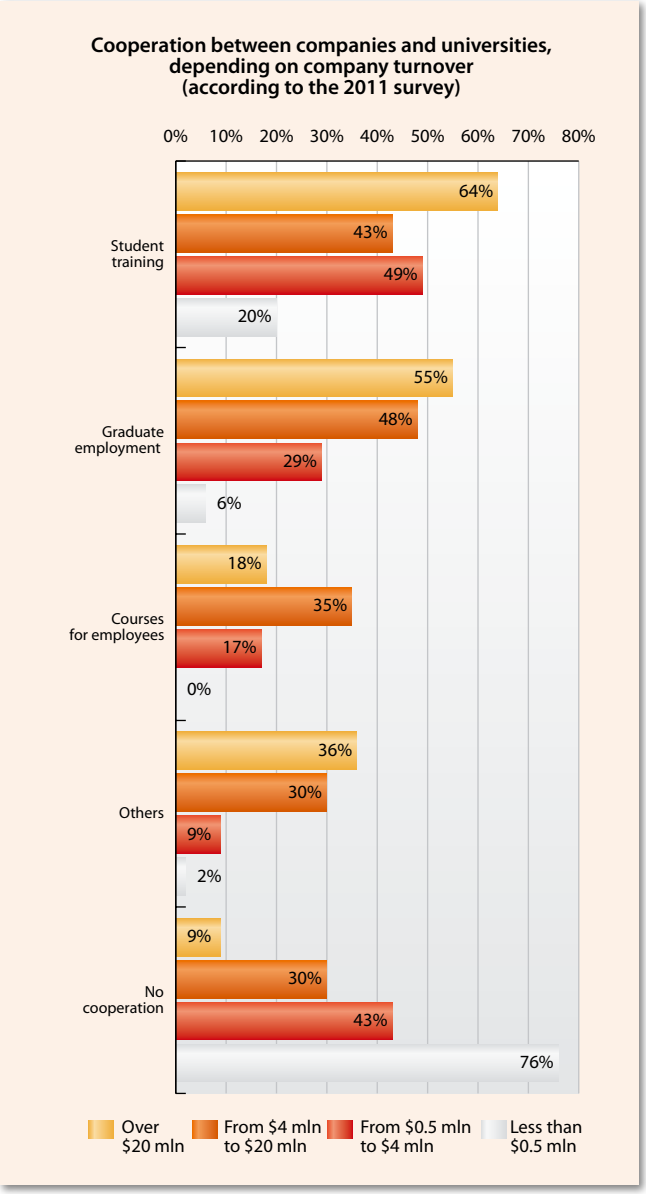


every eighth vacancy posted on the HeadHunter website was intended for the young specialist, in the second quarter of 2011 — only every thirteenth. As it stands now, the demand for young IT specialists is increasing, especially in comparison with the first quarter of 2011 (at that time, only every fifteenth vacancy was intended for specialists with no relevant experience).

At the same time, the Luxoft Personnel recruitment center notes the bigger aspirations of employers to independently train young specialists in addition to the practice of holding onto all current personnel. A consequence of this aspiration is the more active usage of trainee work programs.

However, the results of a poll carried out at the request of the RUSSOFT Association, showed that the number of companies which work with higher education institutions for staffing purposes, did not increase over the last year. Furthermore, 9% of the companies with turnover of more than $20 million noted that they don't utilize universities for this reason though, in all fairness, in previous years, there were no such companies in this category. Of note is the fact that the statistics of the largest companies is spoiled by only one company. Therefore, the change of survey results for these companies can be linked to arbitrary factors. Nevertheless, there is some marked decrease in activity within the area of cooperation with universities for staffing purposes for all respondent companies.

In recent years, the evaluation of the quality of engineer training is influenced by a so-called "demographic hole", caused by a sharp reduction of graduate numbers due to an overall decrease in the birth-rate during the "perestroika" period during ninety years of the previous century. This phenomenon resulted in there being less and less competition in the technical colleges year after year. Generally speaking, entrance to universities became easier and the threat of being expelled, once in, decreased. Because of this, both higher education institutions and young people have fewer incentives for increasing the level of education.



Evidence suggests that negative changes have occurred in the process of higher educational institutions personnel preparation in recent years. If three years ago, one of a software company's' top managers said that the level of education was going

Medal placement of the Russian university teams at the Student World Cup in Programming (ACM International Collegiate Programming Contest) from 1999 to 2011*

University	Place at the Student World Cup in Programming in different years									
	Years 1999–2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Saint Petersburg State University of Information Technologies, Mechanics and Optics	3, 5, 3 places	3 place	1 place	3 place		3 place	1 place	1 place		
St. Petersburg State University	9, 1, 1 places				6 place		11 place	3 place	9 place	4 place
Moscow State University	9 place	2 place		2 place	9 place	10 place	5 place		2 place	10 place
Saratov State University	6 place	7 place			1 place	6 place		4 место	7 place	6 place
Izhevsk State University			8 place	9 place			3 place			
Altai State Technical University					3 place			8 place		
Perm State University			4 place							
Petrozavodsk State University						13 place	10 place		5 place	
Novosibirsk State University						5 place				
Nizhny Novgorod State University										5 place
Ufa State Aviation Technical University					10 place					
Ural State University									13 place	11 place
Total number of prizewinners	2	3	3	3	5	5	5	4	5	5

** – The quantity of medal places varied from 10 to 13 during this period*
Source: ACM International Collegiate Programming Contest

down, and others didn't see it, it became crystal clear to everyone in the spring of 2010, when the new graduates and the soon-to-graduate (those who start working in the companies even before graduation) entered the workforce marked less prepared than previous generations. Certainly, this observation is based on the average preparation level for all universities. In separate educational institutions, the quality of preparation may have improved in recent years, but it's safe to say that these exceptions would not influence the general trend.

At the same time, higher education institutions expanded their cooperation with leading foreign and domestic companies. They have the opportunity to involve well-known professors from abroad. These changes will, no doubt, bring positive effects to education quality. Furthermore, judging by the achievements of Russian students and graduates, there certainly is no significant deterioration compared to foreign universities. But, unfortunately, this can be partly explained by the fact that the level of IT specialties preparation is gradually decreasing in most countries.

In the finals of the student programming world contest (the International Collegiate Programming Contest) under the aegis of the Association of Computing Machinery (ACM) which was held in Orlando, Florida (USA) in the spring of 2011, Russian students, once again, performed very successfully. As with the year before, there were five teams from Russian universities among the twelve prize-winners. The Chinese performed admirably: taking first and third places, but only two Chinese universities were among the other prize-winners. Other countries, with teams among the top twelve, were represented by only one university (these were the US, Poland, Germany, Canada, and Ukraine). It is worthy to note the success of the Ukrainian team from Donetsk National University, which garnered a prize-winners spot at this prestigious competition for the first time ever. Of further note is that fact that Donetsk, historically, culturally, and geographically is close to Russia, and the inhabitants of this city mainly speak Russian.

In the competition, the best Russian team was that of St. Petersburg State University. They received the gold medal, taking a solid fourth place (gold, silver, and bronze medals are given to four teams).The team of Nizhny Novgorod State University placed in the number of prize-winners for the first time ever (silver medals and fifth place). Saratov State University, which has been a prize-winner at these competitions many times in years past and was even the winner once, took sixth place this time (a silver medal). Two other Russian higher education institutions received bronze medals for their respective tenth and eleventh places (Moscow State University and Ural State University). St. Petersburg State University of Information Technologies, Mechanics and Optics fell just short of placing in the top twelve. Remarkable standings in the company of some of the best universities in the world were achieved by Novosibirsk State University, Perm State University, and South Ural State University. They all took places in the middle of the competition

Ranking of the universities whose graduates are in the greatest demand among IT companies

Place	University	Reference rate in 2011 (in 2010)
1	Bauman Moscow State Technical University	28 (23)
2	St. Petersburg State University of Information Technologies, Mechanics and Optics	26 (22)
3	Moscow State University	23 (20)
4	St. Petersburg State Polytechnical University	21 (11)
5	St. Petersburg State University	20 (19)
6	St. Petersburg State Electrotechnical University	19 (10)
7	Moscow Institute of Physics and Technology	18 (13)
8	Moscow Engineering Physics Institute	8 (3)
9	Novosibirsk State University	7 (5)
10	St. Petersburg State University of Space Instrumentation	6 (7)
11	Moscow Aviation Institute	6 (4)
12	Baltic State Technical University	5 (2)
13	Southern Federal University	3 (3)
14	St. Petersburg State University of Telecommunications named after professor Bonch-Bruevich	3 (2)
15	National Research Nuclear University	3 (-)
16	Moscow Power Engineering Institute	3 (-)
17	Novgorod State University	2 (3)
18	South Ural State University	2 (2)

though being counted among the 42 finalists for this competition is already a noteworthy success.

The magnificent results of students' performance at international programming competitions testifies to the fact that Russian universities can, indeed, prepare highly qualified specialists. Similar competitions are regularly carried out by leading world corporations for the purpose of identifying talented programmers, and each time, Russian programmers rank among the winners and prize-winners.

Not always champions and prize-winners on sports programming reach the outstanding results in work in commercial and state structures. However, as a rule, they can resolve the most complex challenges and in careers, as evidenced by that fact that many Russian champions and prize-winners of the ACM championship have created successful software companies and/or are considered the main experts at top companies (like DevExperts, SPb Software, Yota, and "Vkontakte").

Unfortunately, the poor infrastructure is impeding the expansion of software development for export in many cities of Russia where there is a lack of resources to prepare skilled specialists. Many talented graduates of provincial higher education institutions move abroad or migrate to larger Russian cities (mainly, Moscow and St. Petersburg) though not all are eager to leave their hometowns.

The victories of the higher education institutions students from such a broad geographical span testify to the overall level of specialist training in Russia. Some graduates, who did not entered the final stage of the world championship, are in no way inferior to the champions and prize-winners; only lack of good luck did kept them from achieving similar success.

For the last 12 years of participation in the ACM competitions, a whole galaxy of university teams from Russia joining with the world's elite was created. Since 1999, the prize-winning places of these competitions were taken by 12 Russian universities, three of which went on to become the absolute champions in subsequent years — much more so than any other country. In total, Russia has won a championship title at these competitions 6 out of the last 12 years.

Students and graduates of Russian universities also have other achievements. For example, Sergey Glazunov, a student from Tyumen, earned about $50,000 for reporting the information on bags in the Google Chrome browser to the developer. In 2011, Peter Mitrichev, the winner of many programming competitions and a graduate of Moscow State University, has won the "Facebook Hacker Cup" — a programmers' competition organized by the Facebook social network.

In addition to the students' results at the programming world championship, the quality of education in various Russian higher educational institutions could be measured simply by using this survey's answers. For instance, when asked which universities produce the graduates in the greatest demand among IT companies respondents were given an opportunity to cite specific educational organizations. Since the position of the higher education institutions in this rating depends to a great extent on the number of the companies representing a given city, it is obvious why the top-ranked spots were occupied by universities from Moscow and St. Petersburg. In this regard, it is more appropriate to compare universities within a city; however, a sufficient sample for this comparison currently exists only in the Moscow and St. Petersburg higher education institutions.

Nevertheless, even taking this into account, university ranking reflects the level of programmer

preparation especially when taking into consideration the range containing specific higher education institutions (for example, from first to fifth place or from sixth to tenth place). It is remarkable that the structure of the current top ten is on par with that of last year. Only the Moscow Aviation Institute was pushed out from the top ten by the Moscow Engineering Physics Institute.

In total, respondent companies mentioned about 70 universities and institutes whose graduates are in the greatest demand among the IT companies of the region. For the record, 54 institutes of higher education were mentioned only once or twice and are, therefore, not included in the rating.

According to the research of the Cnews online edition, among the founders and top managers of a number of the largest Russian IT companies and offices of foreign firms, the largest number of graduates is comprised of the graduates of the Moscow Institute of Physics and Technology (five people) and Moscow State University (three people).

SALARY

The average salary in all respondent companies increased from $1.420 per a month in 2009 to $1,550 per a month in 2010. This growth is up 9%. However due to a change in this question from 2009 to 2010, the error of the measurement of the average level of specialists' income and its growth increased. A year ago, respondents specified the average salary for all profiled employees; this year, there was a subdivision for beginning developers, experienced developers, and managers. Nevertheless, it is believed that the obtained results accurately reflect the current labor market trends.

In total, the average salary was noted by 84% of respondents and this number allows for the precise estimation of its real size and to formulate samples according to geography, company size, and export share.

Comparable with the level of Moscow developers' income were entries in the "Other cities" category. This is due to the high salaries in one particular company located in Kazan. It accounts for about one half of all the respondent companies of this category. After the exclusion of the salary data of this company, the average salary at the typical enterprises representing "Other cities" is at the level of the Ural and Siberian companies and is much lower than in St. Petersburg and Moscow (beginning developer — $647, experienced developer — $1,222, and manager — $1,240). However, most likely, it is a little higher because a considerable number of the companies located in these regions did not disclose real salaries.

A comparison of the two types of companies– developers of software products and service companies did not reveal a considerable distinction in the level of the salary of developers and of managers.

Average monthly salary of profiled employees in 2010

Beginning developer	Experienced developer	Manager
$765	$1600	$1860

Average monthly salary of beginning developers in 2010, based on company location

Moscow	St. Petersburg	Siberia	Ural	Other cities
$937	$725	$660	$631	$677

Average monthly salary of experienced developers in 2010, based on company location

Moscow	St. Petersburg	Siberia	Ural	Other cities
$1789	$1543	$1260	$1398	$1655

Average monthly salary of managers in 2010, based on company location

Moscow	St. Petersburg	Siberia	Ural	Other cities
$1966	$1783	$1397	$1370	$2218

Companies that receive the greatest part of their income from exports, pay about 30% to 40% more than the companies oriented more towards the domestic market.

Clearly, those companies with turnover of more than $4 million have greater opportunities to pay more than smaller companies.

Data on salaries obtained from recruiting companies on the whole correspond to the calculations done on the basis of the results of the export companies survey. For example, according to Dominanta company's research at the end of 2010, in St. Petersburg, trainees received an average monthly salary of $720, programmers and leading programmers — anywhere from $1,500 to $2,300 per month.

According to HeadHunter, in the second quarter of the year 2011, in Moscow, the greatest salary was offered to Java programmers (about $2,700 in USD equivalent) and the smallest — to web-developers (about $2,000).

The results of on the research of vacancies posted on RuNet websites, made by the Yandex Company, show that the salaries in the IT sphere are among the highest salaries in Russia (after energy and commodities). Oil and gas companies pay an average monthly salary of 42 thousand rubles; in comparison, a typical IT company pays about 40 thousand rubles per month.

Developers of mobile applications have the highest income level. Leading developers of mobile applications and team leaders can negotiate for upwards of $4,000 to $5,000 a month.

Average monthly salary of beginning developers in 2010, based on company turnover

Turnover	Over $20 mln	From $4 mln to $20 mln	From $0.5 mln to $4 mln	Less than $0.5 mln
Average salary	$828	$908	$667	$723

Average monthly salary of experienced developers in 2010, based on company turnover

Turnover	Over $20 mln	From $4 mln to $20 mln	From $0.5 mln to $4 mln	Less than $0.5 mln
Average salary	$2057	$1766	$1352	$1431

Average monthly salary of managers in 2010, based on company turnover

Turnover	Over $20 mln	From $4 mln to $20 mln	From $0.5 mln to $4 mln	Less than $0.5 mln
Average salary	$2553	$2142	$1427	$1481

Most likely, over the next few years, the average salary for IT specialists will continue to grow. According to the Case company, which carries out labor market research in ten large Russian cities, in the year 2011, about 78% of IT companies have plans to review current salary levels with an eye towards increasing them.

FOREIGN LANGUAGE SKILLS

The number of Russian software developers who know foreign languages (starting with English) is gradually increasing. Over the course of one year, this growth is not always obvious but for over a two to three year span, it is undeniable. In comparison with 2010, the share of the staff of the respondent companies who were fluent in English, increased by 3%, reaching 68% though just a year before, no change was noted. Most likely, the number of the employees who speak fluent English grows approximately anywhere from 0.5% to 1% per year.

This tendency is confirmed by the data obtained from recruiting agencies. According to the headhunter.ru website, in 2008, 12% of competitors (IT specialists) knew English fluently. In 2011, this share amounts to 13%. On a related note, the share competitors who didn't know English at all sharply reduced from 12% to 4%.

However, Russia is not among the countries with a high level of English knowledge and this interferes with the creation of competitive solutions and services from high-technology companies, and furthermore, with their successful promotion on the world market. According to the research of the international language school "Education First", in terms of the average level of English among adults, Russians are far from the top spots, taking 32nd place. This research covered 44 countries for which English is not the default or primary language of communication. In this rating, Russia is slightly behind Brazil, China, and India but some potential competitors on the world market of services in software development (such as Turkey or Vietnam) have a lower level of English proficiency.

However, in India, with English being the second official state language, this low figure is actually explained away by its rather large population. This also goes for China.

In this contest, Russia is far below Eastern European countries. Sweden and Finland being on the 4th and 5th places of this ranking respectively and achieving considerable successes in sphere of high technologies are the countries that set the good example.

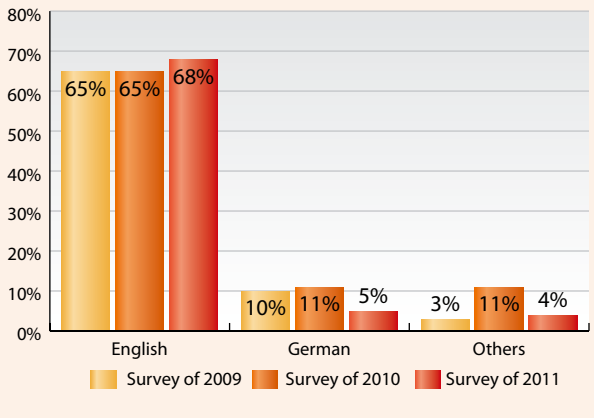
According to the representatives of venture funds working in Russia, the low level of English knowledge very often leads to the fact that talented Russians spend much more time, effort, and funds to create solutions that either already exist or are unlikely to be in demand in foreign markets. Due to the language barrier, they simply do not know much of what is happening in the world (trends, new and emerging technologies, market preferences, etc.)

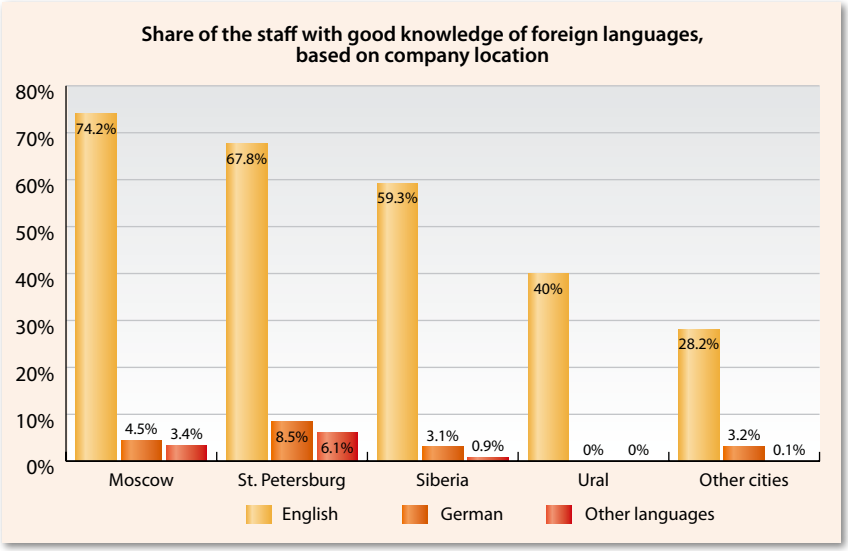
In Russia, skilled English teachers do not work in schools and/or universities because of the low salary level of the state educational system. This problem should be solved by the government. Otherwise, the high-technology sector of the economy will come nowhere near matching the potential of technical specialists preparation available in Russia.

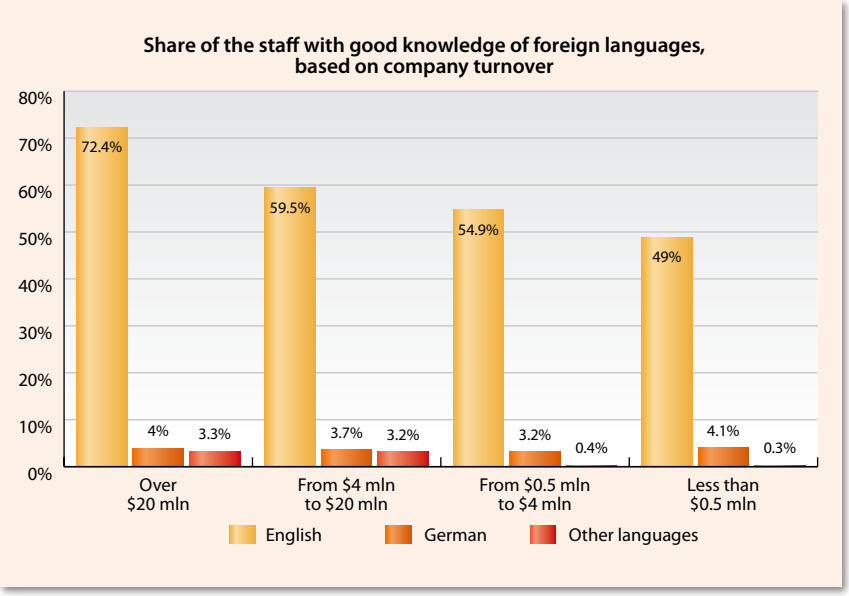
It is especially important to emphasize language training in regional universities because many of these organizations provide a high education level in the fields of mathematical and technical sciences. In Moscow and St. Petersburg, about 68% to 75% of the staff of respondent companies know English well, but in other cities, this indicator is much lower: in Siberia — about 60%, in Ural — 40%, and in other cities — only about 28%.

A year ago, the acknowledged level of English acumen and other foreign languages in various regions was higher. The actual decrease of English knowledge, of course, did not occur. In this case, the fluctuations are caused by a (rather big) error. It is possible to judge real figures authentically only according to the total data spanning several years.

Share of the employees who know foreign languages well







However, they show that in the two Russian capitals, the proportion of staff of the respondent companies with a knowledge of English is about 65% to 75%, whereas in the regions, this range was about 50% to 60%.

Of course, these indicators are not so relevant to the companies that receive a considerable part of their income from the sales of services and solutions in Russia and neighboring countries where partners and buyers, as a rule, speak Russian well. For the companies where export is less than 10% of the overall income, it's 28% of the personnel who know English quite well. At the same time, obviously, a low level of knowledge of foreign languages interferes with the growth of export to foreign countries and impedes the expansion of the circle of international-level software companies.

Indicators of a knowledge of German and other foreign languages in respondent companies decreased in comparison with last year, but most likely, it is also connected to the aforementioned error. According to the survey data covering several years, one can assume that the share of German speaking specialists comprises about 5% to 10% while the share of specialists with a knowledge of other languages is about 4% to 5%. For an expansion of the geography of activities of the Russian companies, it is necessary to better the quality of the school and university system to not only emphasize English, but to also focus on other languages as well (especially considering the decreasing attraction of the American market).

As in previous years, employees of large companies comprise the greatest share of staff speaking foreign languages. With regard to this figure, service companies are ahead of the developers of software products (for example, on English knowledge, it is 73% versus 48%).

SITUATION ON THE LABOR MARKET IN RUSSIA AND OTHER COUNTRIES

The difference in the programmers salary level between Russia and the USA is still huge. An American IT specialist earns, on the average, roughly $6,500 a month, but, in different states, that salary figure can vary dramatically. For example, the average salary of an IT specialist in Detroit, Michigan is about $63,000 per year (about $5,250 per month) while in Somerset that figure can be upwards of $79,000 annually (around $6,600 per month). By contrast, a Russian programmer working in an export company earns, on average, approximately four times less than that. However, in the world market of software, Russia actually competes not with the US and/or European countries but with countries like India, China, Vietnam and other countries with the low labor costs. But, everything is relative in that the higher salary levels of the US are offset by things like higher office space rental costs, more costly accounting, and financial reporting procedures, and heavy taxation on high-technology companies and their employees.

According to Russian software development companies that opened development centers in other countries, the cost of labor in Vietnam and China is, at least, two times less than in Russia. Other general costs imposed on businesses are also lower there. As earlier, the total expenses on software development in India are much lower than in Russia.

The cap of salary growth in Russia has already been reached, and it is tied not to the cost of labor

but to the tax load on a salary (social payments) that the state adds in the cost valuation of companies. Apparently, even though it has already been a half a year since the decision to decrease the insurance fees for software developers, the situation with social payments is expected to get still worse due to the compensation measures being taken to account for the general decrease in the rates of insurance fees. As a result, the software development companies will deal with an essential increase of insurance fees. So, as a result, companies will not be able to increase salary levels in an attempt to preserve and possibly increase manpower, and will be forced to move their development projects from Russia to countries with more favorable tax regimes.

At the same time, salaries are also growing fast in many of those countries with cheap labor costs. This is connected to the acute shortage of qualified personnel all over the globe. According to NASSCOM (a leading Association of Indian IT companies) data, mentioned by The Wall Street Journal, about 50% of "engineer" graduates and up to 85% of other college graduates don't have the necessary qualifications to work in business companies after graduation. In India, there is no compulsory secondary education, and what does exist is often low in quality; this is a serious problem for the Indian IT industry.

Serious personnel problems have cropped up in Ireland, one of world leaders in sphere of IT services. The country actively invites Russian and Ukrainian specialists to solve this problem. Other countries are also interested in the involvement of software developers from Russia. Though the flow of outgoing programmers has decreased in recent years, its increase in the future is highly probable. According to the survey of the Ankor recruiting company, the results of which were announced in the spring of 2011, only 17% of specialists in the IC arena in Russia rely on the development of local market and are staying to work in the country. The vast majority — 77% are, to some extent, ready to emigrate, 22% of which are seriously considering this option. In general, Muscovites and, most likely, active job seekers were invited by this recruiting company to participate in this survey. The share of people desiring to leave homeland would not be so great if all specialists working in Russia had been included in the survey. Nevertheless, other similar survey results are a cause for alarm.

If one can prevent the increase emigration and solve other personnel problems, Russia would be in quite a good position to grow in the IT arena. According to Frost & Sullivan, Russia is ranked at the top spot in the world by the number of researchers and developers per thousand citizens, and at the third place by the number of scientists and engineers per one million people, considerably outpacing both India and China. Russia is also the first in the world in terms of the share of students acquiring desired technical qualifications (according to UNESCO, the Federal Statistic Office of Germany). However, in order to use this potential, it is necessary to create favorable conditions for the development of IT business in Russia.

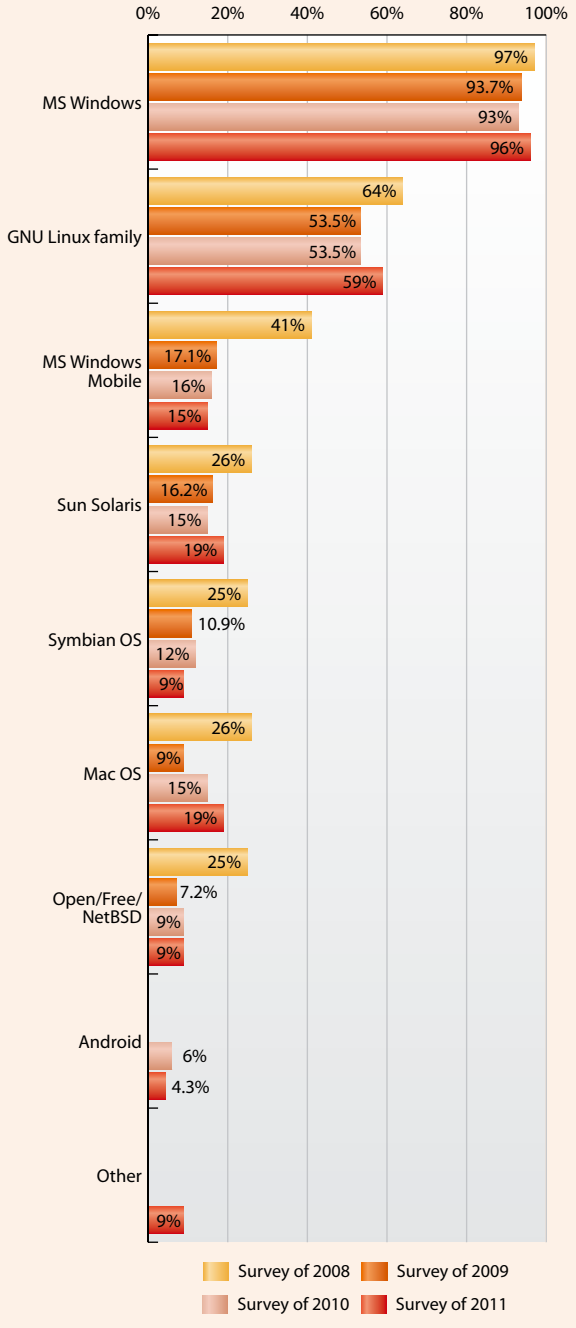
CHAPTER 7.

TECHNOLOGIES

An analysis of the data received by the survey on applied technologies reveals that, in 2011, the quantity of mentioned operating systems and tools of DBMS programming for one respondent company is approximately the same as during 2009 to 2010 (with any and all deviations within the acceptable error range). In pre-crisis 2008, the average reference rate for used technologies and platforms was anywhere from 1.6 to 1.9 times higher. One can assume that during the crisis, along with simultaneous "staff optimization" efforts, companies aspired to cut expenses, including royalties for OS, DBMS, and programming tools used by dismissed employees and/or tools that were not used at full capacity before the crisis but were maintained for the purpose of new deployment. Due to the impact of the economic crisis, authors could receive additional information about the extent to which OS, DBMS, and programming tools were used as a reserve and on the contrary — which technologies the companies could not refuse despite the crisis.

It is quite possible that the reference rate for technologies will not reach pre-crisis level any time soon though the majority of the questioned companies have already recovered from the crisis via many indicators (economical and manpower). Again, only time will tell…

Commonly used operating systems



Among others, except iOS, IBM Mainframe OS (only 2 out of 159 companies mentioned this operating system), QNX (2), VxWorks (2), Ubuntu (1), and HP-UX (1) were mentioned.

OPERATING SYSTEMS

Respondents, in 2010, confirmed (and even strengthened) the leadership of MS Windows and GNU Linux among all the operating systems, though the increase in reference rate for these systems is not overwhelming so as to make sweeping generalizations.

As judged by the trifling alterations of figures for PC and servers' operating systems and the PC and servers' ever-evolving status — whether a change is slight or significant, slow or fast, among operating systems (OS) for mobile devices, it is possible to allocate OS groups depending on managed objects, having already allocated OS for servers, PC, and mobile devices (smart phones and tablet PCs) into separate groups.

In the most dynamic group of operating systems – OS for mobile devices — one can observe the gradual decrease in Symbian popularity and the quite obvious growth of developers' interest in the Mac operating system.

Most likely, in the next few years, the Symbian OS will still rank among the top seven most popular operating systems in our rating. Nokia intends to support it, at least, until 2015. Also, Symbian received a boost from the European Commission which made a decision to allocate €11 million for its support in the beginning of 2011.The same amount will be given by the consortium of 24 companies and organizations interested in the existence and maintenance of this operating system.

The growth of the Mac OS popularity, most likely, is connected with the continually revolutionary breakthroughs of Apple products on the market of mobile and tablet, which, in turn, has raised consumer interest from all segments in Apple products. It is worthy to note that the iOS operating system, developed by this company for the management of mobile devices is mentioned by 2% of respondents.

In regard to any and all operating systems not included in the aforementioned list, the Android OS is worthy of special attention. It was mentioned by 4.3% of respondents. Experts of IDC and Gartner expect

the growth of this operating system's popularity in the coming years.

DBMS

The popularity of MS SQL considerably increased in comparison with last year. Apparently, this growth was provided by the small companies. MS SQL is mentioned by companies with turnover less than $4 million more often than by those with turnover of more than $4 million. According to other DBMS the references rate is higher for larger companies.

DBMS Oracle also was mentioned more often in comparison with the previous survey. This DBMS is the most popular among the companies with turnover more than $4 million (it is used in 75% of these companies).

Commonly used DBMS

DBMS name	Survey of 2008	Survey of 2009	Survey of 2010	Survey of 2011
MS SQL	82%	66,1%	63%	74%
Oracle	69%	48,6%	49%	55%
MySQL	68%	35,8%	47%	40%
MS Access	49%	14,7%	19%	9%
Firebird	19%	11,0%	11%	9%
PostgreSQL	31%	11,0%	17%	15%
MSDE	27%	9,2%	7%	5%
IBM DB2	33%	8,3%	13%	14%
InterBase	18%	7,3%	9%	7%
Sybase ASA	13%	6,4%	6%	6%
SQLite	8%	5,5%	9%	5%
IBM Informix	18%	5,5%	7%	5%
SAP DB	9%	4,6%	6%	5%
Sybase ASE	13%	3,7%	6%	3%
Paradox	12%	1,8%	4%	3%
Other			13%	8%

It is easy to observe the decrease in the mention of MySQL, although one year ago, the considerable increase was actually noted. Clearly, the popularity of this DBMS changes dramatically from year to year. Therefore, it is difficult to formulate predictable trends due to these drastic fluctuations. The tendency for MS Access is obvious though: the MS Access reference rate considerably decreased for each of the last four years — overall from 49% to 9%. On other DBMS, as per the table below, the changes are within the error limits.

Among other DBMS which are not included in the table above, respondents mentioned ADABAS, RDM, Teradata Database, and Cronos no more than once each. Cache was mentioned twice. Four respondent companies actually use their own DBMS.

PROGRAMMING TOOLS

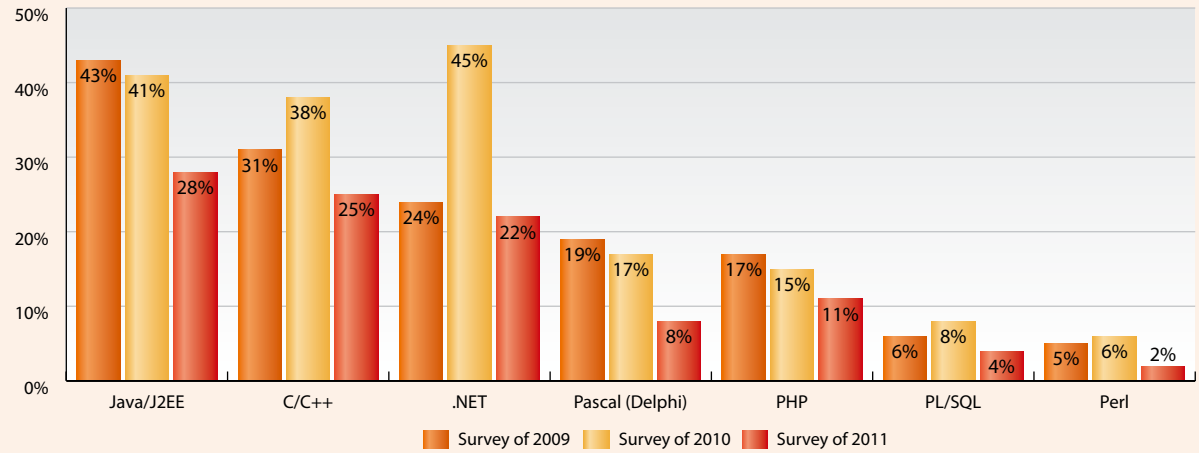
In comparison with last year, the reference rate for Pascal (Delphi) cited as the main programming tool essentially decreased — from 18% to 9%. For other main programming tools, the changes are insignificant and/or are within the error limit.

The reference rate of programming languages, specified as main tools in 2008–2011, % of respondent companies

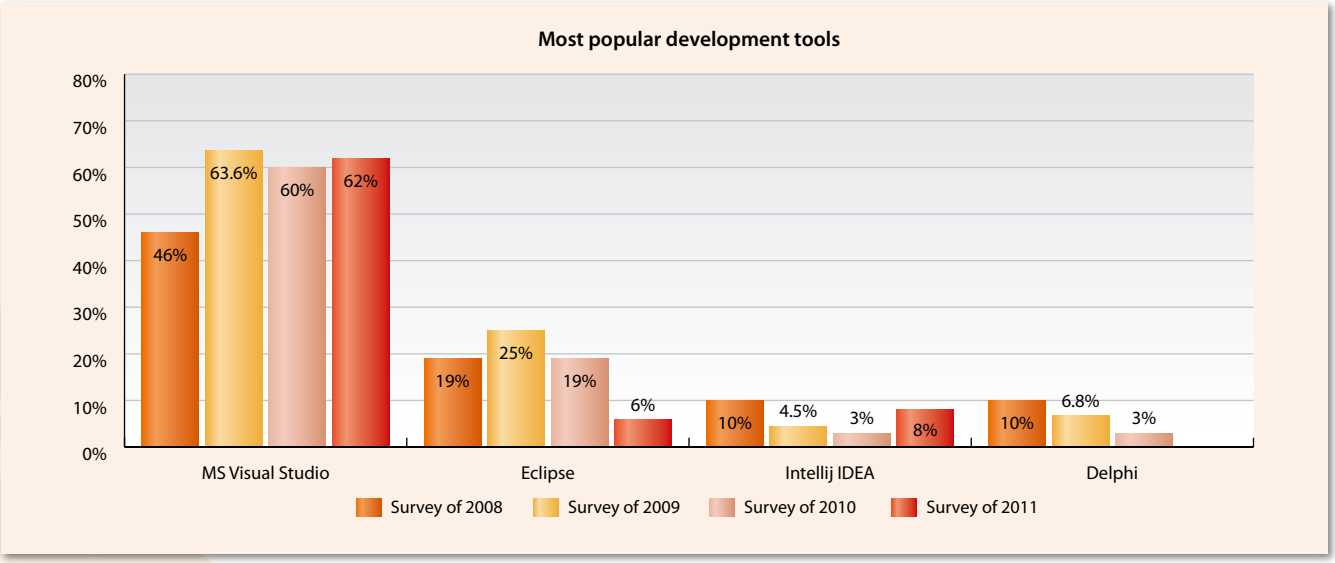
Programming language	Survey of 2008	Survey of 2009	Survey of 2010	Survey of 2011
C/C++	33%	36%	46%	38,4%
Java/J2EE	38%	21,1%	22%	20,1%
Pascal (Delphi)	13%	18,4%	18%	8,8%
.NET	48%	17,5%	21%	23,9%
PHP	13%	5,8%	8%	8,8%
PL/SQL	11%	1,9%	3%	1,9%
Perl	4%	0%	2%	0,6%
Other				6,3%

Not included in the table of main programming languages:
Prolog (1 reference), Python (2), Ruby (1), Cobol (2), Fortran (1).
One company uses its own programming language.

The usage of programming languages which are not considered as main tools, but are applied by the companies in a number of projects, % of respondent companies



Other mentioned programming languages were cited as additional (those not included in the table):
Python (4), Fortran (2 references), 1C (2), Cobol (1), Ruby (1), and AS 3.0 (1).



Twenty-two percent of respondents specified programming tools which are not considered as main (from all respondent companies that specified the main tool). A year ago there were 28% of these respondents. The reference rate of the most popular programming languages, referenced as additional, decreased.

Used software development tools were specified by 52% of respondents. Therefore, the error for programming tool popularity appeared higher, than in the cases of OS and DBMS.

The reference rate of MS Visual Studio has remained virtually unchanged for the last three years.

After the decrease over the previous two years, the figure for Intellij IDEA grew and reached the level of 2008.

The reference rate of Eclipse decreased from 25% in 2009 to 6% in 2011. Nobody mentioned Delphi at all (the popularity of this tool has been steadily decreasing over the last four years).

SUMMARY

Rapid growth of software export from Russia resumed after a pause caused by the world financial crisis. If in 2009 Russian software companies' export revenue increased by symbolical 3–5%, according to the results of 2010 export growth was 20% (the volume of software and software development services sales reached $3.3 billion in 2010).

Export of software development services increased by 14% and reached $1.6 billion. This growth potential has not been exhausted yet, despite the personnel deficit in the Russian labor market. Large service companies compensate for the lack of specialists in Russia by the expansion of the regional division network and the creation of foreign development centers.

The share of Russian software development companies in various IT-connected ratings continues to increase. Russia steadily occupies the third place in the annual Global Services rating of top-100 leading IT outsourcing organizations by the number of companies.

The share of foreign companies' R&D centers in the total export volume reduced from 12% to 11% as investments into them grew more slowly than foreign sales of Russian companies' software products and software development services.

Export of software products and replicated solutions has had priority growth rates for several years in a row. Following the results of last year, it increased by at least 30% and reached $1.35 billion. Respectively, the share of software products and replicated solutions in the total export volume also increased, and in 2010, it was as much as 41%. The number of the companies developing software products and replicated solutions for export also rose.

As in 2009, the greatest contribution to the increase in software product developers' consolidated export revenues was made by the Kaspersky Lab company, which provided nearly one half of the growth.

The more companies are oriented to foreign markets, the higher their turnover growth is. If Russian market-oriented companies' average growth of consolidated revenues was equal to 10%, turnover of the companies with the export share exceeding 75% increased by 30%.

In the ratings reflecting the level of development and use of information technologies, Russia, as a rule, is far from the top position. Its position in the middle of the first hundred and sometimes even outside this range raise great doubts. Probably, the expert estimations are affected by old stereotypes (or enemy image political games taking place).

There has been a cardinal change in the representation of Russia in foreign print media (including Internet resources) over the last year. An analysis of publications in newspapers and magazines (both printed and online versions), including newsreels of analytical agencies (34 resources in total) showed a sharp rise in the number of messages which reflect Russian achievements in the high-tech field.

No more than 2.5% of total production falls on the share of Russian software companies in the world software market (including customized development services).This share increases by approximately 0.1 percentage points every year. Partly, this increase is conquered from India.

During 2010, Russia's position in the world software and software development service market became stronger by a number of parameters. We can confidently state that there are positive dynamics in Russian software industry development.

Preconditions for the emergence of new sources of export revenue growth appeared, with venture capital support, as new perspective companies arose in the market during the previous two years and a number of foreign corporations declared their intention to open R&D divisions in Russia.

Exporters (especially large ones) are concentrated in two Russian capitals, Moscow and St. Petersburg. Unfortunately, poor infrastructure impedes the expansion of software development for export in many Russian cities where there is a possibility of producing skilled specialists. In some regions, there is a large potential for an increase in software export.

In 2010, after an annual break due to the world financial crisis, rapid growth of the Russian IT market renewed. In comparison with the previous year, according to different estimates, it increased by anywhere from 14% to 19%, reaching $15.1 to $18.6 billion. However, its volume did not reach the pre-crisis (for Russia) level of 2008.

Demand on services of the Russian companies providing customized software development services grows more rapidly in Russia than abroad.

The Russian IT market collapse during the world financial crisis pushes software development companies to diversification. Therefore, many players, primarily in the Russian market, intend to increase their export share in the consolidated revenues.

For the last year, the respondents began to estimate Russian business conditions more critically. The average grade, in comparison with the previous year's poll, decreased from 2.7 to 2.58 points (on a five-grade scale). The respondent companies still believe that the conditions of doing their business in Russia are not satisfactory (an "Adequate" grade being 3 points).

The degree of discontent with the taxation system existing in Russia reached a record level for all the years of polling. Sixty-six percent of the respondent companies consider that the taxation system deserves the "Marginal" grade. A year ago, there were 50% of such respondents. Apparently, the confusion of the procedure and the amount of insurance premium completely destroyed companies' illusions concerning existence of the state policy in this sphere.

In the field of start-up financing, there has been obvious progress in recent years. In Russia, a large number of venture and investment funds and business incubators have been created; several state programs

for small business support have been launched as well. However, the number of respondents who estimated the support of start-ups critically raised. That is linked to general dissatisfaction with conditions for small business in Russia.

Concerning the estimation of state support in the IT sphere, the number of opposing opinions increased among the respondents. The share of the respondent companies which felt that it improved increased from 9% to 14.5%, while the share of those who viewed it as worsened went from 19% to 24%.

Last year, the decrease in importance of the "USA and Canada" market for the Russian software developers which begun a few years ago continued. The attraction of the American market as a high-priority one lowers, first of all, for service companies. The Russian customized software developers do not have such a strong dependence on the situation in the US market as their Indian competitors, with 60% of US-oriented export. In the sales structure, following the results of 2010, only 15% of Russian companies consider the American market to be high-priority.

Following the results of 2010, almost no exporters left are completely uninterested in the Russian market. Ninety-nine percent of the respondents noted their presence in it (a year ago, this figure was 89%).

The salary level and the number of vacancies in the IT sphere reached the pre-crisis level by the middle of 2010 and gradually increased until the middle of 2011.

The number of Russian software companies which employed nobody and dismissed nobody last year slightly increased in comparison with recessionary 2009. Mass recruitment was performed only by the largest service companies. For example, the number of Luxoft employees increased from 3,000 to 4,400 during the year, but the growth was reflected in all of the recruiting performed by all the company's development centers throughout several countries (in Russia, Vietnam, Romania, Ukraine, and England).

In comparison with recessionary 2009, the share of the respondent companies hiring no new personnel during 2010 increased from 23% to 28%, while staff turnover was reduced from 6% to 4.5%, and the share of the companies with no personnel lay-offs within the last year increased from 38% to 41%.

Among the largest companies, the share of those with no personnel reduction within the last year increased, growing from 13% to 45%. For the companies with hundreds and even thousands of employees, such a situation is not typical.

The average staff size indicator of the respondent companies increased by 22% during the year, although, according to the respondents' plans, the staff size growth should have averaged around 18%. However, nearly half of the growth was experienced by one company, Luxoft, with its multinational development centers.

In 2011, it is estimated that the companies' staff size shall increase by an average of 15%. A bit more than half of respondents (51%) reported their plans to recruit new employees within the next year, the same amount as a year ago. Thus, the companies intending to display their activity in the labor market in 2011 (66%) are mainly located in St. Petersburg. St. Petersburg also has the highest indicator of the share of the companies experiencing staff shortages.

During the finals of the student programming world contest (the International Collegiate Programming Contest) under the aegis of the Association of Computing Machinery (ACM), held in Orlando, Florida (USA) in the spring of 2011, Russian students again performed very successfully. As in the previous year, five of the twelve prize-winning teams were from Russian universities.

The average monthly profile employee salary for all respondent companies increased from $1,420 in 2009 to $1,550 in 2010, for a growth rate of 9%.

The number of the Russian specialists who know foreign languages (first of all, this applies to English) is gradually increasing. However, considering the average level of proficiency in English among adults, Russians typically fall short, which can be a deterrent to further increasing the number of successful export companies and the export of high-technology entities. The level of preparation at schools and universities needs improvement.

PARTICIPANTS OF THE SURVEY

Artezio — the Art of Technology

Founded	2000
Headquartered	Moscow, Russian Federation
Company Overview	Artezio is an ISO 9001:2008 certified software development and consulting company. Over the last eleven years, Artezio has completed more than 300 projects for its international clients. Artezio's software development services allow its clients to deploy multi-platform applications, thus letting them leverage the power of modern software technologies. This is done with the highest degree of engineering skills in conjunction with clear and transparent communication processes. As a business consulting service provider, Artezio offers technology companies help and expertise in setting up and managing their own offshore/ nearshore software development centers. Since 2005, Artezio is a member and a major offshore division of LANIT group which is a $1.4B IT Services vendor with 4000 employees. From its development centers Artezio delivers cost effective, high quality IT services to clients in North America, Europe, Middle East and Japan thus being one of the leading Russian offshore software developers.
Development centers	Moscow, Saratov, Nizhny Novgorod (Russia); Minsk, Vitebsk, Mogilev (Belarus); Toronto (ON, Canada)
Sales representation	Moscow (Russia), Cherry Hill (NJ, USA), Rosenheim (Germany)
Certification	ISO 9001:2008, Microsoft Gold Certified
Services	• Custom software development • System integration • Technology consulting • Software quality assurance and control • Support and maintenance • Business Analysis and Consulting • Offshore development center setup and operate • IT outstaffing
Industry focus	***Core:*** Healthcare/Pharmaceuticals/Bio-tech/Life Sciences, Finance/Banking, Telecommunications, Hi-tech ***Emerging:*** Transportation/Logistics, Retail, Entertainment/Media, Education, Governmental, Gas and Oil
Corporate solutions	***Business software:*** business applications, web-applications, SaaS, e-Learning, CRM, PRM, ABAP development for SAP, software customization ***Portal Software:*** Open source (Liferay, GridSphere, Exo) platforms based large-scale business portal solutions; Sharepoint-based portal development; Large-scale video streaming entertainment portals ***Integration:*** J2EE and .Net-based application integration; ESB-based banking software integration; SOA based integration; IVR data integration for CRM software; Integration with SAP software modules ***BI:*** Data Mining, Data Warehousing, OLAP ***Document workflow:*** SharePoint, Nuxeo, Alfresco ***Mobile platforms:*** iOS, Windows Mobile, Android, J2ME
Technological profile	***Platforms:*** Microsoft Windows 98/NT/2000/ XP/Vista/7, Linux, FreeBSD, IBM AIX, Sun Solaris, HP-UX ***Technologies:*** J2EE, Microsoft .NET, LAMP ***Programming languages:*** Java, C, C++, C#, Perl, PHP, SAP/ABAP ***Product lines:*** IBM, Microsoft, Oracle, SAP, JBoss ***Databases:*** Oracle, Microsoft SQL Server, IBM Informix, MySQL, PostgreSQL, InterBase ***Methodology:*** WF, RUP, Agile (SCRUM, XP)
Corporate websites	http://www.artezio.com, http://www.artezio.ru, http://cloud.artezio.com
Contacts	info@artezio.com, sales@artezio.com ***Russia:*** Phone: +7 495 981-0531, Fax: +7 495 232-2683 ***USA:*** Phone: +1 978 930-1698, Fax: +1 856 596-7512 ***Germany:*** Phone: +49 8031 267-935

Auriga

Elite Software R&D Services Since 1990

Founded in	1990
Engineering Locations	5 development centers in Russia (3 in Moscow, N. Novgorod, Rostov-on-Don), EU (Vilnius, Lithuania)
Services	• Software Product Engineering and ADM • Custom Software Development • Product Maintenance • Re-engineering and Porting • Customization and Integration • Software Testing and QA • Product Support • Technology Research and Consulting.
Domain Verticals	High-tech, Telecom, Mobile, Healthcare, Finance, Information security, Media and Entertainment, Education, Government, and more.
Major Clients	IBM, LynuxWorks, Pigeon Point Systems, BroadVision, Dräger Medical, Dialogic, Kiva Systems, Barclays, Yandex, Sberbank Rossii, etc.
Technologies & Platforms	• Embedded devices (ARM, PowerPC, Intel, FPGA…) • Real-time systems (VxWorks, QNX, ThreadX, pSOS, eCos, LynxOS) • Linux (server, desktop and embedded), UNIX, Windows internals. • Mobile (Android, iOS, Symbian, RIM BlackBerry, MeeGo, Windows Phone) and Wireless (GSM, 3G, GLONASS, Bluetooth, WiFi, WiMax) • Enterprise applications: Workflow, document and content management (EMC Documentum and other), CRM systems. • Web services, high loaded distributed applications • .Net and Java platforms for portals (SharePoint, Liferay, IBM WebSphere), web and desktops application development • Databases (MS SQL, Oracle, DB2, Sybase, MySQL)
Awards	— In Global Outsourcing 100 (rating by IAOP) since 2008. In 2010 listed among best in healthcare, telecom, high-tech industries, R&D services, Russia region. — In Global Services 100 (by Global Services Media and neoIT) since 2006. The company is ranked among the "Top 10 Service Providers: Eastern Europe". — In The Black Book of Outsourcing (by Datamonitor) c 2006. In 2011 Auriga is ranked the No. 1 Engineering Services Outsourcing (ESO) provider worldwide. In 2010 Auriga was named #15 in the prestigious "Global Top 50 Vendors" list. In previous years the company is named No. 3 in the list of IT Outsourcing Vendors in Central/Eastern Europe and No. 6 in the list of Global Software QA & Testing. — Auriga is included in overall Top 20 of software R&D service providers and in Top 10 among the companies serving Software industry, in a 2009 ranking of service providers in India, China, Russia, Ukraine & CEE by Zinnov Management Consulting, a leading management consulting firm.
Industry Standards	CMMI Level 4, ISO 9001, SPICE, DO-178B, ISO 13485
About Auriga	Auriga is the first Russian software R&D and IT outsourcing services provider that started providing offshore/nearshore software development services to US/EU customers. Wide range of services, best resources with creativity mindset, working on the most challenging projects, provided Auriga with global hi-tech, finance, healthcare majors in its clientele list. Many of our clients stay with us for years, several of them call for Auriga services for more than 10 years. They are attracted by the synergy effects of Auriga's hard and soft skills — quality of delivery and personnel qualification combined with cultural proximity to the buyer, flexibility in approaches, methodologies and processes (from "heavyweight" methods to Agile) and orientation towards customer business goals. Mutually augmenting and strengthening each other, these proficiencies make Auriga the poster child of Russian IT outsourcing.
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	6,500
Company Overview	Established in 1993, EPAM Systems, Inc. is a leading global software engineering and IT consulting provider with delivery centers throughout Central and Eastern Europe. Headquartered in the United States, EPAM employs over 6,500 professionals and provides services to clients worldwide using a global delivery model through its client facing and delivery operations in North America, UK, Germany, Switzerland, Sweden, Russia, Belarus, Hungary, Ukraine, Poland, and Kazakhstan. 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. 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 18 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 the company operations while minimizing risks.
Development centers	Russia, Ukraine, Belarus, Poland, Hungary, Kazakhstan
Major Service Offering	• Software product engineering and custom development • Project-based technology consulting • Application Testing, Maintenance and Support • Application Migration and Reengineering
Technology Focus	• .NET (1.1 through 4.0) (ASP.NET, Win Forms, WPF, Silverlight) • 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) • Content Management (Adobe / Day, Oracle, SAP, EMC / Documentum, Microsoft SharePoint, Alfresco, LifeRay, Drupal, WordPress, OpenText/Vignette) • Embedded SW development (OSE, VxWorks, LynxOS, Reliant (pSOS), QNX, Linux, HP-UX, Solaris, Windows NT 4.0 Embedded) • Mobile (iOS (iPhone, iPad), Android, Blackberry, Windows Mobile / Windows Phone 7, Symbian OS, CLDC/MIDP, Palm Pre)
Practice Areas	• ISVs and Technologies • Banking & Financial Services • Business Information & Media • Travel and Hospitality • Retail & CPG • Emerging Verticals
Partial Customer List	Thomson Reuters, The Coca-Cola Company, Wolters Kluwer, Viacom/MTV Networks, Expedia, Schlumberger, Renaissance Capital, MICEX, Whirlpool, SAP, Microsoft, Oracle
Awards	• **The 2011 Global Outsourcing 100** — EPAM has reasserted the status of a leading Software Services company in Central and Eastern Europe and Russia. Honored in a variety of sub-lists featuring leaders in specific vertical and geographical categories by the International Association of Outsourcing Professionals (IAOP). • **The 2011 Global Services 100** — EPAM is named an IT Services Leader in the "IT Services Leaders — Eastern Europe" category recognizing only two vendors, and one of the ten world's "Top Product Engineering Vendors". The company is also recognized in the "Top Global Mid-Tier ITO Vendors" list.

First Line Software

Overview	First Line Software is a premiere provider of product and custom application development services to industry leaders and growth companies around the world. Our mission is to deliver software that continuously meets and exceeds customers' expectations through unrivaled technical competence, advanced development methodologies and proven governance approach. First Line focuses on serving the most demanding clients whose primary focus in outsourcing is on quality, reliability and continuity. We maximize business value for clients through transparency, communication, and collaborative approach to client engagements. First Line's customers benefit from our almost two decades of experience and deep expertise in building, operating and growing highly productive software development teams. We serve a variety of clients from different industries and geographies, from North America and Europe to Southeast Asia. Although we specialize in helping software product vendors, we can work with any firm whose business is enabled by or greatly relies on software.
Services	• **Product development:** technology research and selection, product design, specification and mock-ups, prototyping, full cycle development, component design and integration, performance engineering, customization and enhancement, porting and migration, deployment, support and maintenance • **Custom application development:** feasibility and requirements analysis for business case, application design, development, and implementation, systems integration/consolidation, re-engineering, performance tuning and porting services • **QA and testing:** Test process audit, test coverage analysis, test strategy development, test execution, test automation
Areas of expertise	• Cloud computing • WCM/EPiServer • ECM • Enterprise portals • Master Data Management • Windows network management
Website	www.firstlinesoftware.com
Contact info	E-mail: sales@firstlinesoftware.com Phone: +1 (877) 737-7178
Global presence	USA, Russia

Lanit-Tercom

Foundation date	1991
Headqurters	St.Petersburg
Headcount	300+
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, the 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, reengineering and ODC set-up.
Key areas of expertise	• Energy & Industry • Banking & Finances • Telecom/Internet • Education • Law • Transportation • Publishing & Media
Competence Centers	• Mathematical software • Energy & Industry • Electronics development • Reengineering • Image and Video Processing • Media and Publishing • Mobile applications • Special purpose electronics • Software for managing analytical equipment
Main tools and technologies	C/C++, Microsoft .NET, Java, J2EE, COBOL and other legacy technologies, Web-technologies, MATLAB, Simulink, ADTF, VHDL
Operating system	Microsoft Windows 98/NT/2000/XP/2003, Linux Kernel 2.0-2.6, HP UX, Sun Solaris, OS/2, IBM Mainframe, real-time operating systems, embedded systems
Databases	Oracle, Microsoft SQL Server, IBM Informix Dynamic Server, IBM DB2 UDB, MySQL, Microsoft Access, PostgreSQL, InterBase
Development of Hardware	FPCA (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
Key clients	T-Systems, Microsoft, Pro Television, Siemens, Citibank, Relativity Technologies, NetHawk, APL, Blue Phoenix, Comapping , Italtel, Navio, Oplayo, FOSS, Focon, International Intellectual Group, Laerdal, Ministry of Defense of RF, Saint-Petersburg State University, Federal Agency for governmental communication and information (FAPSI), Sberbank.
Websites	www.lanit-tercom.ru, www.lanit-tercom.com
Contact information	28 Universitetsky pr., St.Petersburg, Peterhof, 198504, Russia Phone: +7 812 428 41 94, Fax: +7 812 428 74 09 Email: contact@lanit-tercom.com

Luxoft

Foundation date	April 2000
About the company	Luxoft, a member of the IBS Group, is a global software development partner and Eastern European leader. Companies trust our unparalleled technical proficiency, engineering excellence, deep domain expertise, and best-in-class practices to improve business effectiveness and maximize ROI. We add value to Technology Product Companies and IT-enabled enterprises by designing and delivering solutions for increased productivity, accelerated innovation, and optimized IT architecture. With our worldwide offshore infrastructure, extensive network of offices, and long-term investment in R&D, we offer superior service delivery and support across a wide array of industries.
Vertical expertise (industries)	Financial services, telecom, automotive and transport, technology, travel/aviation, energy
Horizontal practices	Mobile, cloud, data warehousing/BI/big data, PLM/PDM, supply chain, application security, agile
Services	**Software Development Services:** application software development, software architecture services, performance engineering, software quality assurance, IT infrastructure management **Product Engineering:** product engineering, embedded systems development, systems engineering services, hardware engineering services **Consulting:** IT strategy consulting, software process consulting, data security consulting
Locations	**Development centers** **Russia:** Moscow, St Petersburg, Omsk, Dubna; **Ukraine:** Kiev, Odessa, Dnepropetrovsk; **Vietnam:** Ho Chi Minh City; **Romania:** Bucharest; **UK:** London; **Poland:** Krakow **Representative offices** **USA:** New York, Seattle; **Canada:** Vancouver; **Europe:** London, UK; Frankfurt, Germany; Zurich, Switzerland; **Singapore,** Singapore
Number of employees	5000+
Quality standards	SEI CMM/CMMI Level 5, ISO 9001:2008, ISO 27001:2005
Clients	**European and US clients:** **D**ell, Deutsche Bank, Boeing, UBS, IBM, Thomson, Atmel, Alstom, IDS, Sabre Holdings, Avaya, Harman, Ping Identity, AePONA, Harman, Hotwire **Russian clients:** Microsoft Russia, Absolute Bank, Uralsib, Vimpelcom, Polymedia, NIS Glonass
Awards	**2011** • Luxoft has been named Outsourcing Provider of the Year by the European Outsourcing Association. Additionally, the company's Ukraine-based Development Center was also honored with the Outsourcing Destination of the Year award. • Luxoft recently has been inducted into Top Global Services 100 Rating 2011 + featured in the following GS100 categories: – Top Global Mid-Tier ITO Vendors – Leading Mid-Tier ADM Vendors – Top Speciality Product Engineering Vendors – T Services Leaders — Eastern Europe • Luxoft Earned Global Frost & Sullivan Best Practices Award 2011 for Competitive Strategy Innovation in Automotive industry • Luxoft is the recipient of the "Best Banking Technology Company" honor for Eastern Europe as part of World Finance Magazine's 2011 Technology Awards ' • Luxoft has been named to the 8th annual FinTech 100 list Honors from FinTech 100 • Luxoft has been included in 29 th Software Magazine's Software 500 ranking of the world's largest software and service providers • Luxoft is the only Eastern European provider included in Everest's PEAK Matrix for Large Banking Applications Outsourcing Relationships (annuity based deals with >US$25M TCV and a deal duration of >3 years) • Luxoft featured in Zinnov`s 2011 R&D Service Providers Rating, and listed in the "Breakout Zone" for four different verticals — telecommunications, software/ISV, aerospace and defense, and communications.
Website	www.luxoft.com
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

PROMT

About the company	The world leader in the field of development of systems of machine translation for corporations and private users with the center of development in Russia.
Year of foundation	1991
Main products and services	• Machine translation systems for corporations and private users (9 versions of products have been already issued). • Translate.Ru online translation service (in operation for 13 years) and online-translator.com international version. Totally the PROMT online services provide translation of more than 10 million words every day. **PROMT Solutions:** • Support 12 languages • Integrated with the MS Office applications (all actual versions) • Integrated with popular web browsers (Internet Explorer, Mozilla Firefox, Opera and Google Chrome) • Integrated with solutions based on Translation Memory (Trados, WorldServer etc.) • API for integration with third party programs
Joint projects	iTranslate4.eu — created with support of the European Translator Association; the service supports all European and many non-European languages.
Technologies	The company is the expert in all commercially used machine translation technologies: • Over 20 years of RBMT (the machine translation based on rules) development • Statistical machine translation • Innovative hybrid technology (combination of the RBMT methods and statistical machine translation)
Key partners and clients	Over 10 000 large companies clients in IT, industry, finance, trade, science, education, translation, and state structures worldwide. Among them are Adobe, PayPal, "Norilsk Nickel", Mail.Ru, "Vympelcom", "Lukoil", Yandex.
Main spheres of application	• Oil and gas • Power industry • Mining and metallurgical industry • IT/telecommunication • Finance • State structures
Awards and references in mass media	• PC Magazine/RE — Best Soft 2010 • PC User (Germany) — Gut • Mac Life (Germany) — Empfehlung • Soft32Download.com — 5 stars award • IDC Financial Insights — Best New Technology • Runet Award 2007 — Intelligence in the Runet • And many other
Number of employees	100
Offices	St. Petersburg, Moscow, Hamburg, San Francisco
Contacts	197198, Russia, St. Petersburg, Dobrolyubova pr. 16, letter A, business center Arena Hall, building 2, Ph. +7 (812) 611-0050, common@promt.ru
Sites	www.promt.ru; www.promt.com; www.translate.ru; www.online-translator.com

Reksoft
The Art of Software Engineering

Headquarters	St. Petersburg (Russia)
Development centers	St. Petersburg, Voronezh
Sales and project support offices	Moscow (Russia), Munich (Germany), Stockholm (Sweden), Helsinki (Finland)
Employees	300+
Founded	1991
Company overview	Reksoft is a leading software engineering services provider in Russia. We specialize in supplying software development services, products and solutions to enterprises, ISVs, and system integrators operating in a variety of industries. Since 2008 Reksoft is part of Technoserv group the largest Russian company dedicated to system integration, IT-services and creation of engineering facilities. Over more than two decades, we have mastered the dynamics of distributed software engineering, developing a workflow and methodology that improves our performance on every key customer metric, including product quality, time to market, budget adherence, project transparency and issue resolution. We possess extensive experience in deploying and running reliable dedicated software development centers with attrition rate below market average, as well as delivering large and mission-critical projects. Currently, the company counts more than 300 employees. As a provider of highend software engineering services, our employees are the single most important factor in our business. All employees are encouraged to play a full part in their own career development through progressive human resource and training arrangements.
Services	• Software Product Engineering • Enterprise application services (development, support, migration & integration, application management) • Dedicated development centers
Industry expertise	In more than 20 years of business, we have accumulated software development experience across a wide range of sectors, including high technology, telecommunications, financial services, media, hospitality and travel, manufacturing, energy and media.
Quality	Reksoft is the only company in Russia where all software development processes have been accessed as compliant with CMMI Level 5. Reksoft's quality management systems are ISO 9001:2008 certified in the design, development, delivery, installation and maintenance of computer systems and software. We enjoy a clients satisfaction rate of 95% and, as a result, a loyal customer base across Europe and USA, with four engagements lasting over 16 years.
Recognition	The 2011 Global Services 100 list
Partnership	Reksoft enjoys technology partnerships with recognized leaders in IT. Reksoft holds premier partnership status with Microsoft, Sun Oracle, EMC, IBM, Adobe and other global IT corporations. Using our partners' software platforms and technologies, we are able to provide our customers best-in-class solutions.
Technologies	**Microsoft .NET** (C#, VB.NET, ASP.NET, WinForms, WPF, WCF), **Java EE** (EJB, JSP, JSF, Servlets, Hibernate, Spring, JBoss Seam etc), **LAMP** (Linux, Apache, MySQL, PHP, Python) ,**Web Technologies** (Web Services, REST, HTML/XHTML/HTML 5, CSS, JavaScript, AJAX, Adobe Flex, Microsoft Silverlight), **Microsoft SharePoint, IBM WebSphere, EMC Documentum**.
Website	www.reksoft.com
E-mail	info@reksoft.com

Alee Software	
URL	www.alee.ru
Contact E-mail	stas@alee.com
Contact Phone	+7(812) 346-5669
Headquarters	Saint Petersburg
Year of Foundation	1997
Number of Employees	40
Programming Languages	Java
About Alee Software	ALEE Software Co. Ltd. is a software development company specializing in Web Development and e-Commerce projects. Our St. Petersburg development unit has completed projects for clients in USA, Germany, Finland, Sweden, Denmark and Russia.

ALT Linux	
URL	www.altlinux.ru/
Contact E-mail	org@altlinux.ru
Contact Phone	+7(495) 662-3883
Headquarters	Moscow
Year of Foundation	2001
Number of Employees	37
Programming Languages	C, Perl
About ALT Linux	ALT Linux is a Russian Moscow-based company with several offices across the country with its main business being Free/Libre Software.The most prominent technological proceeding as well as the main ongoing project of the company is the package repository “Sisyphus” that is unique in many aspects. The company develops and deploys various distributions for home and office use, for desktops, and servers, and "thin client" systems. ALT Linux is also releasing distributions certified by Russian government for use in circumstances that assume working with personal information. The company holds resea

Alt-Invest	
URL	www.alt-invest.ru
Contact E-mail	senov@alt-invest.ru
Contact Phone	+7(495) 580-9875
Headquarters	Moscow
Year of Foundation	1992
Number of Employees	25
Programming Languages	Visual Basic
About Alt-Invest	Alt-Invest Company has been operating on the market of consulting services and software for analysts since 1992. Before 2004 the Company was acting as an economic analysis department of Alt Research and Consulting Firm, in May 2004 this business was allocated as an independent structure. Today Alt-Invest is not only the leading software developer for investment projects estimation in Russia, but also the unique company, offering a complex of software solutions and training, as well as consulting services in the sphere of investment and financial analysis and planning.

AMSD	
URL	www.amsd.ru
Contact E-mail	infoquest@amsd.com
Contact Phone	+7(495) 778-6887
Headquarters	Moscow
Year of Foundation	1993
Number of Employees	7
Programming Languages	C++, Java
About AMSD	AMSD (stands for Advanced Multimedia System Design) is a Russian company founded in 1993. AMSD specializes in software development and software/hardware integration on the base of modern computer technologies.

ANCUD, LLC	
URL	www.ancud.ru
Contact E-mail	marketing@ancud.ru
Contact Phone	+7(499) 731-0000
Headquarters	Zelenograd, Moscow
Year of Foundation	1991
Number of Employees	60
Programming Languages	C++, Java, PHP
About ANCUD, LLC	ANCUD Limited Liability Company is a well-known Russian designer and manufacturer of hard- and software for cryptographic protection of information. It was established in 1991. ANCUD engages in a full Hi-Tech product cycle from development of its own component base to providing complex solutions. Main Activities: Design of encryption hardware and software for cryptographic protection of information; Design and manufacturing user acceess control system; Custom design of microprocessor components and electronic hardware.

Antares Software	
URL	www.antares-software.ru
Contact E-mail	info@antares-soft-ware.ru
Contact Phone	+7(876) 267-8178
Headquarters	Velikiy Novgorod
Year of Foundation	2001
Number of Employees	47
Programming Languages	C++, Java
About Antares Software	Right now Antares Software is creating applications for hundreds of millions of various mobile devices: telephones, smart-phones, touch-phones, multi-touch devices, communicators, navigators, mini-pads, pocket PCs, netbooks and other gadgets, some of which aren't even available in the market yet. We design software based on the key mobile platforms, thus providing our customers with maximum mobile market penetration.

Aplana Software Services	
URL	www.aplana.ru
Contact E-mail	info@aplana.com
Contact Phone	+7(495) 710-7580
Headquarters	Moscow
Year of Foundation	2001
Number of Employees	200
Programming Languages	Java
About Aplana Software Services	Aplana Software is a Moscow based software services company, member of a leading Russian technology group I.T.Co. Aplana specializes in outsourcing of software product development for Independent Software Vendors (ISV) from all other the world and is recognized for high effectiveness of production processes, excellence of customer relationships and communications as well as high flexibility in resources allocation. Aplana's outsourcing services span the whole cycle of software product development beginning from requirements gathering, their analysis, prototyping, design, development, implementation and ending with feature enhancement, integration, re-engineering, testing and support.

Arcadia	
URL	www.arcadia.spb.ru
Contact E-mail	info@arcadia.spb.ru
Contact Phone	+7(812) 610-5955
Headquarters	Saint Petersburg
Year of Foundation	1993
Number of Employees	160
Programming Languages	C#, C++
About Arcadia	Arcadia is an innovative offshore software development company providing services to international clientele. Headquartered in St. Petersburg, Russia, Arcadia is ideally positioned to deliver high-quality software development outsourcing services to customers worldwide. Arcadia is a united team of 180+ software professionals with 18 years' experience in custom development of business applications. Main areas of competence: Education & e-learning; Business process automation; Enterprise data management; Accounting, fixed assets management; Human resource management (HRM); Pharmaceutical data warehousing; Insurance workflow automation; Data protection & security; Developer tools, compilers and IDEs; Corporate portals (intranet, extranet); Collaboration portals.

Arsis Corp	
URL	www.arsis.ru
Contact E-mail	info@arsis.ru
Contact Phone	+7(495) 980-2931
Headquarters	Moscow
Year of Foundation	1993
Number of Employees	35
Programming Languages	C#, C++, Java
About Arsis Corp	Arsis has been specializing in software development on a by-order basis and corporate information system implementation since 1993. Today our company provides a full range of programming services such as development, deployment and maintenance of information systems for enterprises and companies working in different fields.

Astrosoft Development	
URL	www.astrosoft-development.com
Contact E-mail	info@astrosoft-development.com
Contact Phone	+7(812) 494-9090
Headquarters	Saint Petersburg
Year of Foundation	1991
Number of Employees	600
Programming Languages	
About Astrosoft Development	Astrosoft Development is a full-service provider of Software Manufacturing and outsoursing services. Drawing from over 20 years of experience, we recognize that companies thrive to bring innovative products to market faster than the competition, reduce costs of product manufacturing lifecycle and customer retention. We help our clients worldwide to gain advantages and real value working with high-qualified IT experts creating qualified software. Astrosoft Development is located in Saint-Petersburgh, has 2 R'n'D offices in Russia and representatives in Germany and Finland.

ASV	
URL	www.asv.ru
Contact E-mail	max@asv.ru
Contact Phone	+7(342) 222-4444
Headquarters	Perm
Year of Foundation	1994
Number of Employees	50
Programming Languages	C++, Java
About ASV	Created in 1994, JSC ASV is Russia's leading developer of highly technological solutions for the telecommunication business automation. Over 50 Russian telecommunication companies are using JSC ASV's solutions, profiting from their reliability, scalability, availability, low operating costs and simplicity of servicing. JSC ASV has been able to develop a unique technology to implement and support its own solutions, thus being able to make more than 50 installations in the lines of three regions in the Republic of Kazakhstan in 1998, including the largest city of Alma-Ata, in Kazakhtelecom JSC.

AutoSoft	
URL	www.autosoft.ru
Contact E-mail	info@autosoft.ru
Contact Phone	+7(342) 672-9381
Headquarters	Ekaterniburg
Year of Foundation	1997
Number of Employees	15
Programming Languages	Delphi, .Net
About AutoSoft	AutoSoft Company, Ltd. is one of the leading developers of the specialized software for business-processes automation at the enterprises of automobile and allied industries. AutoSoft carries out the activity in the market of computer technologies for the domestic autoindustry since 1997 year, being one of the pioneers in this area. For this time the company saves up a wide experience which helps it with goals achievement, namely: in development of high-quality products and competent, fast introduction of the systems on the various enterprises. «AutoSoft» is already well-known trademark owing to high quality, efficiency and reliability of our software, and also the developed network of representatives which promote wider distribution of high technologies, creating the base to increase performance of thousand enterprises across all Russia and the countries of the near abroad.

AvantLab	
URL	www.avantlab.com
Contact E-mail	ya@avantlab.com
Contact Phone	+7(812) 950-0967
Headquarters	Saint Petersburg
Year of Foundation	2005
Number of Employees	10
Programming Languages	C#, C++, Java, PHP
About AvantLab	AvantLab is innovative software research and development company with development center located in St. Petersburg, Russia. The company is established to leverage Russian innovation, research and development capabilities on one hand, and, on another hand, to provide exceptional quality and reliability of the provided services and thorough devotion to clients.

Axmor Software	
URL	www.axmor.com
Contact E-mail	sales@axmor.com, sales@axmor.ru
Contact Phone	+7(383) 363-0128
Headquarters	Novosibirsk
Year of Foundation	2003
Number of Employees	70
Programming Languages	.Net, Java, C#
About Axmor Software	Axmor Software is a custom software development company with our development center in Russia and a representative office in the USA. Since 2008 Axmor Software is an ISO 9001:2008 certified company. Axmor's processes in design and implementation of software applications conform to the rigid industry requirements for quality.

Biometric technologies, Ltd	
URL	www.biometrica.ru
Contact E-mail	info@biometrica.ru
Contact Phone	+7(495) 970-3030
Headquarters	Moscow
Year of Foundation	2002
Number of Employees	10
Programming Languages	C
About Biometric technologies, Ltd	"Biometric technologies, Ltd". is a Russian private company working in the area of biometrics and the short name of the company is "Biometrics, Ltd." The Company is a member of the Russian Biometric Society and the Subcommittee No 7 - "Biometrics" of the Rosstandard Technical Committee No 355 - "Automatic identification". Invention in biometrics, biometric technologies and Company products give the Company tools to solve all problems of an individual reliable identification and authentication in the are of security in such systems as: physical access control; national identification to control migration; payments; information access control.

Bitrix Company	
URL	www.1c-bitrix.ru
Contact E-mail	marketing@1c-bitrix.ru
Contact Phone	+7(495) 775-2618
Headquarters	Moscow
Year of Foundation	1998
Number of Employees	100
Programming Languages	PHP, .Net
About Bitrix Company	Bitrix is a privately-owned company developing advanced business communications platforms to bridge SMBs with their customers (Internet), partners (Extranet) and employees (Intranet). Founded in 1998 and located in Alexandria, VA, Bitrix now incorporates 90+ staff, 60,000+ customers and 6,000+ partners worldwide with regional sales offices located in Moscow, Russia and Kiev, Ukraine. Bitrix' flagship products are Bitrix Site Manager, a website management and e-marketing solution; Bitrix Intranet, social-enabled collaboration and communication suite for increasing workforce productivity, motivation and awareness; and Bitrix .NET Forge (coming soon), a solid platform for developing comprehensive web-based business applications.

CN-Software, Ltd	
URL	www.cn-software.com
Contact E-mail	support@cn-software.com
Contact Phone	+7(816) 260-3500
Headquarters	Velikiy Novgorod
Year of Foundation	2005
Number of Employees	15
Programming Languages	Java, PHP, C++
About CN-Software, Ltd	CN-Software Ltd. was registered in August, 2005; however, the history of our company (known as CN-Software.com) started in 2002, when the first copies of CNSearch - the search system for web-sites - had been sold. That was the time when the core of our team, aimed at web-site software development, formed. Later, the number of our software products increased. Some of our developments are now presented as software products.

Competentum	
URL	www.competentum.ru/
Contact E-mail	info@competentum.ru
Contact Phone	+7(495) 514-1100
Headquarters	Dolgoprudny
Year of Foundation	1993
Number of Employees	150
Programming Languages	.Net C#, Java, AS 3.0, JS
About Competentum	Competentum is an international group of companies that operates in global e-Learning market covering Russia, Europe, and USA. Competentum offers a full set of proprietary innovative e-Learning products as well as high quality consulting, software and e-content development services for both academic education and professional training. Our goal is the implementation of innovative ideas, and integration of modern web-based technologies with advanced pedagogy to provide cost-effective creation of advanced e-Learning solutions.

Constant	
URL	www.constant.obninsk.ru
Contact E-mail	andrey@constant.obninsk.ru
Contact Phone	+7(484) 394-4474
Headquarters	Obninsk
Year of Foundation	2003
Number of Employees	36
Programming Languages	Java, C++, PHP, C#
About Constant	Constant is a nearshore software development company, benefiting from the huge potential of highly educated software professionals in science cities. We believe that your people should focus on the most essential; creating value for your customers instead of coding. Our motivated and skilled teams, work as they were your business unit, but at the local cost level.

DataArt®	
URL	www.dataart.com
Contact E-mail	info@dataart.com
Contact Phone	+1(212) 378-4108
Headquarters	New York, NY, Usa
Year of Foundation	1997
Number of Employees	500
Programming Languages	.Net, Java
About DataArt®	DataArt is a high-end software engineering firm with industry-specific expertise in financial technology, online travel, healthcare, media, and mobile solutions. With a dedicated engineering base in Eastern Europe, DataArt helps clients to optimize time to market and to minimize software development risks in mission critical and knowledge intensive systems. DataArt has been named one of the world's top and fastest growing service providers by BusinessWeek, Global Services 100, IAOP, and Inc.

Devexperts	
URL	www.devexperrs.com
Contact E-mail	mail@devexperts.com
Contact Phone	+7(812) 438-1626
Headquarters	Saint Petersburg
Year of Foundation	2002
Number of Employees	
Programming Languages	Java
About Devexperts	Devexperts is a provider of highly-effective professional software systems for on-line brokerage, exchange, and financial activities. Devexperts offers a wide product line for all-round automation of brokerage and investment activities: front-ends, risk-management and back-office solutions, charting and analytics tools, FIX-and FAST- gateways, market data distribution and other products and services. Devexperts' clients are: GFT (USA), thinkorswim Inc. (USA), Ameritrade (USA), OTKRITIE Securities Limited (Great Britain), RTS (Russia), MICEX (Russia), and other well-known companies.

Digital Design	
URL	www.digdes.ru
Contact E-mail	info@digdes.com
Contact Phone	+7(812) 346-5833
Headquarters	Saint Petersburg
Year of Foundation	1992
Number of Employees	326
Programming Languages	.Net, C#, Java, j2ee, C++, Oracle, IBM WS
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 IT, banking, logistics, transportation, manufacturing and public sector. Digital Design services vary from high-end application development, improvement of existing software infrastructure to establishing a Nearshore Development Center for Europe based companies.

domprog	
URL	www.domprog.com
Contact E-mail	info@domprog.com
Contact Phone	+7(812) 320-2136
Headquarters	Saint Petersburg
Year of Foundation	2000
Number of Employees	20
Programming Languages	C#, Java, Delphi, C++
About domprog	domprog (Dom Programm Ltd.) was established in 2000 as an offshore software development company. We are located in St.-Petersburg, Russia. This place is being often referred as the "Silicon Valley" of Russia. Our developers are skilled and trained software engineers graduated from the prestigious world-class St.-Petersburg Universities and have exceptional experiences and skills. Solid educational background allows them to solve the tricky programming problems and to provide the customers with the top class products.

Elcomsoft	
URL	www.elcomsoft.ru
Contact E-mail	info@elcomsoft.com
Contact Phone	+7(495) 974-1162
Headquarters	Moscow
Year of Foundation	1990
Number of Employees	25
Programming Languages	C, C++, Assembler
About Elcomsoft	Established in 1990, ElcomSoft Co. Ltd (referred hereafter as ElcomSoft) is a privately owned company headquartered in Moscow, Russia. Since 1997, ElcomSoft has been serving the needs of businesses by delivering corporate security and IT audit products. The company helps law enforcement, military, and intelligence agencies in criminal investigations with its wide range of computer forensics products. ElcomSoft tools and products are used by most of the Fortune 500 corporations, multiple branches of the military all over the world, governments, and all major accounting companies.

E-legion	
URL	www.e-legion.com
Contact E-mail	info@e-legion.com
Contact Phone	+7(812) 600-9113
Headquarters	Saint Petersburg
Year of Foundation	2005
Number of Employees	42
Programming Languages	Java, C#, Objective-C, PHP, Python
About E-legion	Software development and consulting - e-Legion is company of well-educated professionals. That is the reason, why our solutions are high quality products.

Entensys	
URL	www.usergate.ru
Contact E-mail	partners@usergate.ru, partners@entensys.com
Contact Phone	+7(383) 330-2913
Headquarters	Novosibirsk
Year of Foundation	2001
Number of Employees	100
Programming Languages	C++, C#, Java, DB
About Entensys	Entensys is an international Internet security and e-mail security software vendor. Entensys' products solve complex security concerns by continually addressing new security threats, as well as increase information protection and ensure corporate IT infrastructure reliability. Entensys offers an extensive range of outstanding information security services for today's organizations, governments, commercial and educational.

Escort-Center	
URL	www.escort-center.ru
Contact E-mail	borodin@escort-center.ru
Contact Phone	+7(495) 777-0055
Headquarters	Moscow
Year of Foundation	
Number of Employees	40
Programming Languages	C#, C++, Java
About Escort-Center	The Company was founded in 1991, and all its shares are owned by individuals. The company combines near 1000 experienced specialists who operate at headquarter in Moscow, and as well at daughter enterprise and branches in Kaliningrad, Murmansk, Rostov-on-Don, Zheleznovodsk, Saint-Petersburg, Khabarovsk. The company equips the Customer's facilities on the turn-key basis with technical security systems of any degree of complexity, from analyzing statements of work and proposals for the facility's security and to commissioning the system, fully functional in accordance with the actual operating practices of the facility, to the Customer or the State Committee.

ETNA Software	
URL	www.etnasoft.com
Contact E-mail	info@etnasoft.com
Contact Phone	+7(812) 448-8530
Headquarters	Saint Petersburg
Year of Foundation	2002
Number of Employees	200
Programming Languages	C#, Java, Flex
About ETNA Software	ETNA Software is a custom financial technology company. Founded in 2002 it now employs 200 programmers in offshore locations and headquarters in New York. ETNA Software makes a specialty of electronic trading platforms, automated trading solutions, asset allocation and portfolio management tools. A member of FIX Protocol, ETNA Software is continuously refining its market connectivity solutions and offers rapid and reliable connections to every market data feed. Products created by ETNA Software are well-recognized and were awarded a prestigious Barrons Magazine Awards.

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	30
Programming Languages	C#, PHP
About Eurostudio	Eurostudio is a full service web and software development company. We provide high quality development services to make your business more effective. We build only search engine friendly sites that meet w3c and accessibility standards.

eVelopers Corporation	
URL	www.evelopers.com
Contact E-mail	info@evelopers.com
Contact Phone	+7(812) 324-3211
Headquarters	Mountain View, CA, Usa
Year of Foundation	1999
Number of Employees	50
Programming Languages	Java, JavaScript, Flex/Flash, C, C#
About eVelopers Corporation	Founded in 1999 with headquarters in California Silicon Valley, eVelopers™ is an ISO 9001:2008 certified software development company, partnering with Salesforce.com and Alfresco. Our services include IT consulting, designing and building complex web-based solutions and large B2B applications. Critical applications — ECM, ERP, CRM, portals, interactive content management with secure application access control, demand forecasting, online marketplaces - are just some of the applications that eVelopers develops.

Famatech International Corp.	
URL	www.famatech.com
Contact E-mail	partner@famatech.com
Contact Phone	+7(495) 225-3434
Headquarters	Moscow
Year of Foundation	2008
Number of Employees	40
Programming Languages	C++, Java, C#, DB
About Famatech International Corp.	Famatech founded in 1999, is best known for its award-winning Remote Administrator (Radmin), the leading remote control software used on millions of desktops around the world. Famatech's Remote Control Technology enables technicians to quickly provide an optimal network management, remote support and helpdesk services. The company follows a very successful strategy of providing maximum assistance to corporate helpdesks, system integrators and Value Added Resellers specializing in providing network services.

Galaktika Corporation	
URL	www.galaktika.ru
Contact E-mail	market@galaktika.ru
Contact Phone	+7(495) 797-6171
Headquarters	Moscow
Year of Foundation	1987
Number of Employees	750
Programming Languages	
About Galaktika Corporation	Galaktika Corporation is one of the leaders of the national IT-market of integrated company management systems. Management processes within an enterprise or a holding, strategic business planning and management, information space monitoring, analytical research, intelligent business analysis – each of these tasks is essential for a present-day company, and Galaktika Corporation is offering the best IT solutions to meet every challenge.

GARANT	
URL	www.garant.ru
Contact E-mail	pr@garant.ru
Contact Phone	+7(495) 930-8908
Headquarters	Moscow
Year of Foundation	1990
Number of Employees	1000
Programming Languages	C++, Pascal
About GARANT	Our company is a leader in the Russian IT market. For more than 15 years we have supplied information on the Russian legislation both in English and Russian. GARANT includes specialized databases on all branches of the federal legislation and 145 sections on the regional legislation. The legislative acts of 83 regions of Russia as well as the decisions of ten Federal Arbitration Courts of Circuits (FAC) are presented in the system. At present all fundamental Russian laws have been translated into English including documents concerning the civil law, tax law and the avoidance of double taxation, customs law, etc.

Gemini Systems	
URL	www.gemini-systems.ru
Contact E-mail	irina.batkina@gemini-systems.ru
Contact Phone	+7(812) 528-3621
Headquarters	Saint Petersburg
Year of Foundation	2003
Number of Employees	25
Programming Languages	Java, .Net
About Gemini Systems	Gemini Systems is a premier global IT consulting company working with customers worldwide to provide business analysis, architecture design, application development, system integration, operation support, and maintenance of sophisticated technology solutions. We know that each company has a unique and often complex set of requirements. We have perfected the art of listening to the needs of the customer and we pride ourselves for our innovation and creativity. We are persistent in our goal to ensure that our clients achieve theirs. Since 1987, we have successfully completed over 280,000 person-days of consulting services for our clients.

Geophysical Data Systems	
URL	www.gds.ru
Contact E-mail	info@gds.ru
Contact Phone	+7(495) 234-2794
Headquarters	Moscow
Year of Foundation	1991
Number of Employees	90
Programming Languages	C++
About Geophysical Data Systems	Geophysical Data Systems (GDS) has been a premier provider of a broad array of services for both production companies and geophysical contractors since 1991. GDS services include: 2D and 3D seismic surveys, including «turn key» projects covering every stage, from field survey programs to geological models; Field survey supervision and field data processing throughout all stages of exploration programs commissioned by oil and gas companies and implemented by geophysical contractors; Processing and interpretation of geological and geophysical data, and geological modeling of oil and gas fields; Development of new seismic survey technologies and geophysical equipment.

High Technologies Center	
URL	www.htc-cs.com
Contact E-mail	office@htc-cs.ru
Contact Phone	+7(341) 293-8861
Headquarters	Izhevsk
Year of Foundation	2000
Number of Employees	50
Programming Languages	.Net, PHP
About High Technologies Center	High Technology Center, Ltd. is an international software design company. With two offices — in USA and Russia - we constantly share experience and learn newest technologies while completing our tasks. Areas of expertise: a.. Strategic consulting and business modeling b.. Web construction with integrated systems for e-commerce c.. Creative design and interactive marketing technologies d.. Internet support (Internet project maintenance) We are currently working with three major development technologies: Microsoft .NET, Java, Oracle.

HyperMethod IBS	
URL	www.learnware.ru
Contact E-mail	office@learnware.ru
Contact Phone	+7(812) 380-8877
Headquarters	Saint Petersburg
Year of Foundation	1991
Number of Employees	40
Programming Languages	PHP, C++
About HyperMethod IBS	HyperMethod IBS is one of the Russian leading developers of Software and solutions for e-learning, development of electronic training courses, training and personnel assessment. During the last few years, the platform of eLearining 3000 was set up and introduced in hundreds of institutions. Brief overview of some significant projects is presented below. Banks, retail chains, defense enterprises, institutions of higher education, colleges are among them and etc. The platform of eLearining 3000 has translated into English, Kazakh, Armenian, Ukrainian, Czech, Farsi and other languages

IBA Group	
URL	www.ibagroup.eu
Contact E-mail	info@iba-it-group.com
Contact Phone	+37(517) 217-3952
Headquarters	Prague, Czech Republic
Year of Foundation	1993
Number of Employees	2570
Programming Languages	C/C++/VC++,C#, Java,.Net, Cobol, ABAP/4
About IBA Group	Группа IBA – один из крупнейших в Восточной Европе поставщиков ИТ. Штаб-квартира компании находится в Чехии, представительства - в России, США, Германии, Болгарии, на Кипре и в Казахстане, центры разработок - в Беларуси и Чехии. Созданная в 1993 году, Группа IBA сегодня объединяет более 2500 высококвалифицированных специалистов и обслуживает клиентов в более чем 30 странах мира. Компания является разработчиком и производителем средств вычислительной техники, банковского оборудования и специализированного ПО, предоставляет услуги по аутсорсингу ПО и автоматизации бизнес-процессов.

ICL-KME CS OJSC	
URL	www.icl.ru
Contact E-mail	infor@icl.kazan.ru
Contact Phone	+7(843) 279-5823
Headquarters	Kazan
Year of Foundation	1991
Number of Employees	1250
Programming Languages	C/C++, C#, Delphi, Java, SQL
About ICL-KME CS OJSC	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 alliance with the world's IT leader Fujitsu provides ICL-KME CS access to state-of-the-art technologies and projects. ICL-KME CS today is Russia's biggest system integrator.

InfoWatch	
URL	www.infowatch.com
Contact E-mail	info@infowatch.com
Contact Phone	+7(495) 229-0022
Headquarters	Moscow
Year of Foundation	2003
Number of Employees	100
Programming Languages	C++
About InfoWatch	InfoWatch is an innovative software developing company, delivering cutting-edge comprehensive modular solutions in the field of information monitoring, analysis and storage, including data loss prevention (DLP). InfoWatch technologies enable our customers to: prevent data loss; manage customer experience; protect intellectual property; manage risks and meet compliance requirements.

Inreco LAN	
URL	www.inrecolan.com
Contact E-mail	plus@inrecolan.com
Contact Phone	+7(492) 244-4090
Headquarters	Vladimir
Year of Foundation	1989
Number of Employees	50
Programming Languages	.Net, Java, MS VB, C++
About Inreco LAN	Inreco LAN is a software development outsourcing company, 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. Inreco LAN cares about its clients. It is our strong conviction that each project must be completed on time and on budget, with all features and functions originally specified. To ensure that, we work with our clients very closely and carefully, using well-structured, industry standard software development processes for each project.

Instream	
URL	www.instream.ru
Contact E-mail	info@instream.ru
Contact Phone	+7(495) 651-6157
Headquarters	Moscow
Year of Foundation	2005
Number of Employees	30
Programming Languages	.Net
About Instream	Instream specializes in creating and evolving high quality mission- & business-critical software solutions. The ultimate task of every project is to deliver reliable solutions to our customers sharp on time.

Intersoft Lab	
URL	www.iso.ru
Contact E-mail	market@iso.ru
Contact Phone	+7(495) 967-0088
Headquarters	Moscow
Year of Foundation	1999
Number of Employees	100
Programming Languages	Python, C++, C#
About Intersoft Lab	Intersoft Lab is the Russian leader in Data Warehouse and Business Performance Management software. Intersoft Lab is a strong supporter of best practices in IT industry and innovative approaches in software development. Our solutions let organizations improve and drive their business performance by enabling them to bring together all of their data into a single place and proving insight into financial and operational performance.

Intravision	
URL	www.intravision.ru
Contact E-mail	information@intravision.ru
Contact Phone	+7(495) 670-6484
Headquarters	Moscow
Year of Foundation	2004
Number of Employees	15
Programming Languages	.Net, C++
About Intravision	IntraVision was founded not long ago, but we are no new hand at IT-services. Most of our staff are IT professionals, that have worked at well-known companies. We are well-versed in theory (our employees have Microsoft certificates) and practice (we have successfully completed a wide range of projects). Now we are in good progress, we continue to search for partners and specialists that would like to collaborate with us.

Intrice	
URL	www.intrice.com
Contact E-mail	marketing@intrice.com
Contact Phone	+7(382) 243-1639
Headquarters	Tomsk
Year of Foundation	1997
Number of Employees	30
Programming Languages	Java, C++
About Intrice	Until 1996, Intrice was providing software development services for local companies, implementing both large and small software projects for manufacturing enterprises, research institutes and noncommercial organizations. In 1996, we started offshore software development cooperation with a German company LiM Interactive GmbH in the software and multimedia application development field. Since then, we have significantly expanded the scope of our service and we're now a leading Russian offshore programming provider.

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	20
Programming Languages	PHP, .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.

Itransition	
URL	www.itransition.ru
Contact E-mail	info@itransition.ru
Contact Phone	+7(495) 638-5214
Headquarters	Moscow
Year of Foundation	1998
Number of Employees	10
Programming Languages	C++, Java, PHP
About Itransition	Since 1998, Itransition has been a software development innovator providing full-cycle high quality services to its customers in over 30 countries worldwide. Itransition is expert in development, customization and integration of complex enterprise-level solutions offering a well-balanced blend of technology skills, domain knowledge, hands-on experience, effective methodology, and passion for IT

Kodeks	
URL	www.kodeks.ru
Contact E-mail	center@kodeks.ru
Contact Phone	+7(812) 740-7878
Headquarters	Saint Petersburg
Year of Foundation	2000
Number of Employees	780
Programming Languages	C/C++, Java
About Kodeks	Founded in 1991 the Legal Information Consortium «Kodeks» unites more than 350 Russian companies such as KODEKS Company which provides legal information and software products. Also we own Techexpert brand. Under this trademark you can find normative-technical documentation. Consortium «Kodeks» has been working at the legislative data sector of the software market, originally specializing in generating legal and normative-technical systems.

Microsoft-Rus	
URL	http://www.microsoft.ru
Contact E-mail	osyutin@microsoft.com
Contact Phone	+7(495) 967-8585
Headquarters	Moscow
Year of Foundation	1992
Number of Employees	
Programming Languages	C/C++
About Microsoft-Rus	Microsoft is the world IT leader in the field of the software, IT Services and solutions. It is one of the largest global corporations, with representative offices in more than 190 countries. Microsoft opened the representative office in Russia in 1992. Today Microsoft is presented in 70 Russian cities with more than 9 500 authorized partners. One of the top-priority fields for Microsoft is research and innovations: in year 2010 the corporation invested about $9 bln.

Murano Software	
URL	www.muranosoft.com
Contact E-mail	info@muranosoft.com
Contact Phone	+7(812) 324-7728
Headquarters	Los Angeles
Year of Foundation	2001
Number of Employees	140
Programming Languages	Java, C#, PHP
About Murano Software	Murano Software specializes in assembling and managing dedicated teams of highly skilled technical professionals to augment your inhouse resources. With corporate headquarters in Los Angeles, CA and software development centers in Russia, Ukraine and Uzbekistan, Murano offers you the convenience and security of working with a reliable U.S. corporation plus all the benefits of a highly affordable offshore outsource development team. Our team of senior software professionals is comprised of skilled, experienced problem solvers, not just coders and technicians.

NAUMEN	
URL	www.naumen.ru
Contact E-mail	pr@naumen.ru
Contact Phone	+7(343) 378-3176
Headquarters	Moscow
Year of Foundation	2001
Number of Employees	200
Programming Languages	
About NAUMEN	NAUMEN Company is a leading Russian developer of software solutions for businesses and public authorities. Since its launch, the company is engaged in development and implementation of software solutions for enterprises from different industries. Today we deliver our clients a bunch of complex services in building-up and automating business-processes, including business consulting, supplying equipment, configuring and implementing software, integrating applications, training users and providing technical support.

Novosoft	
URL	www.novosoft.ru
Contact E-mail	info@novosoft.ru
Contact Phone	+7(383) 330-3476
Headquarters	Novosibirsk
Year of Foundation	1992
Number of Employees	35
Programming Languages	C++, C
About Novosoft	Novosoft LLC is a large international company with a major development unit in Novosibirsk, Russia. We provide high-quality, offshore software development services and Web design solutions at excellent rates. Besides, we are selling our program products for improvement of customer's business.

OKTET Labs	
URL	www.oktetlabs.ru
Contact E-mail	info@oktetlabs.ru
Contact Phone	+7(812) 784-6591
Headquarters	Saint Petersburg
Year of Foundation	2003
Number of Employees	30
Programming Languages	C++, Java
About OKTET Labs	OKTET Labs provides design and development services for embedded and networking systems software. The main OKTET clients are developers and manufacturers of various high-tech equipment: from high performance Ethernet adapters to avionics. The company was established in 2003, but the core of the team dates back to 1996, implementing an ATM switch for one of big European telecommunication equipment vendors. Starting from that time the main development tools of the team are Linux OS and GNU toolkit, and the target systems are VxWorks, RTEMS and Embedded Linux occupying now most of the market.

Peter-Service	
URL	www.billing.ru
Contact E-mail	ps@billing.ru
Contact Phone	+7(812) 326-1299
Headquarters	Saint Petersburg
Year of Foundation	1992
Number of Employees	856
Programming Languages	C++, Java
About Peter-Service	Peter-Service is the pioneer of billing in Russia that provided the first Russian billing system for telecom operators. The Company was established in 1992 in St. Petersburg, Russia. The shareholders of Peter-Service are JSC Telecominvest and Complus Resources Limited. Today Peter-Service occupies one of the leading positions among the developers of innovative billing solutions for the telecom sector and possesses a unique experience in delivering projects for major mobile and fixed telecom operators both in Russia and abroad.

Racurs	
URL	www.racurs.ru
Contact E-mail	info@racurs.ru
Contact Phone	+7(495) 720-5127
Headquarters	Moscow
Year of Foundation	1993
Number of Employees	50
Programming Languages	C++, Java
About Racurs	Since its foundation in 1993, the Racurs Sompany has been innovative digital mapping software for the processing of aerial, space and terrestrial imagery. Our flagship product PHOTOMOD was one of the first digital photogrammetric systems on the market designed ro work on off-the-shelf PCs. PHOTOMOD is extensively used worldwide and is presently the most popular photogrammetric system in Russia.

Rosbi Inform Co.	
URL	www.rosbi.ru
Contact E-mail	rsb-info@rosbi.ru
Contact Phone	+7(812) 274-8513
Headquarters	Saint Petersburg
Year of Foundation	1990
Number of Employees	50
Programming Languages	C#
About Rosbi Inform Co.	Rosbi Inform Co. was founded in January 1991. The Company brought together highqualified specialists with 15 years' experience in data processing. The main members of the staff work together since 1984. The activities of the Rosbi Inform Co. concern development, application and maintenance of information and computer technologies by modern means and methods of automatization; development and application of databases, databanks; development of software tailored to the needs of customers in various fields of housing economy for regional and federal authorities, application and maintenance of systems.

RSDC APM	
URL	www.apm.ru
Contact E-mail	info@apm.ru
Contact Phone	+7(495) 514-8419
Headquarters	Koroloev
Year of Foundation	1992
Number of Employees	30
Programming Languages	C++, Java
About RSDC APM	Research and Software Development Center APM was found in 1992 and specializes in software development for machine elements and units, mechanisms, structures design. The main product of our company is CAD/CAE software system APM WinMachine intended for machine elements calculation and design. Our software contains methods for strength, stiffness, longevity calculation. Some of methods, implemented in WinMachine for non-ideal machine element calculation have no analogues in the world.

Smart-Soft	
URL	www.smart-soft.ru
Contact E-mail	info@smart-soft.ru
Contact Phone	+7(496) 615-5057
Headquarters	Kolomna
Year of Foundation	2003
Number of Employees	25
Programming Languages	C++, C#, Delphi
About Smart-Soft	Founded in 2003, Smart-Soft is a privately owned software development company specialising in Internet technology solutions. Smart-Soft has a range of software products that allow businesses to connect, collaborate and communicate securely and to solve the whole spectrum of problems arising when using the Internet.

SoftBusinessConsulting	
URL	www.sbconsulting.ru
Contact E-mail	avs@sbconsulting.ru
Contact Phone	+7(812) 783-3277
Headquarters	Saint Petersburg
Year of Foundation	2002
Number of Employees	11
Programming Languages	Delphi, Java, C#, PHP
About SoftBusiness Consulting	SoftBusinessConsulting has been in the IT market since 2002 as an independent software developer, rendering services of IT-outsourcing and consulting. Our Company is an official partner of some of the worlds leading software companies Oracle, Microsoft and Sybase. We are the official dealer of 1C company.

SOLVO	
URL	www.solvo.ru
Contact E-mail	sales@solvo.ru
Contact Phone	+7(812) 606-0555
Headquarters	Saint Petersburg
Year of Foundation	1992
Number of Employees	100
Programming Languages	C++, SQL
About SOLVO	SOLVO Ltd., Russian leading vendor of high-end logistics automation and control systems, provides solutions for automating the entire complex of business and technology processes within warehouses and container terminals. SOLVO offers its customers a wide range of services, including project customization, training and consulting, system implementation and deployment assistance, and technical support.

Sonda Technologies	
URL	www.sonda-tech.com
Contact E-mail	sonda@sonda-tech.com
Contact Phone	+7(351) 354-6800
Headquarters	Miass
Year of Foundation	1992
Number of Employees	55
Programming Languages	C++, Java, Delphi
About Sonda Technologies	The Sonda Technologies Company exists on the market of Biometric more than 17 years and is one of the worldwide leaders creating Biometric Identification Systems. High level of Sonda identification technology was proven on International Tests, conducted by the International Biometric Association and the National Institute of Standards and Technology for many times. Sonda systems are exploited in many countries: Russia, Latvia, Moldavia, Ukraine, Uzbekistan, Kirghizia, Tadjikistan, Syria, Uruguay, China and others.

Speech Technology Center	
URL	www.speechpro.ru
Contact E-mail	stc-spb@speech.com
Contact Phone	+7(812) 325-8848
Headquarters	Saint Petersburg
Year of Foundation	1991
Number of Employees	300
Programming Languages	C++, Java, C#
About Speech Technology Center	Speech Technology Center (STC) is a leader in cutting-edge voice-based solutions in speech recording, processing and analysis. Founded in 1990, Speech Technology Center has over 20 years of experience in speech technology development. Its world-class R&D team is comprised of over 150 specialists which include 28 PhDs. STC provides competitive solutions across a range of fast-growing technology sectors, including multi-channel and hand-held digital recording, noise cancellation, speech enhancement and biometric authentication and identification. STC is also a leading developer of speech recognition and synthesis engines for the Russian language.

STOIK Imaging	
URL	www.stoik.com
Contact E-mail	info@stoik.ru
Contact Phone	+7(495) 225-1327
Headquarters	Moscow
Year of Foundation	1992
Number of Employees	20
Programming Languages	C++
About STOIK Imaging	STOIK Imaging is a private company dedicated to image/video processing software development. Young physicists and mathematicians founded the company in 1994. Company specialization takes its origin from image processing and data acquisition software projects made in a frame of Soviet space program. Today the company is focused on development of commercial graphics software for consumer and professional markets.

TerraLink	
URL	www.terralink.ru
Contact E-mail	info@terralink.ru
Contact Phone	+7(495) 721-1721
Headquarters	Moscow
Year of Foundation	1989
Number of Employees	152
Programming Languages	.NET
About TerraLink	TerraLink is a leading system integrator and software development company on the IT market of Russia & CIS. - Founded in 1989 in Canada - Successful operations on the CIS market since 1994 - Revenue in 2010 – more than US$20 mln. - 7 offices in Russia, Kazakhstan, USA and Canada - More than 160 employees - Working with multinational customers in all industries

Transas Technologies Ltd.	
URL	www.transasmarine.com
Contact E-mail	tt@transas.com
Contact Phone	+7(921) 771-0058
Headquarters	Saint Petersburg
Year of Foundation	1990
Number of Employees	311
Programming Languages	C++, C#, Java, Python
About Transas Technologies Ltd.	Transas (TRANsport SAfety Systems) is a world-leading developer and supplier of a wide range of software, integrated solutions and hardware technologies for the marine industry: Vessel Traffic Management and Monitoring Solutions, ECDIS (Electronic Chart Display and Information Systems), Integrated Navigation Systems, Wide range of maritime simulators. Today, the number of Transas employees worldwide exceeds 1500 people, while company's products are being distributed and supported by a vast network of representative offices in some 110 countries.

VideoTesT	
URL	www.videotest.ru
Contact E-mail	info@videotest.ru
Contact Phone	+7(812) 490-9918
Headquarters	Saint Petersburg
Year of Foundation	1990
Number of Employees	25
Programming Languages	.Net, C, C++
About VideoTesT	VideoTesT Company was founded in 1990 in Saint-Petersburg, Russia, and started its activity with developing software for processing images obtained with the microscope in the field of composite structure research. Nowadays the Company develops up-to-date software and image analysis systems, which are widely used in various fields of medicine, biology, material science and many others. VideoTesT software and image analysis systems are developed in collaboration with leading scientific research institutes, medical institutions, scientific and educational centers. Testing and approving of the system in whole are also performed in these institutions.

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