

**RUSSIAN SOFTWARE
DEVELOPING INDUSTRY
AND SOFTWARE EXPORTS**

7th annual survey

With support from
APKIT Association

OUTSOURCING-RUSSIA
discover the Russian IT-potential

RUSOFT Association
2010

Dear Friends,

I would like to share with you the results of the 7th Annual Survey of the Russian Software Export Industry, conducted by the Russian Software Developers Association (RUSSOFT) in February - April 2010.

RUSSOFT is the leading association for providers of software development services and software products in Russia and it also includes several leading companies from Belarus and Ukraine (together more than 70 companies).

In the course of this survey we collected more than 160 quality questionnaires in 2010, completed by our respondents among export-oriented software development companies, which is almost half as much as during any of our previous surveys. In addition to questionnaires, the RUSSOFT analysts gathered a significant amount of information from other sources, primarily reports of research agencies, official reports of the companies and media publications.

Our analysis is validated by consistent application of the same methodology that we have used for the past 7 years to survey respondents and to analyze the results of the polls, as well as by the knowledge and experience of Dmitry Zhelvitsky from ComputerWorld, our leading analyst of last four years. This report was edited by Andrey Terekhov, a recognized guru of Russian software development industry, Head of System Programming Chair at the Saint-Petersburg State University and CEO of Lanit-Terkom. The English translation of this report was provided by ABBYY Language Services which ensured its high quality.

As a result, we have a document that presents a clear picture of the state of the industry and highlights the main trends of its development.

The acute phase of the global economic crisis ended in 2009, and, by the end of last year, we even witnessed some signs of market recovery that continued at the beginning of 2010. This led to a quality change in the situation, so we felt it was important to analyze how the market was reacting to ongoing changes and make some assumptions about the future.

The Russian software export industry continued to grow in 2009. These exports were largely impacted by the sharp drop in the Russian IT market (according to IDC, this drop made up of 37%). However, even for their total turnover (including the Russian market), the revenue of exporters was reduced only by 5% while exports grew in general by 5% (up to \$2.75 bln).

There was further growth in the software products segment (in 2009 for the first time its volume of sales exceeded \$1 bln), the providers of software technology services preserved their share in the exports, and only the Russian development centers of foreign companies reduced the exports of their services. The geography of exports has expanded and shifted further to CIS countries and to the new Russian markets (South East Asia, Africa and Latin America).

The industry has changed its assessment of government policies. Now, it is more demanding and critical. There is an emerging trend to prepare the companies for the growth which is reflected in the desire to attract investment for development in 2010-2011.

I am confident that conclusions and forecasts provided in our report will help you to better understand the state of the industry so that your business can most effectively benefit from the advantages offered by Russian software developers.

I would like to thank all who took part in this survey and thus allowed us to prepare a comprehensive, valid and reliable source of information about the Russian software export industry.



*Editor-in-chief of the 7th edition,
President of the RUSSOFT Association*

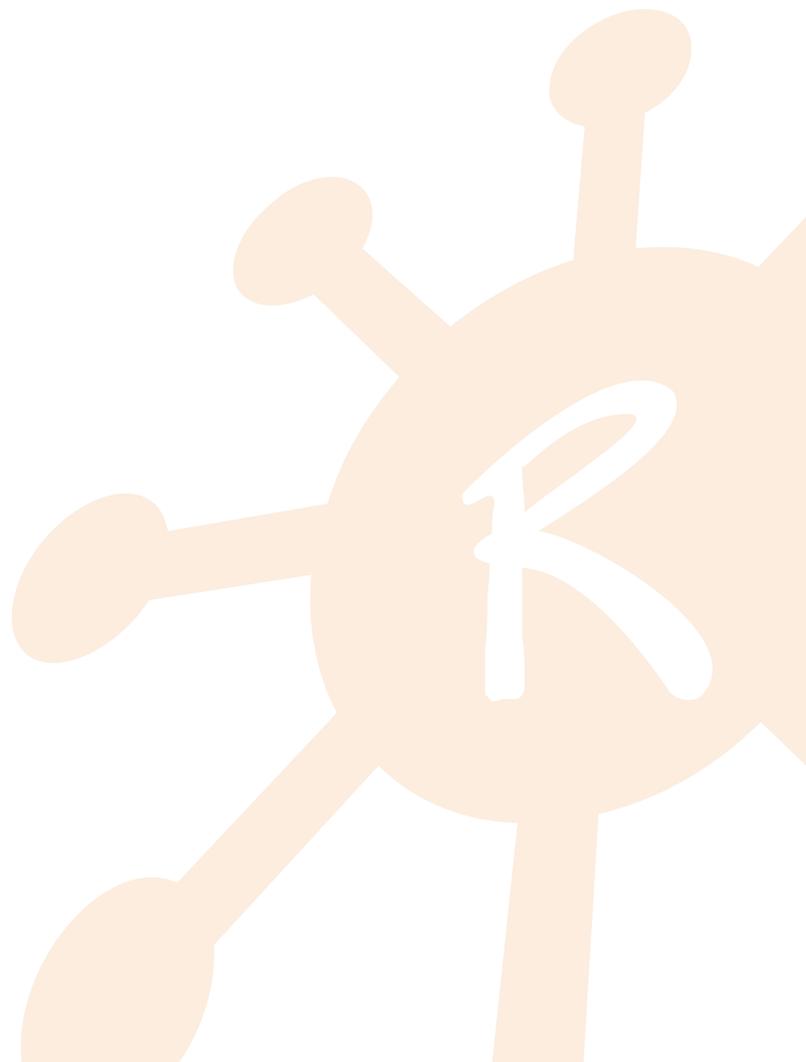
Valentin Makarov

CONTENTS

CHAPTER 1. POSITION OF RUSSIA IN THE GLOBAL MARKET OF SOFTWARE AND SOFTWARE DEVELOPMENT SERVICES	3
Mass Media, Analytics and Conferences.....	4
Ratings of Research Companies	6
Russian ICT Market	7
The Impact of the Crisis on the Industry	10
CHAPTER 2. VOLUME AND STRUCTURE OF RUSSIAN SOFTWARE EXPORTS.....	12
Products and Ready-Made Solutions.....	14
International Software Development Centers.....	15
Exports of Services	15
The Global Software Market and Ways to Increase Sales for Russian Suppliers	16
CHAPTER 3. MAJOR TRENDS IN THE RUSSIAN SOFTWARE DEVELOPMENT INDUSTRY	18
Quality Management System Certification.....	20
Attracting Investments.....	21
CHAPTER 4. GEOGRAPHICAL DISTRIBUTION AND KEY VERTICAL MARKETS OF THE RUSSIAN SOFTWARE DEVELOPMENT INDUSTRY	22
Main Geographical Markets	23
Vertical Markets	25
Geographical Distribution of Marketing and Sales Offices of Russian Companies	26
Geographical Distribution of Development Centers.....	27
CHAPTER 5. HUMAN RESOURCES AND LABOR MARKET	29
Staff Recruitment and Personnel Cuts	31
Staff Training. Universities.....	31
Staff Turnover	35
Salaries.....	35
Language Proficiency	36
Situation in the Labor Market in Russia and Other Countries	37
CHAPTER 6. TECHNOLOGIES.....	39
Operating Systems	40
Databases.....	41
Programming Tools.....	41
SUMMARY.....	43
PARTICIPANTS OF THE SURVEY	46

CHAPTER 1.

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



Amid the global economic crisis, the most difficult period for Russian software developers practically coincided with the past calendar year. The problems related to declining sales, frozen projects and delayed payments started to surface in October-November 2008 while the improvement came about in the first months of 2010.

The negative effects of the crisis were demonstrated by the halt of the Russian software export boom that continued for almost the entire past decade. At the same time, for the software development industry in general, the positive outcome of the experienced shock and the turnaround in economic activity may offset all occurred losses in the long run.

A more accurate assessment of the impact of the crisis will become possible in several years. The analysis of past year's results leads to the conclusion that for Russia there were no radical changes in the global software market. Most of the export companies safely survived the hard times. There were new business areas and prospective companies even amid the declining demand. Russia preserved all its advantages over other countries that compete with it. However, there still was no breakthrough in resolving the main industry problems. Partly because of this, the potential for software development industry remains large.

One of the main unresolved challenges for the industry on the global market remains the existing negative image of the country that does not correspond to reality. There are some improvements, though, even in this area. For example, in 2009 Russia increased by 11 points in the Global IT Industry Competitiveness Index prepared by the British research company Economist Intelligence Unit and climbed to 38th place ahead of all other BRIC countries. The researchers have estimated the general economic situation in the country, IT infrastructure, human resources potential, legal regime, the level of research and development and government support for the IT industry. Most likely, such significant improvement was not related to real changes in the business environment but rather was a result of the improved image of the country and availability of more comprehensive information about Russia for foreign experts.

Still, the Russian government needs to provide more active information support to domestic high-tech companies that promote their solutions and services on foreign markets. Currently, such support can be called neither powerful nor even serious.

At the same time, the managers of corporations, who seriously and for more than one year consider the opportunities for placing software development orders, are already aware well of the possibilities for successful cooperation with Russian service companies. At least half of the largest companies in the world (according to the ratings prepared by various newspapers and magazines) place their

orders for software development in Russia. Several dozen large Western companies created their own development centers in Russia.

Their number remained almost unchanged for the past year. There was information about a small development center of SAP in Russia that reports to the company's German office. Deutsche Bank opened its IT division in Saint Petersburg and there were some talks about AMD and Nokia intentions to create their own software development centers in Russia.

Companies which have their own research and development 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, NetCracker, Nival Interactive, Nokia, Siemens, Quest Software, RD-Software, Samsung Research Center, SAP, Scala CIS, SmartPhoneLabs, Sun Microsystems, Tagrem Studio, Teleca, T-Systems

MASS MEDIA, ANALYTICS AND CONFERENCES

Analysis of publications in the world's leading economic and specialized media as well as on the websites of the research companies demonstrates that by their still dominated the negative coverage of Russia. Our analysis considered 35 newspapers, magazines and online media resources. Those were searched with keywords "Russia" and "Software". As a result, we found almost 3,000 reference links to the articles. After excluding the articles that are not related to IT and software as well as those that mention Russia in the larger list of other countries (usually, to estimate the perspectives of IT market), we discovered that 40% of publications create a negative image of the country.

There was an enormous number of articles on the Russian role in the distribution of spam, computer viruses and cyber attacks. As a result, readers are under impression that Russia is an absolute world leader in that area. After discovering an attack on some large bank, the press is very often immediately accuses Russian hacking groups for being responsible, simply by adopting the approach: "Who else could it be?" In reality, experts believe that such attacks are usually conducted by international groups that include Russian hackers among the representatives of other countries. The part played by Russia in the distribution of spam and computer viruses is not as outstanding as it is presented by the mass media. It simply reflects the sheer size of the country and the

availability of a large number of technically trained professionals. According to the ratings prepared by antivirus products developers, Russia concedes the leading positions in that area to several countries, including the USA.

In the ratings of largest spam “providers” for January-February 2010 (prepared by Panda Security) the first position is occupied by Brazil, the second and third place are shared by India and South Korea. Russia lies only in 6th place, behind the USA.

According to Symantec, Russia entered to the Top 10 countries in terms of high malware activities in the Internet only in 2009. Currently, it occupies 7th place while the first and the second are already for several years steadily held by the USA and China, respectively.

The report by Kaspersky Labs also confirms that in April 2010 the USA was the world leader in terms of the volume of distributed spam. More than 12.3% of all unsolicited mail was sent from US territory. In this rating Russia is 5th with 4.2%.

According to McAfee, in the first quarter of 2009, the leading role of the USA in the generated volume of unsolicited mail was even more certain (35% against 9.8% for Brazil that comes second). Russia was then 7th. On other matters, many media publications demonstrate about the same level of impartiality.

Unfortunately, the events and publications that have no connection to IT may also have an impact on Russian software exports. We know, at least, about one instance where a Russian company lost its contract as a result of inadequate press coverage of the five-day military conflict between Russia and Georgia. Even though the middle level managers worked especially hard to find the best contractor and prepare the deal, the CEO of one of the foreign companies renounced mutually beneficial cooperation with the Russian customized software developer in response to the Russian “invasion” of Georgia in August 2008. It is noteworthy that there are more publications favorable to the exports by Russian software companies in the specialized media that are far removed from any political game, and in the media of the countries that adopt a fence-sitting toward Russia.

Only 15% of analyzed publications, that may have an impact on the image of Russia as provider of IT technologies, contribute to the positive image of the country. It is hard to say how this indicator changed in comparison with the previous years, because we made no such calculations for foreign press analysis before. However, we can assume that this indicator did increase. Such an assumption is based on the fact that specifically in 2009 there were publications in the foreign press describing the leading role played by Russia in implementing WiMAX technology.

There were other news leads for the articles that improve the image of the country. For example, Andrey Ternovsky, a 17 year old secondary school student, created the Chatroulette.com website that

suddenly became very popular on the Web. This news item was reported in several foreign publications (Spiegel, The New Yorker and others).

The foreign press also noticed the activities of the Russian Digital Sky Technologies fund that purchased a large package of stock in Facebook, the world’s most popular social network, and later a share in Zynga, a social gaming company.

There were a series of publications about the purchase of Taihoo Technologies, a Chinese service company, by Exigen Services. However, Russia was rarely mentioned in such publications and then only as a location of one of the many of Exigen development centers which was mostly referred as an American company. In reality, its main developments centers are located in Saint Petersburg, in the Ukraine and in Latvia.

Unfortunately, PR activities of certain companies that might be considered as Russian, sometimes fail to contribute to an improvement of the image of Russia, because in many publications about Russian software exporters their affiliation with this country is not even mentioned. This is even more surprising because it is in the interests of the same companies to promote their country and region in general (for example, under the East European Outsourcing Pole brand, comprising Russia, Belarus and Ukraine).

At the same time, in certain cases the companies promote not only themselves but Russia as well. Luxoft is the most often cited company among Russian companies working in the global software market. The managers of this company are often invited as experts for preparing reviews and articles about various industry issues. For example, their citations can be found in 2 large articles published by The Financial Times in October 2009 and in February 2010. The first article is about the Russian software industry and the second on increased investment demand in Russian high-tech companies.

The range of foreign media that the Russian companies have contacts with is very large. These are not only world-famous newspapers and magazines but also popular publications in the countries, and in the regions where the Russian software developers are present. We can mention only a small part of this. In addition to the aforementioned Financial Times, the activities of Russian software developers during the past year (up to the spring of 2010) were covered by such publications as Financial Sector Technology, The Economic Times, Wall Street Journal, Business Week, The Los Angeles Times, Washington Times, CIO Magazine, Software Magazine, TechNewsWorld, InfoWorld, IT Europa, ZDnet, eWeek and CNET.

Media and news resources of research companies covered by this research:

Aberdeen Group, Asia Times, BCC, BusinessWeek, 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, The Washington Post, Virtualization Journal, ZDnet.

The character of foreign media publications containing the keywords "Russia" and "Software" (from January 1 through December 31, 2009)*

Create a negative image of Russia	24%
Unlikely to have an impact on the image of Russia	24%
Create a rather positive image of Russia	10%
Russia mentioned only in a list with many other countries	42%
Articles that bear no relation to IT	29%

* – more than 100% in total because some articles correspond to more than one characteristic.

RATINGS OF RESEARCH COMPANIES

The 2010 Global Outsourcing 100

A year ago, we expected that the representation of Russian software developers in the ratings of the best service companies in the world would remain stable, at least for the next several years. As a matter of fact, by 2007-2008, clear leaders were determined. Recently, the distance between these leaders and other companies has grown or, at the very least, it has not diminished. The leaders were growing by taking over small and even medium-size software companies or by labor pirating.

However, it has transpired that Russia is a big country where the concentration of resources may well coexist with the emergence of rising stars. One such star is Sibers, a small company from Novosibirsk. It was included for the first time in The 2010 Global Outsourcing 100, prepared annually by the International Association of Outsourcing Professionals (IAOP). It was not included in the Top100 (75 leader and 25 rising stars), but did feature among the best in certain nominations. Sibers earned its place among the Best 10 Rising Stars in the area of "Entertainment & Media", and in "Services". Furthermore, the 2010 Global Outsourcing 100 reflected its successful work in Australia and New Zealand (Best 10 by Region Served). It is not impossible that in other large Russian cities there will also be companies aspiring to be among world leaders.

IBS DataFort is another Russian newcomer in the rating but this company is focused on the Russian market. It was included among the Top 5 in Eastern Europe. There are also other very large service companies in Russia. By all accounts, the inclusion of DataFort in the 2010 Global Outsourcing 100 is primarily the result of the fact that this company

was suitably active in providing information about itself to organizers of the rating. Therefore, we can assume that other Russian service companies, based on their turnover and quality of the work they perform, can aspire to high ratings from international rating agencies. The question is only how to use the acquired ratings in the interests of the business. Until now, the availability of international ratings was not taken into consideration during the selection of service contractors in the Russian market.

Despite the emergence of newcomers, the number of companies from Russia and neighboring Russian speaking countries in the Top 100 of this rating diminished from 8 to 7. Their positions were retained by EPAM Systems (among 75 leaders) as well as Auriga, MERA Networks and Itransition. Luxoft (that was previously among the 75 leaders), DataArt, Intetics and Reksoft left the Top 100. In 2010 IBA Group was included among the leaders while SaM Solutions and SoftServe entered the 25 rising stars list.

All companies from Russia and neighboring Russian-speaking countries that left the Top 100 remain among the best in various additional ratings. They were joined by Artezio which cannot be called the Discovery of the Year, unlike Sibers, and also by Allied Testing and SoftServe. Artezio entered The Global Services&Tolons rating for the first time, but it was mentioned in other similar ratings and analysts' reports many times before. Allied Testing was previously considered to a foreign company with a development center in Russia but, based on a number of its Russian staff and other characteristics; it could be easily regarded as Russian.

Therefore, Global Services&Tolons, in its main and additional ratings mentioned 13 companies from Russia and neighboring Russian-speaking countries and this is more than in previous years.

You will not find Exigen Services, one of the largest outsourcing companies in Eastern Europe, in this list. It was only mentioned among the companies that have a larger part of their specialized staff working in Russia. We also noticed the exclusion of Luxoft from the 75 leaders, a company of similar size, which was included only in one additional rating in 2010. Most likely, Exigen Services and Luxoft did not deem it necessary to provide the rating organizers with the appropriate information. As global companies with development centers and representative offices in different countries, they deserve to be among the best, not only in separate categories but also in the Top 100. With these two companies, a powerful corporate pool – the "East European Outsourcing Pole" uniting Russia, Belarus and Ukraine.

In additional Global Services&Tolons ratings Russia and other Russian speaking countries are mostly represented in the following categories: Best 20 Rising Stars – Telecommunications (8 companies), Best 10 Rising Stars – Research & Development Services (6), Best 20 Rising Stars – Information/Comm. Technology (7).

Deloitte Technology Fast 500 EMEA

As in last year, there were only 4 Russian companies in the 500 fastest growing high-tech companies of the EMEA region, however, 2 of them are now different. Instead of dropped out Sitronics and Armada, the rating now includes a satellite communications operator IPNet (35th place) and an outsourcing company Exigen Services (308th). Progresstech LLC (219th) and Luxoft (283th) have kept their places in the Fast 500 EMEA rating. The number of Russian companies in this rating is still small. For example, France and the UK are represented by 80 and 87 companies, respectively. Russia is behind Turkey that has 30 representatives and Hungary (with 4). The problem is the unwillingness of most of the Russian high-tech companies to provide Deloitte with their audited financial reporting for the last 5 years.

Software 500

The number of companies from Russia, Ukraine and Belarus in the Software 500 rating (according to Software Magazine) has increased. EPAM Systems climbed from 190th to 180th place and IBA Group – from 260th to 254th. The management and main production facilities of these companies are located in Belarus, but in this rating they represent the USA and the Czech Republic, respectively (because they have head offices in these countries). iTransition (409th place), a company from Belarus, and CS Odessa (496th place), a company from Ukraine, are newcomers in the rating. About 30-40 other Russian software companies might get into the Software 500 rating based on their turnover and some of them even might have been close to the first hundred. However, for various reasons, they are not currently prepared to provide their information to authors of the Software 500 rating list.

Top 50 emerging global outsourcing cities

Global Services and Tholons published their research on the fast-growing global IT and business processes outsourcing centers that ranked the cities by their attractiveness for service providers. Saint Petersburg was an absolute leader in the rating of emerging R&D centers, ahead of Bangalore, Moscow, Shanghai and Dublin. Moscow and Saint Petersburg also entered separately into the ratings of major cities in the categories of "engineering services", "healthcare services", "product development" and "games development". The efforts of RUSSOFT Association and its members allowed Nizhny Novgorod to number among the 10 contestants for the Top 50 nomination. Global Services and Tholons still have little information about other Russian cities, but more 2-3 cities have a good chance of entering

the Top 50 Emerging Global Outsourcing Cities rating list in coming years.

Compilation of new rating lists The Black Book of Outsourcing and The Global Services 100 was not completed by the time of release of this report. Therefore, we have only last year's data for these ratings.

5 companies were included in The Black Book of Outsourcing: Auriga, EPAM Systems, Exigen Services, Luxoft and Rekssoft.

The East European Outsourcing Pole was represented in The Global Services 100 list by such companies as EPAM Systems, Exigen, Rekssoft, Mera Networks, Luxoft, Intetics and IBA. They were listed in the 100 best outsourcing companies. Another two companies (Auriga and DataArt) were among the 10 leading East European Companies.

RUSSIAN ICT MARKET

The global financial crisis (felt stronger in Russia than in the West) had a negative impact on the Russian market of Information and Communications Technologies (ICT) that had been growing by 15-20% annually in previous years. According to IDC, in 2009 the ICT market fell by 37% (in USD) while the IT market dropped by 42.1%. This major contraction of the ICT market in US dollar terms was primarily the result of changes in the RUB/USD exchange rate (according to IDC, the average ruble exchange rate fell by 28%). By calculating in rubles, the indicators look much better. IDC data suggests that the ICT market dropped by 20% in 2009. According to Russian government statistics, however, the market even grew by 2%. In many cases, measuring the market in national currency is well justified. However, this should also take into account the level of inflation, which was about 9% in 2009. Therefore, there was still a decline, albeit a small one – regardless of the currency used in calculations.

The situation for telecomm companies was better. There was stable demand for communications services. Russians do not give up communications services even at times of serious economic hardship. This also includes Internet access services. Since the market for this service is not yet saturated, it continued to boom despite the global economic crisis.

The information technologies market felt the impact of economic shocks to a larger extent. Enterprises and individual consumers looked for savings on new computers, software and modernization of IT infrastructure. According to the Ministry of Economic Development and the Ministry of Communications and Mass Communications, the crisis led to a 13-14% decline in the IT market. IDC analysts estimated that there was a larger fall by 22% in ruble terms and by 37% (42.1%) in US dollar terms. The data provided by the Ministries does not

Main Indicators of the Russian ICT Market in 2009

Indicator	2008	2009	Decline (-) / Growth (+)	Source
Revenue of IT Industry Enterprises	580 bln rubles	500 bln rubles	-14%	Ministry of Communications and Mass Communications
Revenue of IT Industry Enterprises	570.7 bln rubles	496.5 bln rubles	-13%	Ministry of Economic Development
Capacity of the IT market	615.3 bln rubles (\$24.8 bln)	446.7 bln rubles (\$14.1 bln)	-22% (-37%*)	IDC
Capacity of the IT market	—	407 bln rubles	-25%	PMR
Capacity of the ICT market	1.77 trn rubles	1.8 trn rubles	+2%	Ministry of Communications and Mass Communications
Revenues from Communications Services	1.22 trn rubles	1.3 trn rubles	+6.4%	Ministry of Communications and Mass Communications
Capacity of the IT services market	\$5.2 bln	\$2.6 bln	-50%	IDC
Capacity of the IT services market	—	about \$4 bln	-30-33%	Asteros Group

* – according to latest figures, the decline constituted 42.1%

seem accurate. However, IDC also have probably exaggerated the extent of the fall, if we consider the business results of companies with leading positions on the Russian IT market. Still, we can confidently assume that there was approximately a 35% market contraction in US dollar terms.

For any country with a stable economy, such a fall would probably look like a disaster. This drop seems especially significant given the decrease of the global ICT market and IT spending by about 2-4%.

However, there was no disaster in Russia. Some small companies went under or are on verge of bankruptcy, but the industry, as a whole, sailed smoothly through the crisis. Certain segments of the IT market have experienced 30-50% growth in previous years. Therefore, the crisis may be seen as a year-long break in the past decade of economic boom. There is every reason to expect the resumption of market growth almost at the same pace as before.

These favorable forecasts are based on the ongoing recovery of demand. In specific segments the growth already resumed in the fourth quarter of 2009, and the results of the first quarter of 2010 confirm that the majority of market players feel less of the negative impact from the crisis. According to government statistics, the Communications and ICT industry (excluding small business entities) showed a 12.3% growth in the first three months of the year. Enterprises of the electrical

communication sector and postal services increased their sales by 8.6% and ICT companies by 29%. It is important to note that the ruble has appreciated over this period. Thus, there was even higher growth in US dollar terms.

Laptop sales increased 2.5 times in the fourth quarter of 2009 (IDC Quarterly PC Tracker) compared to the same period last year. The growth in the desktop computers segment, that are being displaced from the market by laptops, is significantly lower – only 4.7%.

According to Gartner, laptop sales increased in 3 times in the first quarter (desktop computer sales increased by 16%). In the fourth quarter of 2009 the market for data storage systems grew by 14.5% compared to the same period in 2008 while in the first quarter of 2010, it grew by 60% (IDC).

Despite the general decrease in the Russian ICT market, we have seen further progress in certain segments during the crisis of last year. There was a continuing boom in certain segments, increased effectiveness of investments in the IT infrastructure of the enterprises and improved market structure. Primarily, we should note the positive changes of various Internet-related indicators. There was significant growth in numbers of World Wide Web users, broadband subscribers, mobile Internet users, custom Web development projects, domain names in the .RU zone, social networks users etc (see the table). In Moscow, Saint Petersburg and certain other major cities in Russia the broadband access market is close to being saturated, while the Internet

Specific segments of the Russian IT market

Indicator	2008	2009	Change	Source
Number of purchased Computers (Laptops, including Netbooks)	—	7.3 mln pieces (3.3 mln pieces)	-26% (-16%)	ITResearch
Number of purchased Monitors	—	4.75 mln pieces (for \$0.95 bln)	-35% (-52%)	ITResearch
Number of purchased Printers and Multifunction Devices	—	3.2 mln pieces (for \$632 mln)	Reduced almost by a third (-40%)	ITResearch
Number of purchased UPS Devices	—	1.58 mln pieces (for \$281 mln)	-40.7% (40.5%)	ITResearch
Capacity of The Market for Data Storage Systems	—	\$182.5 mln	-38.5% (+17% in terabytes of deployed systems)	IDC
Capacity of The Market for Custom Web Development Projects	—	9.2 bln rubles (about \$290 bln)	+35% (+5%)	Tagline Expert Group
Capacity of The Software Market	\$3.2 bln	—	-30%	IDC

penetration rate in this category is on the level of world leaders (in Moscow the Internet penetration rate exceeds 60%).

This indicator puts Russia closer to the industrially developed world rather than to the majority of developing countries. According to a research report of the International Telecommunication Union (ITU), by the end of 2009 about 26% of the world population had access to the Internet. In Russia this rate is 40% (according to some estimates, it is even higher).

According to J'son & Partners, in Russia the revenue of mobile operators from mobile access to the World Wide Web in 2010 will exceed the revenue of broadband cable Internet access providers.

Yandex estimated a number of websites in the Russian Internet [Runet] at 15 mln in the fall of 2009, which amounts to 6.5% of all Internet sites. Russian

share in the global online games market is 3.3%. At the same time, Russia has only 2.5% of the world's population. The Russian share in the world's GDP is about the same. Russia became the first country in the world that was authorized by ICANN to have its own national Cyrillic top-level domain (this allows the creation of websites with addresses composed from characters of the Russian alphabet). Therefore, we conclude that, despite the crisis, Internet technologies in Russia were experiencing a boom. This is true both for deployment and development. Many IT start-ups are related specifically to Internet technologies.

Even though the sales of smartphones in Russia fell more than the sales of regular mobile phones, a number of 3G and 4G network subscribers grew significantly in 2009. At the time of the crisis, Russia made a push in deployment of WiMAX, where it became a world leader.

Use of Internet Technologies in Russia in 2009

Indicator	Period	Total Amount	Change of Indicator	Penetration Rate	Source
Volume of 3G and GPRS/EDGE* Mobile Internet Access market in Russia	2009	29.3 bln rubles	+43.6%	—	J'son & Partners
Number of Mobile Internet Users in Saint Petersburg (service sales by Mobile Operators)	2009	almost 1 mln people (3 bln rubles)	+150%	—	Rustelecom
Number of Internet Users	End of 2009	59.7 mln people	+31.5%	—	Ministry of Communications and Mass Communications
Number of Internet Users	March 2010	23.92 mln people	—	39.8%	TNS
Number of Domain Names in the .RU Zone	Spring 2010	2.6 mln	+44% (as compared with the beginning of 2009)	—	Ministry of Communications and Mass Communications
Number of Broadband Cable Internet Access Users	End of 2009	14.4 mln households	—	26.4% (of all households in Russia)	J'son & Partners
Number of New Broadband Cable Internet Access Users	In 2009	13.2 mln subscribers	+36% (market growth in 2009)	—	iKS-Consulting
Broadband Internet Access Penetration Rate in Russia (of all Internet users)	December 2009	76%	+40% (as compared with November 2007)	—	Public Opinion Foundation
Number of Internet Users	December 2009	43.3 mln people	+3% (for three previous months)	37% (of the adult population in Russia)	Public Opinion Foundation
Share of Regular Internet Users (of total population)	March 2010	38% (23% are daily users)	—	—	Russian Public Opinion Research Center (VCIOM)
Average Daily Audience of News Resources in the Internet	March 2010	7.37 mln people	+37% (as compared with March 2009)	—	Rambler Top 100
Number of Social Network Users	Spring 2010	25 mln people	+23% (average annual increase with calculation until 2014)	—	J'son & Partners
Share of Those Who Trust Electronic Money among Users of the Internet	Spring 2010	38%	+300%	—	Romir
Volume of Online Games Market	2009	\$223.5 mln	+66%	—	J'son & Partners
Revenue of Mobile Operators in the Mobile Internet Segment	2009	41.6 bln rubles	+63%	—	ComNews Research
Number of Mobile Internet Users	in 2009	45.3 mln subscribers	+45%	—	ComNews Research

Yet another positive change is, despite the significant decline of sales, a number of computers in use which increased in Russia by 11.3% to 52.3 mln units (according to the Ministry of Communications and Mass Communications). When we talk about the development of the IT market, the total number of PCs in use is more important than the volume of sales. The replacement of old computers slowed, but the total number of computer users is growing.

It is also noteworthy that, despite the decrease of the storage systems market by 38.5%, this segment registered an annual growth of 17% when measured in deployed systems capacity (in terabytes) instead of monetary funds.

We see the increase in the share held by IT services in the IT market over the last year as a positive change. In particular, we are witnessing the active formation of the Russian market for IT outsourcing. The increase of the share of services confirms that the IT market is becoming more developed. It was at the time of the crisis that foreign service companies (primarily, from Finland) stepped up their activities on the Russian market. For example, in 2009 Tieto Enator acquired T&T Telecom, a Russian systems integrator, and promised that this purchase will not be its last in Russia.

The software market decreased the same way as the entire Russian IT market (by 37%, as reports IDC). However, we must note that it grew by 22% in 2008.

Therefore, in 2009, the Russian software market returned to its 2007 level. The demand for software recovers is slower than for PCs but, most likely, in 2010 the capacity of the Russian software market will grow at least by 15%. This market has also experienced positive changes. In 2009, the revenue of companies offering corporate software for lease under the SaaS model increased at least by 50% to \$3 mln (J'son & Partners). The capacity of this segment is still small given the size of

the country and the volume of the Russian software market, but it looks like the SaaS boom in Russia began precisely during the crisis.

Another positive sign is the decrease in the software piracy rate in 2009. According to Business Software Alliance (BSA) and IDC, a number of installations of unlicensed software on personal computers in Russia decreased by 1%. At the beginning of the crisis, it was expected that savings concerns will lead to an increase of installed unlicensed software but this did not happen.

Microsoft showed a positive attitude toward the prospects of the software market in Russia. At the end of 2009 it opened its first technological center in Central and Eastern Europe to design and demonstrate industry solutions developed by the company's partners.

Despite the fall of the IT market, the total capacity of the 50 most powerful computers in the CIS has grown 2.2 times during six months (from Autumn 2009). Most of the supercomputers are in Russia and the most powerful supercomputer is situated in Moscow.

Given the decrease of the market and the slowdown of IT deployment, we can reasonably assume that Russia's position in the ICT global rating has become somewhat less important. According to ITU, in 2008 Russia ranked 48th among 159 countries in this rating. The outlook for the ICT market for the coming years suggests that Russia has a chance to close this gap and gain ground on the leaders.

Unfortunately, there is less information about the Russian IT market in the public domain because of the crisis, since not only Russian companies but also foreign corporations working in the Russian market are reluctant to disclose data about the deterioration of their business activities (even if there are good reasons for such decline).

The Russian Market for Mobile Communications and Mobile Phones

Indicator	Period	Total Amount	Change	Penetration	Source
Number of SIM Cards registered in Russia	March 2010	211 mln pieces	+3% (as compared with November 2009)	148.7% (given that a subscriber may use more than one SIM card)	J'son & Partners
Number of purchased Mobile Devices	In 2009 (in 2008)	28 mln pieces (for \$3.1 bln)	-23% (-39%)	—	Samsung
Number of purchased Smartphones	In 2009	1.147 mln pieces	-32% (as compared with 2008)	—	SmartMarketing
Mobile Phones Sales	In 2009 (in 2008)	26.2 mln pieces (for \$4.1 bln)	-27% (-45%)	—	Euroset
Number of 3G Network Subscribers	End of 2009	3 mln	+75.4% (for a year)	—	Ministry of Communications and Mass Communications

THE IMPACT OF THE CRISIS ON THE INDUSTRY

There was no significant change in the assessment of the crisis by respondents compared with last year's survey. As a year ago, most of the respondents believe that the crisis "slightly worsened the situation". However, we can note that a number of companies that felt the positive impact of the crisis doubled, and there were one-and-a-half as many more of those who experienced no impact at all.

Medium-size companies (with turnover within the range of \$0.5 mln to \$20 mln) fared the best through the crisis, but even among the largest companies the extent of the damage was only slightly higher. Companies with turnover less than \$0.5 had the most affected loss (39% of these companies believe that they felt a negative impact of the crisis). We have every reason to believe that their number could have been even higher but the companies that did not make it through the crisis were unable to take part in the survey.

In fact, the share of respondents from small-size companies has been gradually decreasing in recent years. This may be explained by the ongoing consolidation of resources: the small-size companies either were growing fast and becoming medium-size organizations or disappearing because of competition for orders and resources with larger corporations. This decrease is especially large compared with the previous year (from 39% to 24%). Therefore, we can assume that the crisis has significantly aggravated the positions of a large number of the smallest companies.

We can assume as well that about 100-150 companies with turnover under \$0.5 mln went out of business in the course of the past year. The arrival of new companies hardly made up for that loss. Therefore, a total number of software developers most likely have diminished.

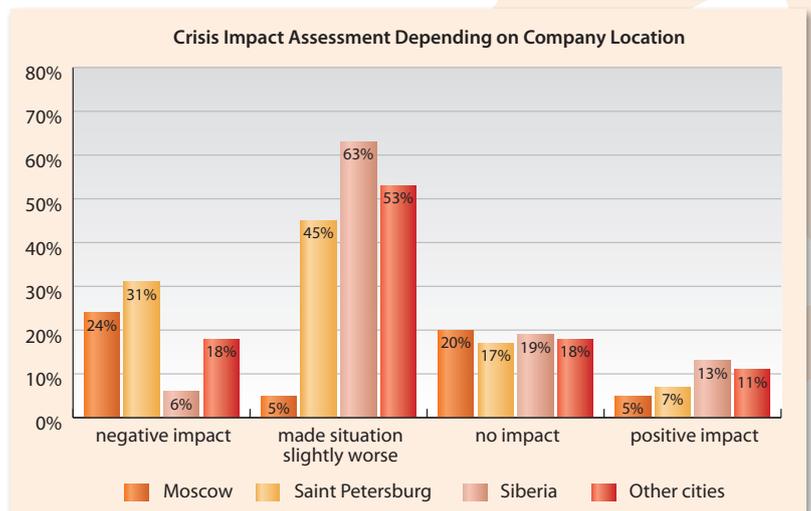
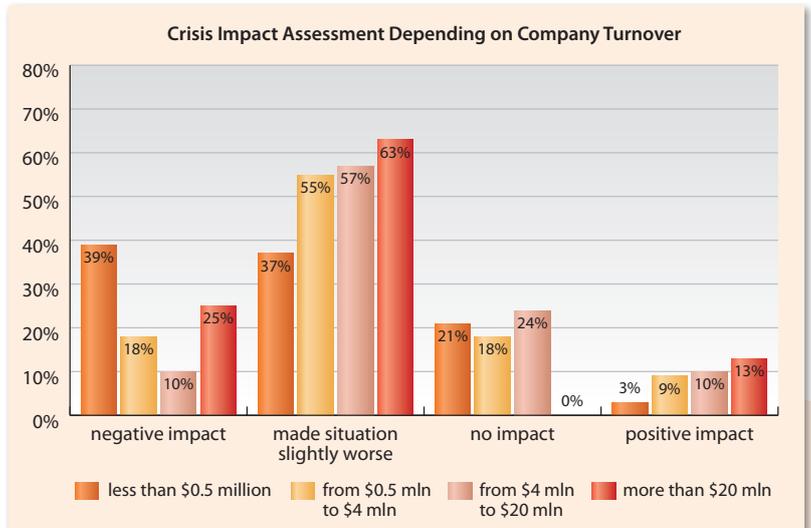
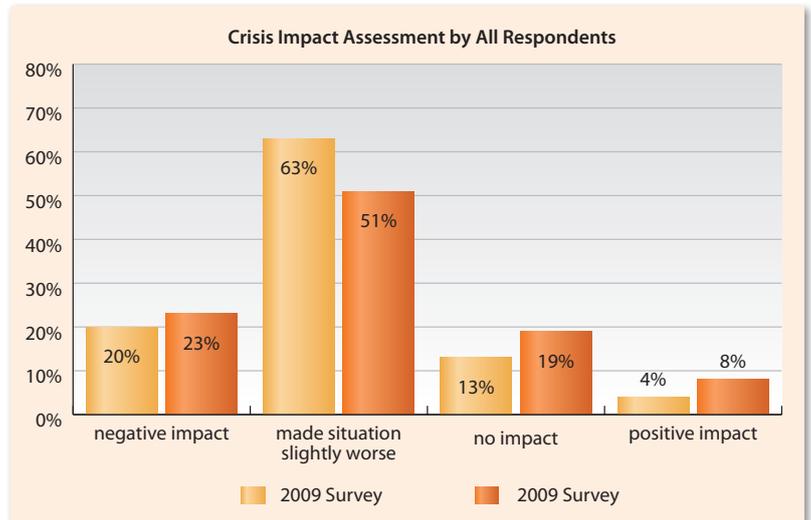
This does not mean that small-size companies did not or do not have any chance for survival. Almost a quarter of the companies with turnover under \$0.5 mln declared that they either felt no impact of the crisis or such impact was positive.

The share of the exports in total revenue does not lead to a fundamental difference in the assessment of the crisis. However, analysis of turnover dynamics shows that the revenue of companies focused primarily on the Russian market decreased significantly, while the revenue of companies that have most of their sales on foreign markets, remained almost unchanged (or even increased slightly). Yet another important conclusion is that the export-oriented companies are generally more adaptable to business fluctuations and market changes. The diversification of the order portfolio and market flexibility allows them to adapt quickly to a new environment. At the same time, the competitive experience in the global markets allows them to cope successfully with the crisis in Russia.

There is a slightly larger number of

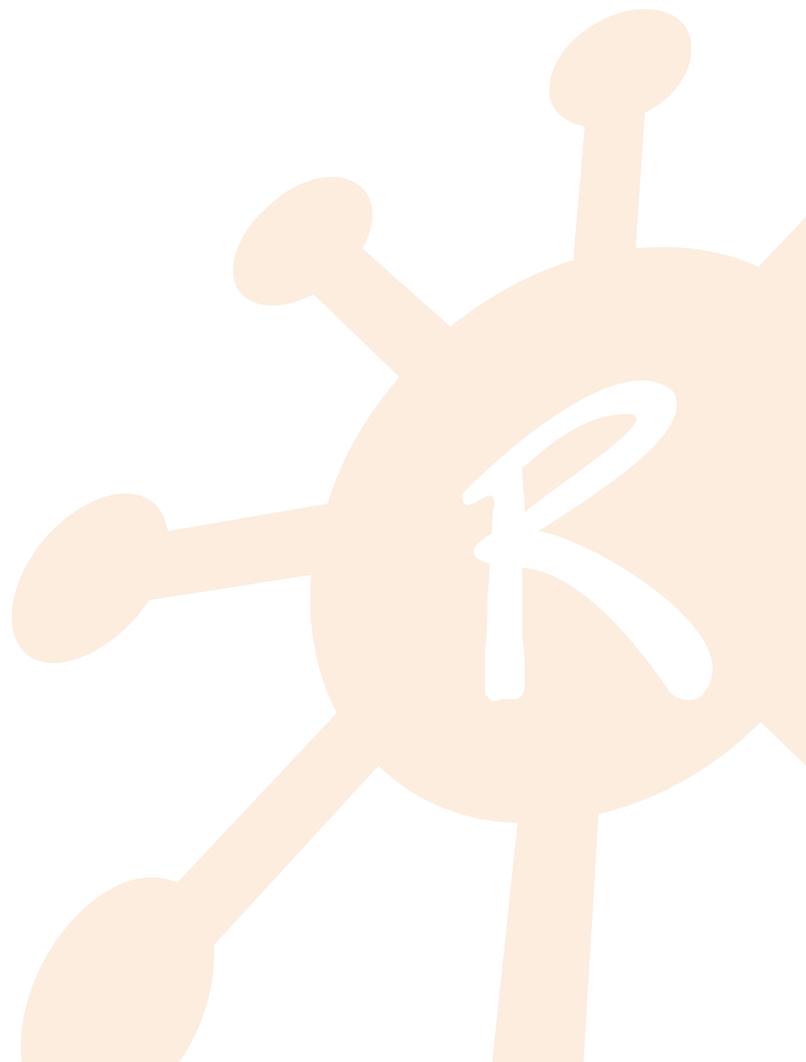
companies that experienced no negative impact of the crisis outside of Moscow and Saint Petersburg.

No obvious correlation is found between the assessment of the impact of the crisis by the companies and their business model (software product development or software development services). The growth of software product exports was to a large extent by the result of successful activities of the undisputed leader (Kaspersky Lab).



CHAPTER 2.

VOLUME AND STRUCTURE OF RUSSIAN SOFTWARE EXPORTS





Stable trend in solutions and COTS products share growth in overall software export continues this year. The fact that just several large manufacturers ensure most part of growth in this segment is hardly surprising. Companies that have both innovative technologies and products and extensive experience on international market are more competitive, and Transas that celebrates 20-year anniversary this year demonstrates a vivid example.

Starting from the very beginning, the company pioneered in introducing innovations in maritime electronics. For example, Transas was the first to release the navigation system that could be used onboard. The company became market leader in marine navigation and professional simulation systems by implementing state-of-the-art innovation technologies.

I consider emerging markets to be most promising. In the nearest future, applications using Russian global navigation satellite system GLONASS capabilities will be in demand. We are sure that next few years will show transition of mobile technologies, social networks and cloud computing solutions to professional use.

Dmitry Semenov
Managing Director, Transas Technologies

In 2009 Russian software exports grew by 5% to \$2,750 mln. As more accurate information was obtained on enterprises in the industry (greater accuracy is the result of a number of respondents increasing by one-and-a-half times over the figure for the previous year), this survey information was used to refine data on 2008 exports. As a result, in 2008 Russian software exports could be more adequately assessed at the level of \$2,600 mln (and not \$2,650 mln) while the new estimate for software development services exports stands at \$1,400 mln. This correction is well within the margin of error that is estimated at no more than \$250 mln (or about 10%).

The software development services provided to foreign customers continue to be the main source of export revenues in 2009. The volume of exports of such services did not change and stands at about \$1,400 mln. However, since total exports grew by 5%, the share of services slightly decreased (to 51%).

In 2009, the share of revenues generated by the product-based model of the business continued to grow. For the first time, the exports of products and ready-made solutions exceeded the symbolic milestone of \$1 bln and reached \$1,030 mln. The share of product and solution exports, as a result, exceeded 37% of total exports.

There was a significant drop in the export volumes of the services of the Russian development centers of foreign companies. Their exports decreased from \$400 mln to \$320 mln, and their share in total exports dropped to 12%.

5 percent export growth is not a bad result for the Russian software industry given the negative impact of the crisis on the Russian IT market. In previous years, the export revenues of developers grew by 40-50% (compound annual growth rate (CAGR) was at 44.3% for the period from 2002 through 2007). However, the growth rate of those years slowed down, as expected,

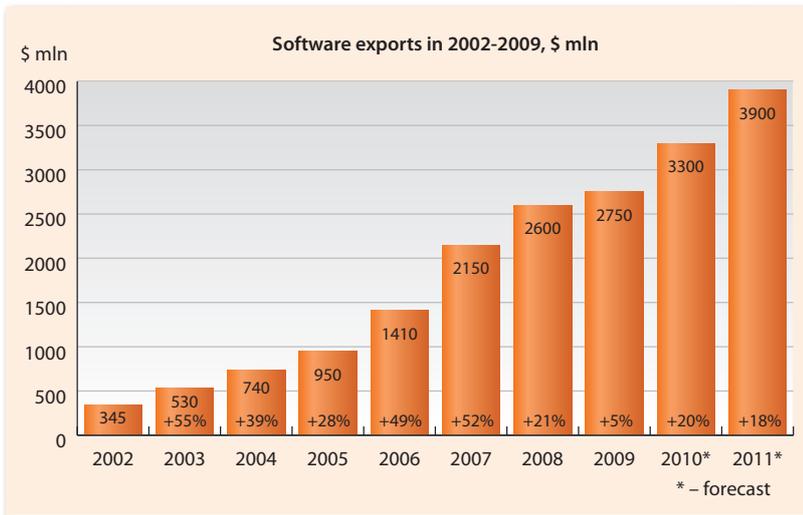
to 21% in 2008 that, to a large extent, was the result of the crisis. The remaining problems of the industry, primarily, the situation on the labor market, also had a role to play. The universities and private training centers could not cope with market demands, either in terms of a number of their graduates, or in terms of the quality of the education provided.

The uncertainty about the benefits under Unified Social Tax (UST) and their replacement by increased social payments was another important factor. With the end of the acute phase of the global economic crisis and the easing of the problem of personnel shortage during the crisis one can expect an increase in the export growth rate in 2010. However, the views of the respondents about further prospects of market growth differ widely.

The companies that took part in the survey expect exports to grow by 20% in 2010 and by 18% in 2011. A year ago we made an assumption that economic instability and uncertainty provide a poor basis for forecasting, and 13 percent growth calculated on companies' forecasts might not be achieved. We did not even rule out the slight decrease of exports in 2009. And that's what actually happened.

It is different now. Demand on the global IT market has stabilized, and companies have learned how to do business in the period of crisis and post-crisis recession. Therefore, we can, to a greater extent, rely on the expectations of the companies that took part in the survey. If there are no other global shocks, Russian software exports could benefit from the deferred demand and grow by about 20-25% (or slightly higher) in 2010.

However, in future the export dynamics will depend on the labor market that was saturated before the crisis; it received some respite during the crisis and returned to the "seller's market" at the beginning of 2010. Moreover, Russia is entering a period of a "demographic pit" resulting from the



decrease in the birth rate in the 1990s, and this will aggravate the personnel problem.

The key challenge to export growth will be to find a solution to the cancellation of UST benefits for exporters and the increase of social payments. If the government and State Duma fail to preserve the social payments of software developers at level of 14%, we can definitely expect that the leading Russian companies might transfer their development centers to neighboring countries that provide more favorable taxation.

Further growth of exports and related services may be possible with the emergence of new large exporters, such as service companies that dominate the domestic Russian market, or due to the growth of medium and small-size software product companies, provided there is government support for innovation and a lowering of administrative barriers.

Analysis of dynamics in the revenues of the companies, depending on the share of exports, demonstrated how vulnerable the developers are that earn most of their revenue on the Russian market. Turnover of the companies that took part in the survey, with exports at a level of less than 25% of their total revenues, decreased by 11% while companies with

exports at a level of more than 75% increased it by 2%.

Developers that do not export their products and services at all have, most likely, decreased their turnover on average more than by 20%. Such developers were not covered by this survey. However, we have enough evidence to make justified assumptions about changes in their revenues. For example, we know that, according to IDC, the Russian software market dropped by 37% in 2009. Those software developers that reviewed the results of their work on the Russian market in the past year consider it a success if their turnover for that period decreased only by 20-25%.

The positive business results of exporters (both in Russia and abroad), despite the sharp drop in the revenue of software and IT services providers on the Russian market, lead us to several conclusions:

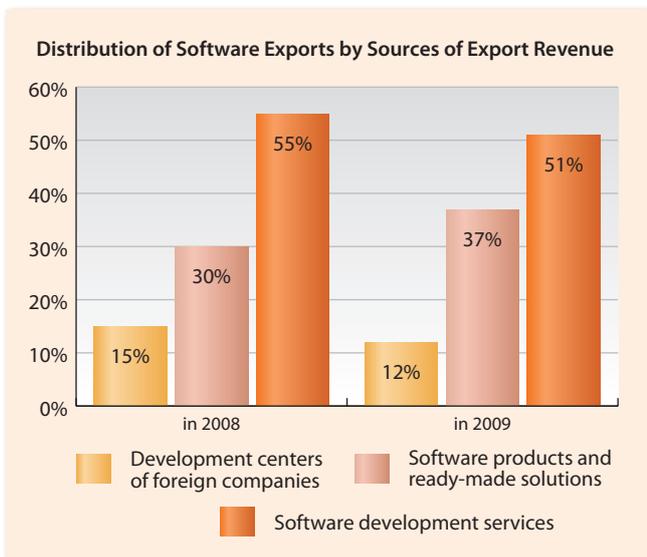
- 1) diversified markets help to prevent a collapse in sales by marketing maneuvers and hunting for niches on the global market (which is incomparably larger and more diverse than any domestic market);
- 2) the experience of doing business on the global market provides exporters with an invaluable advantage compared with those who are focused exclusively on the Russian market. This advantage is demonstrated not only on global markets but also in Russia because it allows international practices to be used to optimize business processes in the company and to organize marketing and sales during the crisis.

PRODUCTS AND READY-MADE SOLUTIONS

Exports – \$1,030 mln. Growth – 28%.

The largest part in about \$200 mln growth of Russian exports of products and ready-made solutions was provided by Kaspersky Lab. According to IDC, it is ranked as the world’s 4th largest producer of end-user protection tools. The management of the company wants it to number among the Top 3 anti-virus software developers. That is why Kaspersky Lab aims at annual growth measured in dozens of percentage points.

Other than Kaspersky Lab, the largest Russian exporters of products and ready-made solutions are: Transas (navigation systems, vessel traffic management systems, marine and aviation simulation systems), CBOSS (end-to-end automation of telecommunications companies based on the development of proprietary innovative convergent IT solutions), Parallels (virtualization and automation software), ABBYY (electronic dictionaries, optical character recognition systems), Paragon Software Group (system utilities to manage data on hard



drives and multifunctional software for intelligent pocket devices), SPIRIT Dsp (embedded software for voice, video and data transmission on various communication channels).

These 7 companies provide more than 60% of the exports of Russian software and ready-made solutions. Almost all of them had a slightly larger turnover in the past year. If the company could not avoid a decrease in total revenues, then its exports usually grew or diminished but to a lesser extent than sales on the Russian market.

Several other products and ready-made solutions exporters are also worthy of mention. They include

PROMT (automated translation systems) and Speech Technology Center (speech recognition systems) which have smaller turnover than the aforementioned seven companies but which are leaders in their respective business areas on the global market. Bercut (solutions for telecoms operators) successfully sells its systems in the CIS and Europe. 1C (accounting systems, enterprise management systems, games), ASCON (CAD/CAM/CAPP/PDM systems) and DocsVision (document management systems) also export their products and ready-made solutions, but they are mostly focused on Russian market.

Certain, albeit not very large, contribution to exports was made by companies formed in recent years. Recently, many new companies have appeared in Russia that specialize in the development of Internet technologies and applications for mobile devices. In 2009, the sales of these solutions grew despite the financial crisis. New startups that are emerging in this area have good prospects to promote their products on the global market.

The evolution of the Russian Global Navigation System GLONASS, which had 24 satellites in orbit in May 2010, should stimulate the development of many software applications. The demand for these applications is primarily in Russia, but they are already sold in other CIS countries and will probably find customers further afield as well.

INTERNATIONAL SOFTWARE DEVELOPMENT CENTERS

Volume – \$320 mln. Fall – 20%.

In 2009, for the first time since the RUSSOFT Association started its surveys, there was a decline in investments into international development centers and in their cooperation programs with universities and academic research institutions. This is not directly related with the situation in Russia. Many major corporations responded to diminishing sales during the crisis by making personnel cuts all over the world. These

cuts affected, among others, their Russian R&D units. In most of the cases, a number of researchers and developers were cut by 10-20%.

However, there are exceptions as well. For example, Nokia launched its cooperation program with Russian universities and academic research institutions just before the crisis in 2009 and significantly expanded its research lab network in Russian universities. Some corporations left intact a number of personnel of their Russian research and development centers.

The stated plans of foreign companies allow us to assume that in 2010-2011 their R&D investments in Russia should substantially increase. However, the implementation of these plans may be to a large extent affected by the lack of qualified personnel and particularly by the increase of social payments.

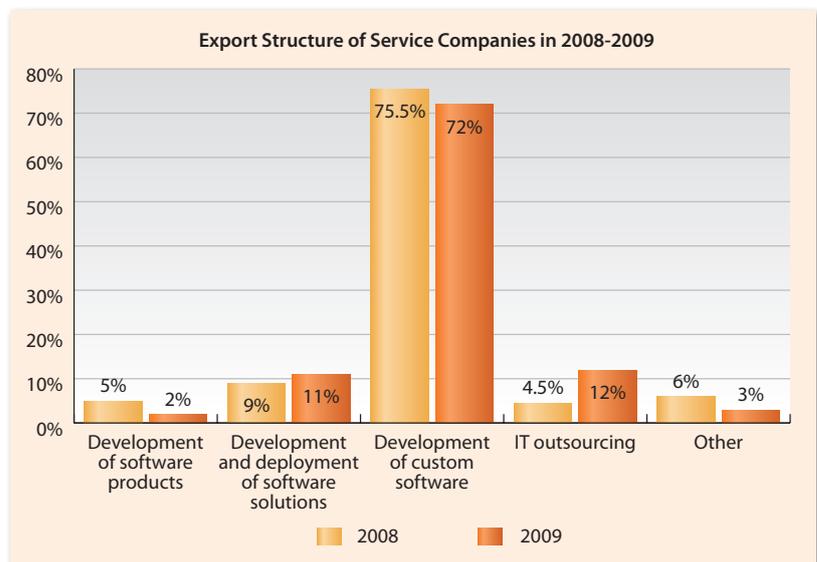
EXPORTS OF SERVICES

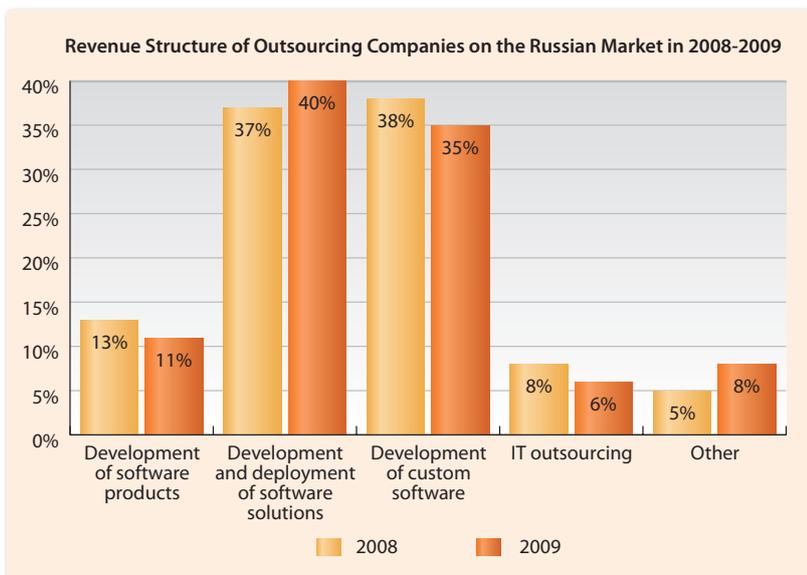
Exports – \$1,400 mln. Growth – 0%.

In previous years, Russian exports of software development services grew much faster than the global market of these services. In 2009, the exports changed to the same extent as the market. According to various sources, the global demand for custom software decreased, most likely, by several percentage points, and given the margin of error, it probably stands on the level of 2008. We can say the same about the Russian exports of services.

The main customers of Russian service companies are from such countries and economic segments which are most suffered because of the crisis. We know that the main markets for Russian service companies are in the USA and Western Europe where the situation in the banking sector and on the financial services market is very important. Therefore, a significant proportion of the customers for Russian custom software developers were right at the center of global economic shocks.

The five-day military conflict between Russia and Georgia had a short-term negative impact on Russian





Revenue structure of service companies (by types of provided services)

The export revenue structure of service (outsourcing) companies barely changed compared to the previous year. The increase of the IT outsourcing share from 4.5% to 12% is noteworthy; it reflects the general trend of businesses looking to cut cost in their own IT divisions at the time of crisis. There was no similar change in the structure of revenues from sales on the Russian market. The Russian IT outsourcing market is early stages of development and it does not always adequately reflect global trends.

Companies with turnover under \$0.5 do not export IT outsourcing services

at all. Service companies derive their main revenue from custom software development (on average 72%). But this applies only to exports. In Russia, the share of custom software constitutes only 35% while the "Development and deployment of software solutions" stands at 40%.

Small-size companies dedicate more efforts to product development.

services exports because of its inadequate coverage in the American and Western European media. Russian software developers repeatedly noticed that they experience more difficulties in winning the tenders of American companies, especially, those with government links, at a time of political disputes and conflicts.

The importance of political and crisis factors that constrain the services exports is clearly diminishing. The global IT market is beginning to recover (analysts expect it to grow in 2010), the US-Russian relationship is improving, and the flow of negative media publications about Russia is diminishing. The Russian President and Government make it clear that they will be focused on investments from the USA and the EU in order to finance the modernization of economy. These changes lay the ground for increased exports of Russian software products and services to the USA. Therefore, the most important obstacle to export growth is the lack of qualified personnel. The dynamics of software and related services exports will to a large extent depend on how promptly the government and business can launch the process of additional education.

If there are consistent efforts to resolve this problem, exports of services may reach \$1.6 bln in 2010 and grow toward \$2 bln in 2011. The economic problems of certain European countries may have an impact on the entire European outsourcing market but most likely toward the end of 2010 – beginning of 2011.

As for the changes that will not have a significant impact on services exports, of particular note is the accelerated displacement from the market of small service companies with turnover under \$0.5 that we have seen in Russia over the last several years. More than 100 such companies failed to survive during the hard times of the crisis. However, their share in Russian software development services exports was small, just about 2%. All other service companies have increased their turnover on average by about the same 2%, which helped to preserve the total export volume.

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

The total IT expenditure in the world fell by about 4.5% during the crisis (Gartner and IDC). This expenditure diminished to a larger extent in the USA (by 8.2%), still the key market for most Russian software exporters. Many analysts believe that in the near term the European Union, with the problems experienced by its southern members; will not be among the successful markets in terms of sales.

In 2009, the global software market was in slightly better shape than the IT market in general. However, in 2009 software sales have also diminished (according to Gartner, by 2.1% to \$220 bln). The share of Russian software developers in this market stands at about 2-2.5%, if we take into account not only the exports but their sales in Russia as well. This share is unlikely to have changed significantly for the year; most likely, it fell slightly. If software exports grew despite the fall on the global market, the Russian software market significantly contracted in 2009.

Our respondents believe that in 2010 there will be the increase in the export growth rate. The domestic market will again grow at a fast pace along with the revenue of local software developers. Therefore, the share of Russia in the global software market should grow, too.

However, even such growth will not allow Russia to take the place that it deserves given the quality and

extent of the training of its software-development workforce.

In 2010, a number of Russian teams among the 10 winners in the ACM (Association of Computer Machinery) International Collegiate Programming Contest were the highest in the last 10 years. This is not only indicates the potential of the country's software development industry. However, it does reflect the quality of the education system and existing potential of the country in the global software market.

We believe that it is a safe bet to say that in terms of the quality of its programmer training, Russia ranks among the Top 3 world leaders. Russia is also among the Top 5 world leaders in terms of software development exports (along with the USA, India, China and Brazil). But in terms of software exports, it is not even among the Top 10 largest providers.

We are also lagging far behind in software development services. For example, India earns about \$10 bln (according to Zinnov Management Consulting, 2009) on the exports of software development services alone, which is several times more than the entire software export volume from Russia.

It is hard to imagine how we can catch up with India in the foreseeable future in the field of custom development. Obviously, we should not even try this given the enormous difference in the size of populations. However, the total volume of exports of software development services and software products from India may well serve as an achievable benchmark for Russia.

According to NASSCOM, in 2009 India registered the same export growth rate as in Russia, 5.5%. However, the Indian association takes into account not only IT services exports but also business process outsourcing (BPO). Therefore, we can assume that the software export dynamics in India are even less favorable, which may be the result of the damage suffered by the image of India as a software development services provider after publicized cancellations of services ordered from the companies of that country by several large customers. As a result of the cultural barriers in working with Indian companies, international customers are more often trying to diversify their providers and consider China, Brazil and Eastern Europe as alternatives, which contribute to the growth of Russian software development services exports.

This applies especially to Western European companies which, according to Forrester Research, do not demonstrate a particularly high loyalty toward Indian service providers. It is unlikely that demand on European market will grow in 2010, but the Russian developers' share on it could be increased as a result of displacement of their main competitor.

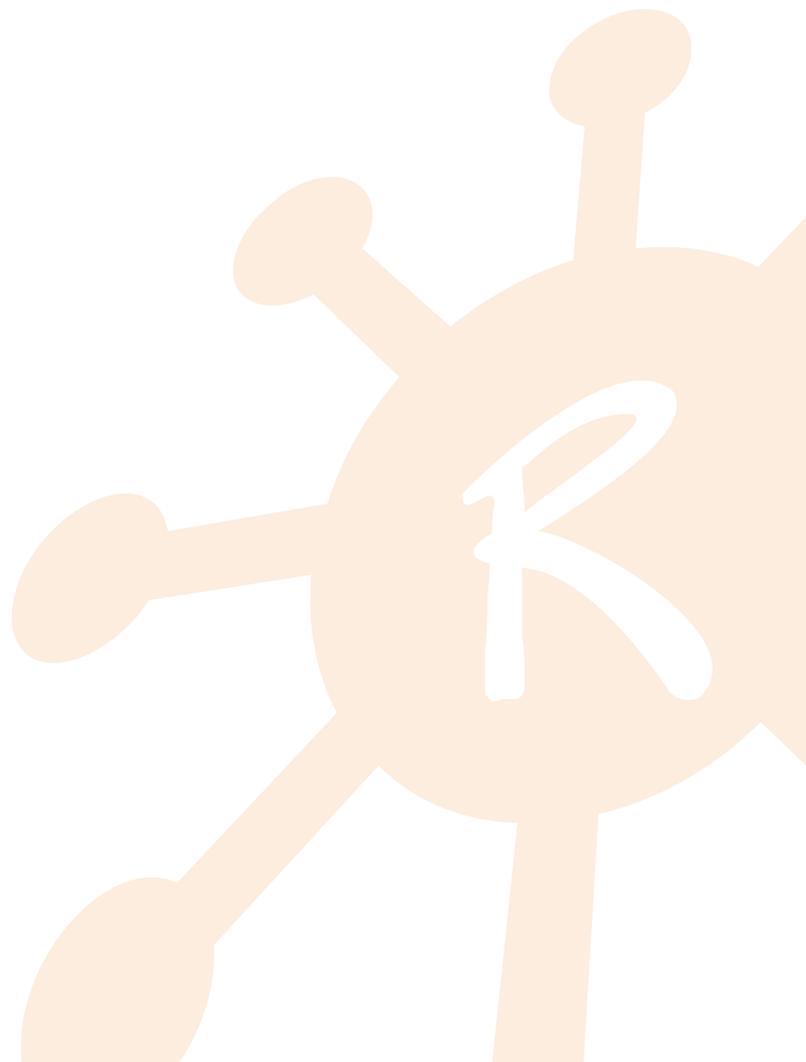
There are good prospects for the American market that, according to analysts, will resume its growth in 2010. Furthermore, there are other promising markets where Russian companies are still poorly represented. The advancement to these markets provides a good chance to increase the revenues of some of the Russian developers. (see Chapter 5).

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

Indicator	Growth in 2007	Growth in 2008	Growth (+)/fall (-) in 2009	Forecast of growth (+)/fall (-) in 2010	Absolute value in 2010 (forecast)	Source
Consolidated global IT budget of companies and organizations	+2.7%		-4.6%	+3.9%	\$3.35 trn	Gartner
			—	+8.1%	—	Forrester Research
			-8% (or -4.5% without taking into account fluctuations of US dollar exchange rate)	+3.8%	\$1.48 trn	IDC
Global IT expenditure in all vertical markets			-5.6%	+4.1%	\$2.4 trn	Gartner
Consolidated IT expenditure in USA			-8.2%	+6.6%		Forrester Research
Global IT market	+6%	+8%-8.2%	-4.2%			IDC, Gartner, Forrester Research
Global IT services market			-5.3%	+2.9%	\$786 bln	Gartner
Market of IT services provided to Europe				0%		IDC
Market of IT services provided to USA			-5%			Gartner
Global software market	+11%	+10.3%	-2.3%	+3.1%	—	IDC
			-2.6%	+3.1%	\$229 bln	Gartner
			—	+9.7%	—	Forrester Research
Russian software exports	+52%	+21%	+5%	+20%	\$3.29 bln	RUSSOFT
Consolidated revenue of Indian service providers		+16%	+5.5%			Nasscom Association
Global market of outsourcing services		+19%	+14.4% (estimates in September, 2009) up to \$373 bln			XMG Global

CHAPTER 3.

MAJOR TRENDS IN THE RUSSIAN SOFTWARE DEVELOPMENT INDUSTRY



In 2009, respondents made more accurate assessments of the trends in the Russian software development industry compared to the previous year. It was difficult to determine the trends and understand what may happen next in the middle of the crisis and the uncertainty about how it would evolve. At the same time, the average frequency of the mentioned trends is still lower than in the 2008 survey. This confirms that many companies were uncertain about the future, at least, at the time of the survey.

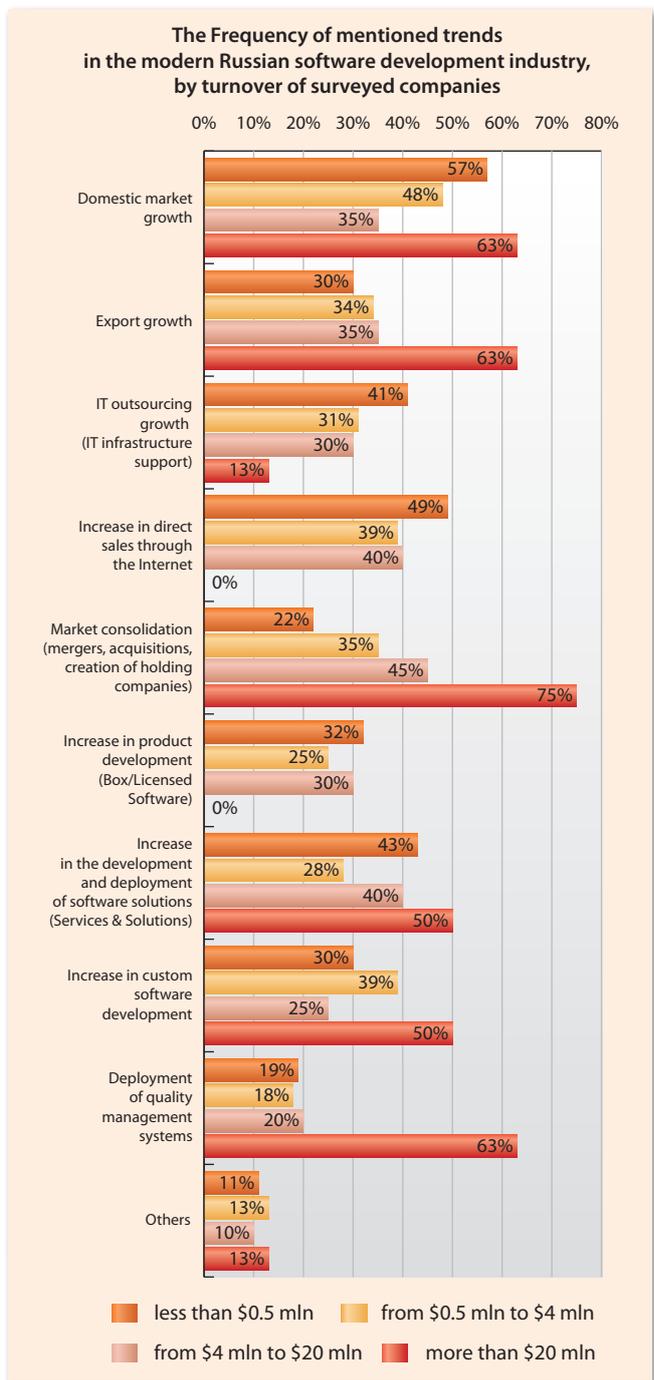
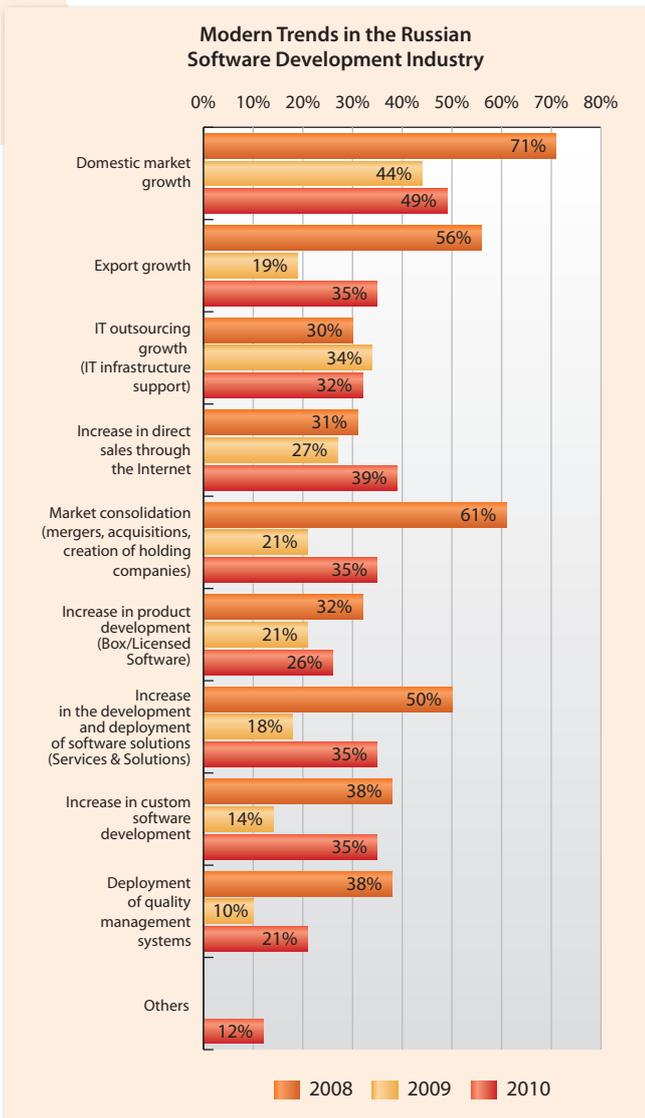
The share of companies that considered export growth to be the main market trend did increase somewhat and is almost on a par with the share of those who thought that the main trend is the growth of the domestic market. However, most of the respondents still favor the growth of the Russian market as the main trend.

Other trends are mentioned more frequently. The only trend that has lost support among the respondents compared with the previous year survey is "IT outsourcing growth". Most likely, this is the result of the change in the composition of survey participants, which are now more focused on the software development, and also related to the fact that IT outsourcing (IT infrastructure support

outsourcing) did not meet expectations in terms of growing demand on the Russian market.

"Increase a volume of custom software development" and "Increase a volume of deployment of software solutions" were mentioned more frequently by our respondents than "Increase a volume of product development" which can be explained by a more active use of the service model during the crisis. This is somewhat inconsistent with an increase a volume of the share of products in Russian software exports because software product exports grew primarily through the business activities of Kaspersky Lab.

Another important trend mentioned by our respondents was the "Consolidation of the market" which was indicated by 35% of respondents (and 75% of larger companies with turnover of more than \$20 mln).



Companies with a turnover of more than \$4 mln mention "Domestic market growth" and "Export growth" with exactly the same frequency. The growth of the domestic market is more frequently expected only by the small-size companies.

QUALITY MANAGEMENT SYSTEM CERTIFICATION

The certification of software development processes is a priority for only a small part of the companies with turnover under \$4 mln. Larger companies have successfully conducted certification in previous years. The only exception is one company with turnover of more than \$20 mln that already has CMMI and ISO certificates. It looks like this company plans to be certified for compliance with a higher quality standard.

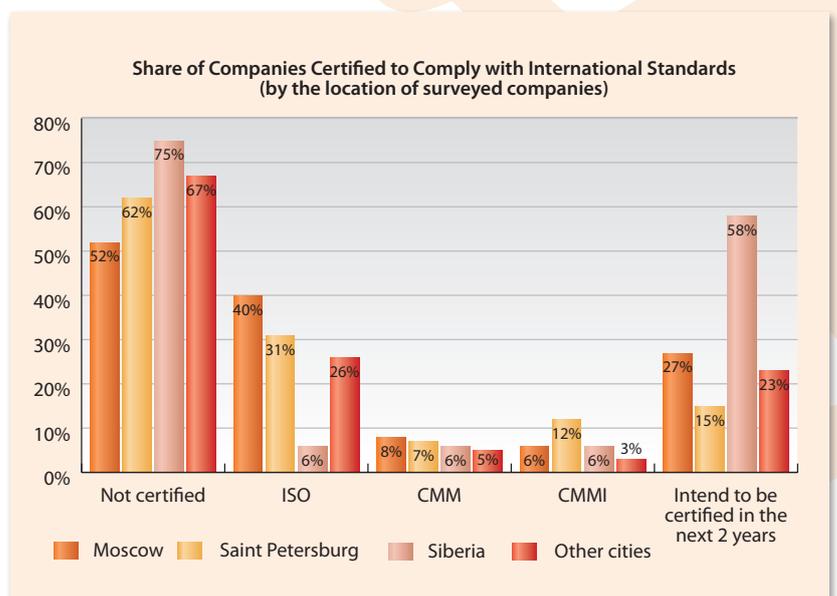
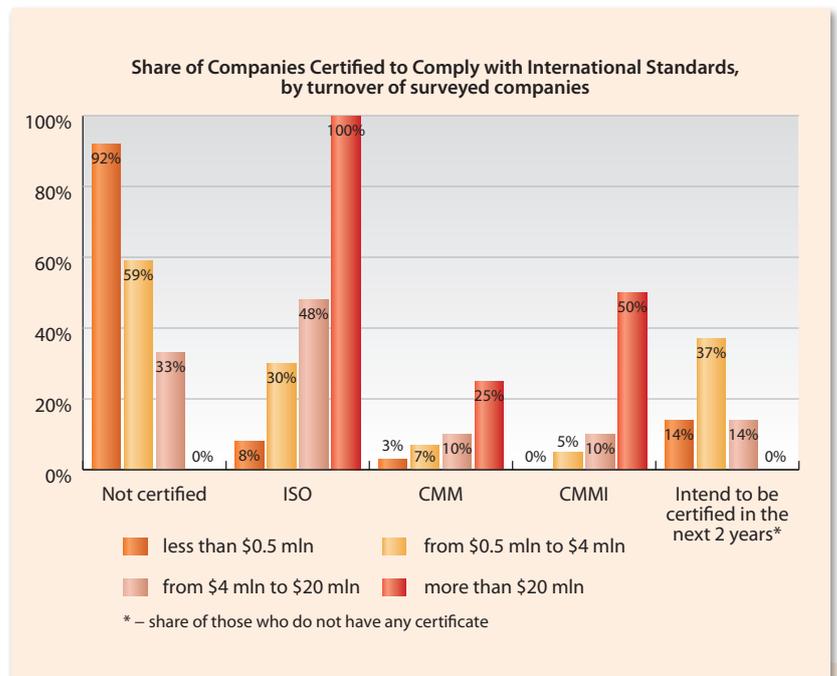
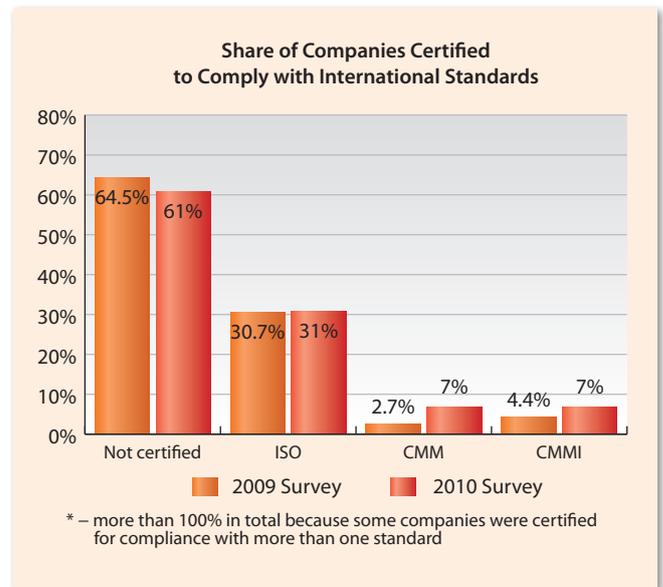
The share of companies that are certified for compliance with at least one standard (CMM, CMMI or ISO) has slightly decreased in the past year. This is perhaps the result of a larger number of surveyed companies with turnover under \$4 mln. Most such companies have not yet certified their quality management systems.

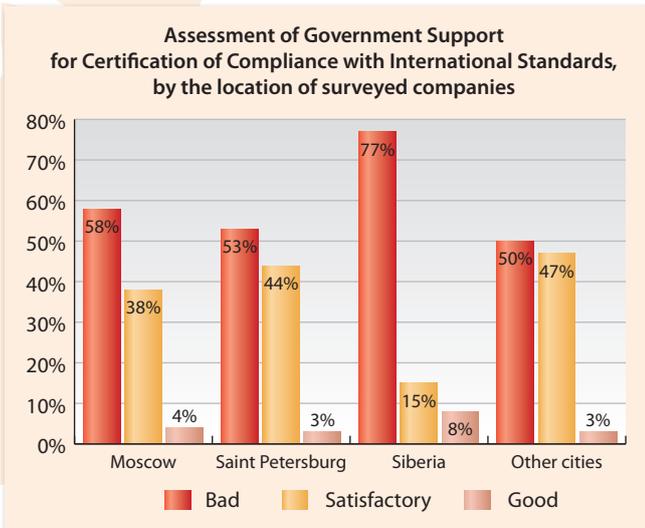
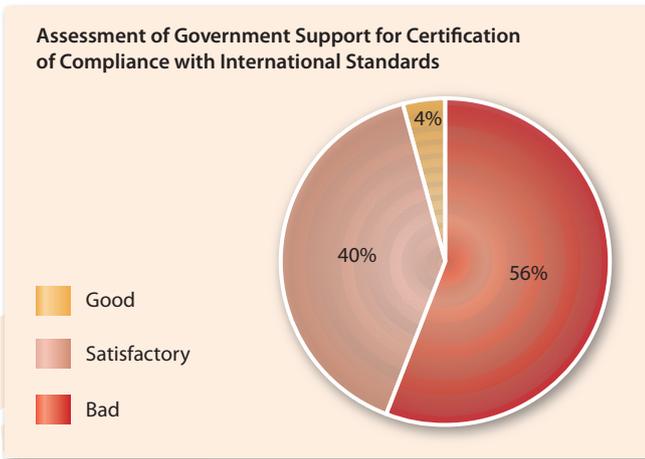
The share of large certified companies increased (with turnover of more than \$20 mln – from 78% to 100%, and with turnover of \$4-20 mln – from 65% to 67%). This increase is not big and it does not necessarily mean that there is any trend. Such a small change would allow the tracking on the trend only by analyzing the data of surveys for several years.

In the past three years, we have observed a decrease in the share of companies that have at least one certificate. Given the substantial growth in a number of respondents, this means that certification was not a mass phenomenon.

Still, every year a significant share of surveyed companies declares their intention to obtain a certificate. For example, 16% of respondents mentioned their intention to pass certification in the next 2 years (or 27% of those who have no certificate). It looks like intentions do not match available funding.

In May 2009, the Software Engineering Institute (SEI) of Carnegie Mellon University, the developer of the CMMI standard, authorized an expert from the Russian company Inspirex Consulting as a CMMI Lead Appraiser. Earlier, there





were no such appraisers in Russia. The availability of an authorized expert allows the companies from Russia, Belarus and Ukraine to reduce significantly the costs of the expensive certification procedure for compliance with CMMI. Such an opportunity has probably led to the increase in a number of companies certified for this standard from 4.4% to 7%. However, in most cases, the certification for compliance with CMMI was acquired by companies that already have CMM and ISO certificates (or even CMMI certificates of a lower level).

Most of the companies without any certificate of compliance with the quality management systems are located in Siberia. The largest share of the companies

that intend to be certified in the next 2 years comes also from that region.

Most of the respondents find the government support for certification of compliance with international standards unsatisfactory. Since in Siberia there is the highest need in such support, the Siberian companies make most of the negative assessments (77% assess it as "bad" against 56% of all surveyed companies). They are mostly dissatisfied with the way this support is provided (it looks like there is no such support at all in Siberia).

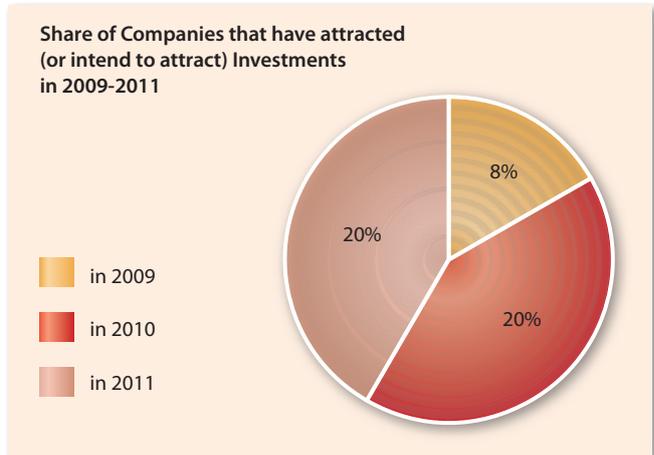
ATTRACTING INVESTMENTS

We included this section in our report because there was a similar new question in our survey. For 2009, only 8% of our respondents confirmed that there were new investments. But 20% declared their intentions to attract investments in 2010 and 2011.

About 5% of all respondents have not yet decided whether they will seek new investments in 2010-2011.

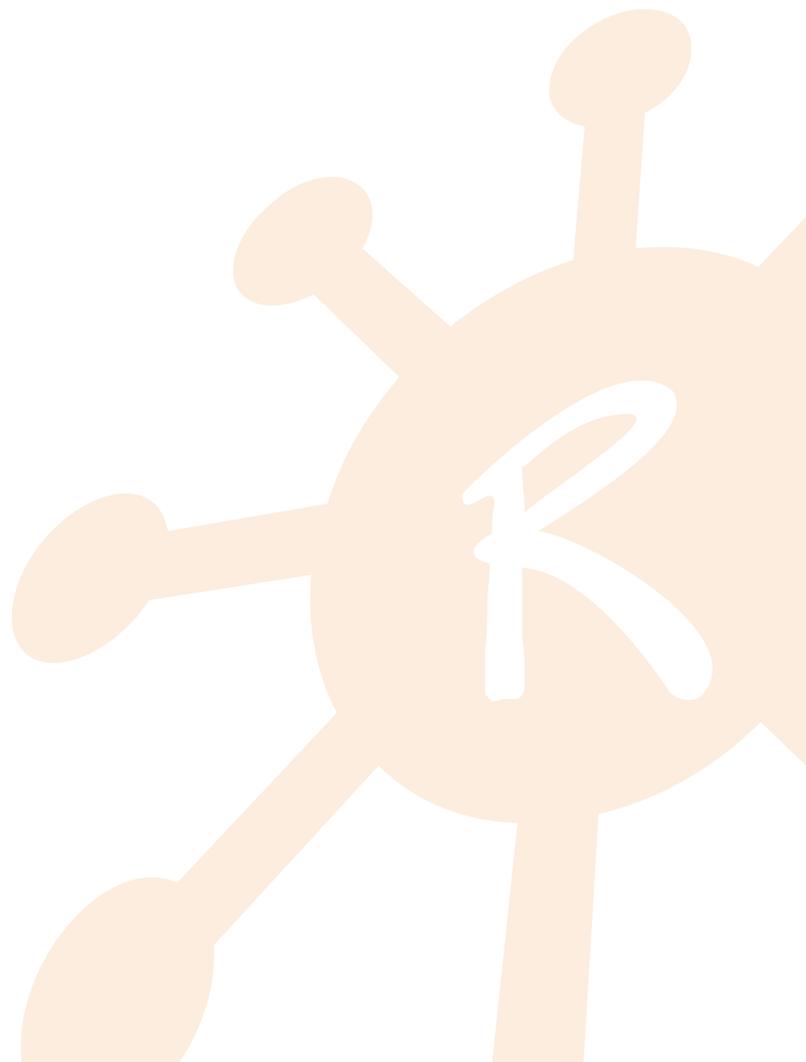
Companies with turnover of \$0.5-4 mln are the most active in attracting (or planning to attract) investment. In 2009, all large companies managed to work without funds from outside sources, but 20% of such companies need to attract investments in the next 2 years.

The Siberian companies have the highest requirement for investments (13% in 2009 and 31% in 2010-2011) while the lowest level of requirement demonstrated Saint Petersburg (2% in 2009).



CHAPTER 4.

GEOGRAPHICAL DISTRIBUTION AND KEY VERTICAL MARKETS OF THE RUSSIAN SOFTWARE DEVELOPMENT INDUSTRY



MAIN GEOGRAPHICAL MARKETS

One of the major trends in recent years is the steady decline in the importance of the USA and Canada market for Russian software developers. Only 38% of respondents mentioned their presence on this market in 2009. (a year ago it was 52%). The share of companies that consider the USA and Canada as their key market decreased to a lesser extent – from 28% to 26%. We should remember that in 2007 it was 43% and 52% in 2006. Thus, the share of respondents that consider USA and Canada as their key market decreased twofold in three years.

This change was primarily the result of responses by small-size companies. There is still a great interest toward the US market from the largest companies: in 2009, 75% of companies with turnover of more than \$20 mln were selling their software or working on orders from American and Canadian customers. 63% of the largest Russian software exporters consider it as their key market. All other markets (excluding Germany) are mentioned with significantly lower frequency.

Since the respondents with turnover of more than \$20 mln account for about 75% of the exports of all surveyed companies, we can conclude that the sales of software and services to the USA and Canada decreased in three years to a much lesser extent than twofold. Any large-scale decrease in the presence of small-size Russian companies in the USA and Canada could reduce Russian exports to North America by no more than 10-15%. Still, the general decrease in the importance of this market for the industry is visible.

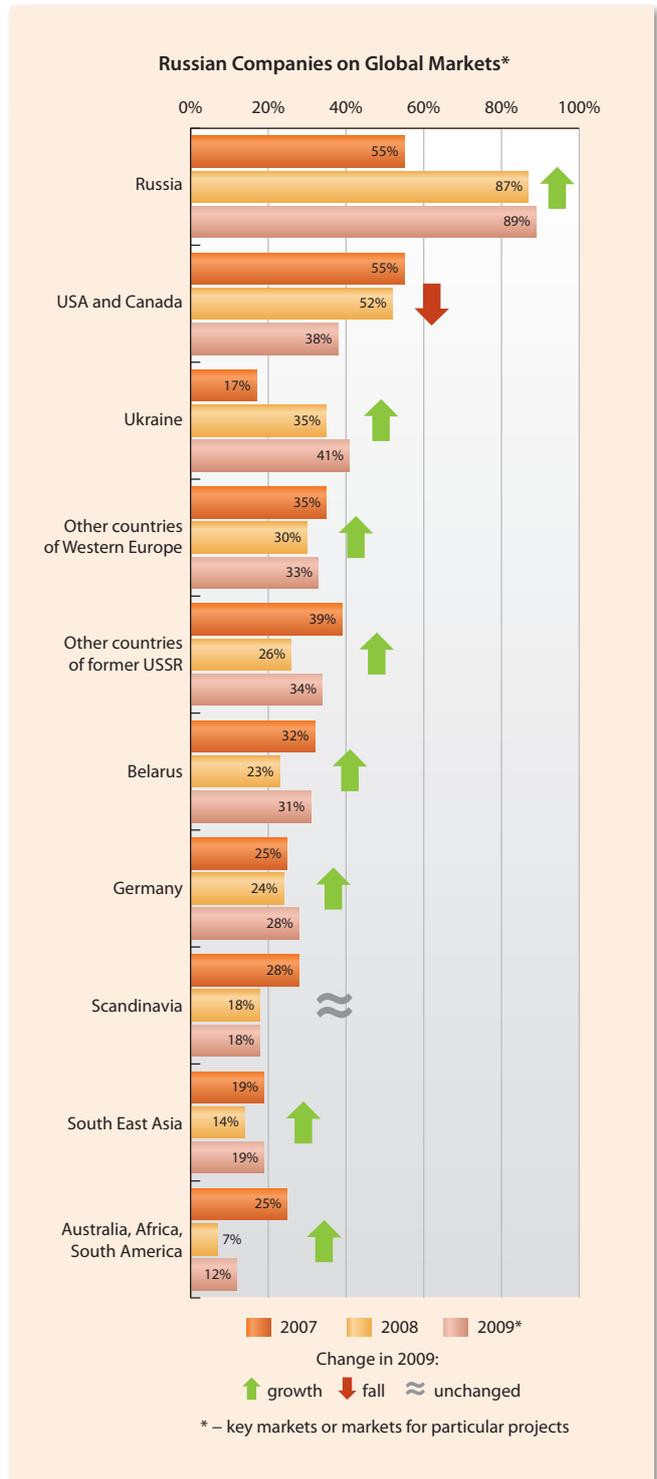
When we compare the results of our polls for different years, we find that our respondents see diminishing opportunities for realizing particular projects in the USA. This applies especially to small-size companies. In many cases this is a key market. However, any serious work on it requires large investment in the local marketing and sales infrastructure. Otherwise, it should be abandoned.

In 2009, the sales in the USA and Canada probably did not exceed 20% of the Russian software and software development exports, which is differs considerably from the software development industry in India where this number is much higher. According to Everest Research Institute, 60% of export revenues of Indian outsourcing companies were derived from the USA and another 15% from the UK. The Russian industry does not depend that much on any single market while there is growing interest of the companies toward the markets that for the moment are not their main destinations.

First of all, a growing number of companies is entering the markets of former Soviet republics. For example, 41% of respondents mentioned their presence on the Ukrainian market. On that score, Ukraine is already ahead of the USA and Canada. There is also growing interest in other CIS countries.

Our survey confirms the media reports about the marketing activities of Russian software developers being stepped-up in new markets. In February 2010, Softline, a software distributor, announced the opening of its office in Egypt. This company is opening the door to the Middle East and North African market for Russian software developers.

In October 2009, T-Platforms, a Russian company, announced that it had executed a partnership agreement with Digital Waves, an Indian company, which becomes its exclusive authorized representative in India and will sell and install Russian software



solutions for high performance computing on the Indian market.

In June 2010, Playnatic Entertainment announced that it has signed, for the first time in history, a Russian-Iranian agreement in the field of IT technologies with Sina Data Co. This event took place at the Iranian Embassy in Moscow with the participation of the Iranian Ambassador in Russia. The Agreement implies a comprehensive partnership where Playnatic Entertainment will represent games developers from the CIS on the Iranian market through Sina Data Co.

At the end of 2009, Kaspersky Lab announced the opening of its first office in Africa. It is based in South Africa and will coordinate the company's activities in other countries of this continent.

In April 2009, several software development companies (ALT Linux, ASCON, ABBYY, Digital Design and PROMT) along with a delegation from the Russian government visited Caracas, the capital of Venezuela, to take part in the "Week of Russian IT Technologies". ACS Systems, a representative of Kaspersky Lab in Venezuela, also took part in this event. The Russian companies have not report about any successes in Venezuela so far but they are making their first steps to gain ground on the Latin American market.

We also should mention the entry of Exigen Services to the Chinese market. The company has opened its development center in China that will work partly on orders from the local market.

Parallels, a provider of virtualization and automation solutions, announced about a year ago that it intends to reinforce its position on the cloud computing market in the Asia-Pacific region.

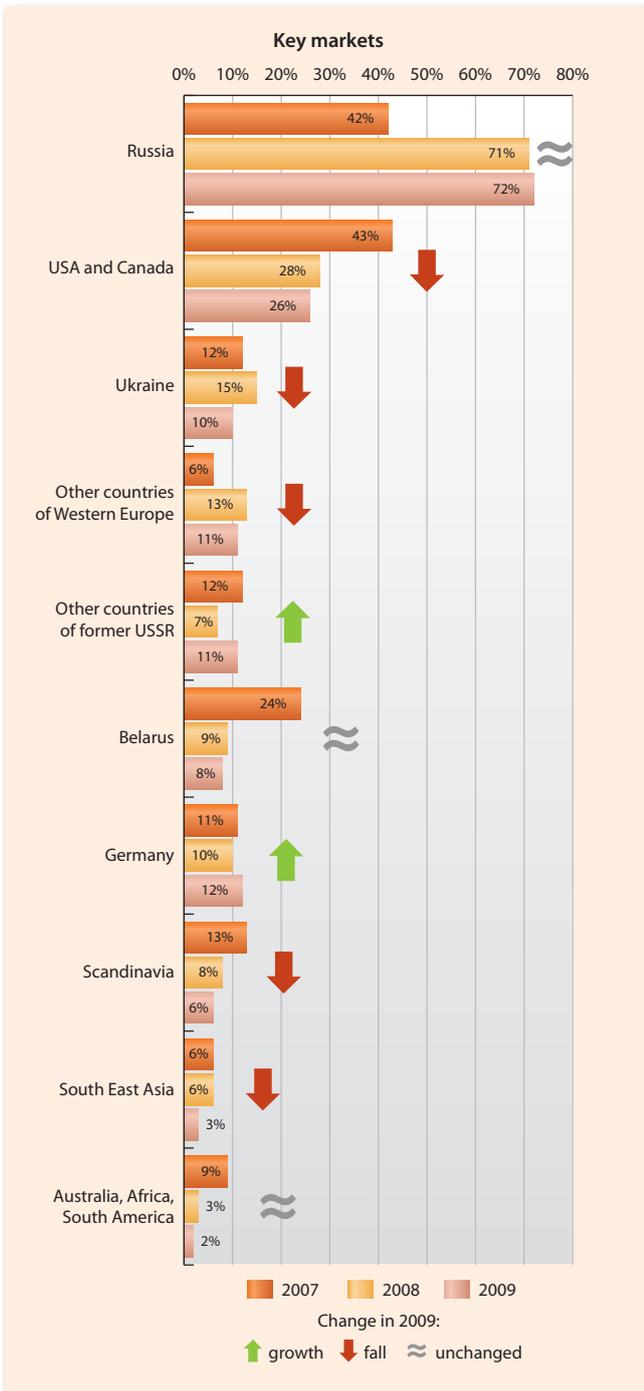
Nevertheless, for most Russian companies the market of South East Asia is still a distant and unknown destination. The same applies to the markets of Africa and the Middle East. However, according to Gartner forecasts, it is precisely in South East Asia, Africa and the Middle East that much of the global IT expenditure growth is expected to happen in 2010. The analysts of other research companies believe that in the next 10 years the outsourcing services market will experience the highest rate of growth primarily in Asia.

Russian companies continue to focus mostly on European (including former Soviet Republics) and North American markets, even though, according to the analysts, a significant rise in demand on these markets can be expected only in relatively small countries of Eastern Europe. There might be increased sales and a larger market share in Western Europe, but the highest growth potential is in South East Asia, the Middle East and Latin America.

In the past two years, companies have begun to mention more markets where they have implemented particular projects (there are more such markets per company). At the same time, a number of key markets per respondent has diminished. This can be partially explained by the fact that among respondents a large number of companies focused primarily on the Russian market. Usually, they consider Russia as their only key market and enter other markets only to implement specific projects.

Furthermore, some of the surveyed companies do not consider certain locations as their key markets because of the crisis. They had to seek new destinations which could not have become their key markets in the course of only one or two years.

It is remarkable that more than half of the large companies (with turnover of more than \$20 mln) are already working on the markets of South East Asia, Australia, Africa and South America. However, none of these companies is considering such destinations as their key market.



Given the new structure of our respondents (there are more companies in the survey focused on the Russian market); we find it necessary to make a correction about the growing interest toward the markets in Russia and the former Soviet Union. Most likely, this growing interest is not as significant as implied by the data in the table "Russian Companies on Global Markets". At the same time, 72% of the companies that derive 50% of their consolidated revenue from exports were selling their products and services on the Russian market. Only 19% of such companies consider Russia as their key market. However, its importance for exporters grew in recent years. Three years ago, only about 50% of respondents mentioned their presence on this market.

In 2009, companies from Saint Petersburg (as in 2008) have born the larger extent than others focused on European markets. About a third of the companies from Saint Petersburg are present on the neighboring market of Northern Europe (primarily in Finland).

The companies from Moscow (primarily, small-size and medium-size) more than others mention Ukraine, Belarus and other countries of the former USSR as their priority markets.

The markets of South East Asia, Australia, Africa and South America were most frequently mentioned by the companies located in Siberia.

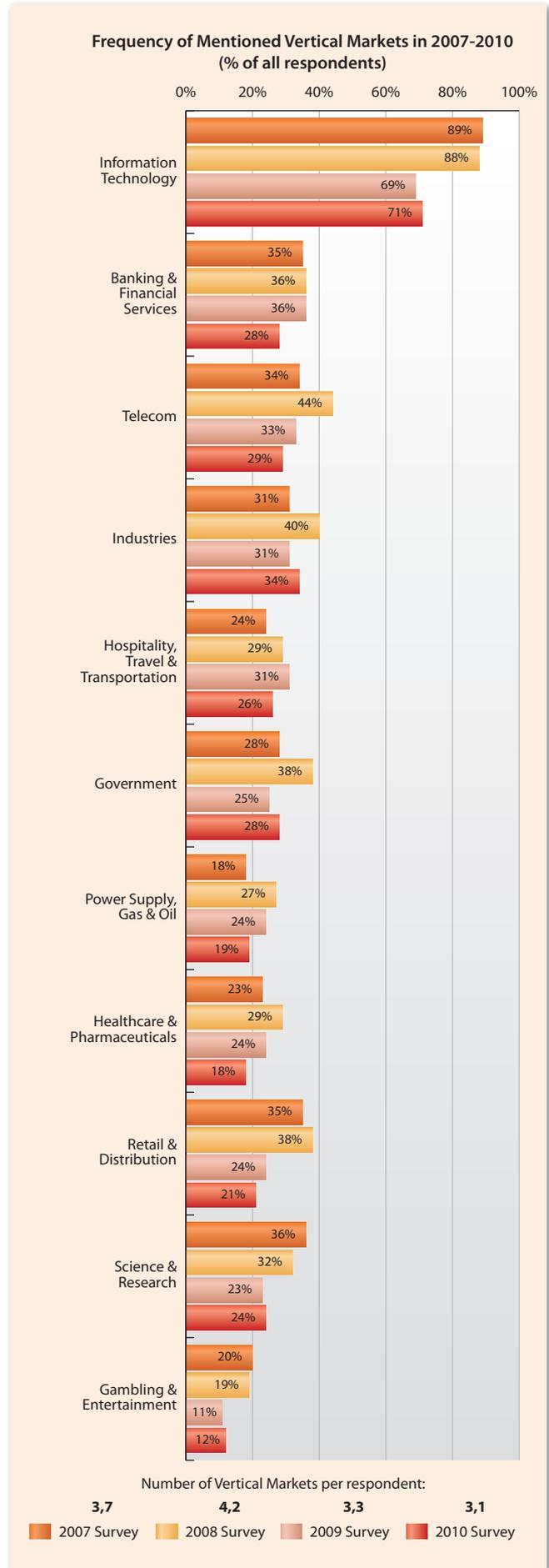
VERTICAL MARKETS

According to the survey, every respondent operates on average in 3 vertical markets. This figure has somewhat diminished in the last 2 years. One of the reasons is the increased share of companies with turnover under \$4 mln among the participants of the survey. Such companies are usually focusing on fewer vertical markets (2-3), while the larger companies focus on average on 4-6 markets.

Yet another reason is the impact of the economic crisis. The companies had to focus their efforts to promote products and services on fewer vertical markets (which suffered less from the crisis and where they had stronger expertise).

The importance of different vertical markets for Russian software exporters in general matches the distribution of global IT expenditure for these markets (such calculations were made by Gartner). The four markets most frequently mentioned by the Russian software developers are also the largest according to Gartner. These are Banking & Financial Services, Telecom, Industries and Government. Gartner does not provide any data on such a vertical market as Information Technology. Therefore, we did not take it into account when comparing these two research reports.

According to Gartner's forecast, in 2010 there will be an increase in IT expenditure in all vertical markets. In general, it will rise by 4.1% to \$2.4 trn. In 2009, this expenditure decreased by 5.6%.



Forecast of Global IT Expenditure by Economic Sectors in 2010

Economic Sector	Expenditure, \$ mln	Share of Vertical Market	Expected growth (+)/fall (-) in 2010
Banking & Financial Services	554638	24%	+4%
Telecom and Media	394171	17%	+4.4%
Healthcare	88626	4%	+2.8%
Government	433177	19%	+5.4%
Retail & Distribution	233279	10%	+4.5%
Industries	428856	19%	+3.1%
Transportation	106406	5%	+2.9%
Education*	63992	3%	+4.1%

Source: Calculated by RUSSOFT with data provided by Gartner

3 companies (usually, by one or two).

In Europe, Russian companies have most of their representative offices in Germany (7), UK (5) and in Sweden (4). France and Finland each host 2 sales offices. There are also representative offices in Switzerland, Denmark and the Czech Republic. One company mentioned Scandinavia without specifying the country (most likely, this office in Sweden).

5.6% of surveyed companies intent to open their first representative office in another city or country in 2010-2011. Most frequently, the respondents want to open a sales office in Russia (6%) or in Western Europe (6%).

Companies with turnover under \$0.5 mln are most likely to declare their intention to open

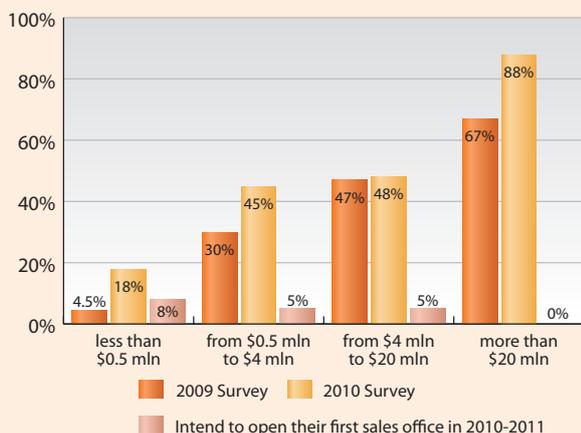
GEOGRAPHICAL DISTRIBUTION OF MARKETING AND SALES OFFICES OF RUSSIAN COMPANIES

The share of respondents that mentioned their sales offices in other countries and other cities grew from 28% to 41% (foreign offices grew from 15% to 27%). The respondents began to mention much more frequently their sales offices in Russia and former Soviet republics. In that case, the more frequent references to Russia and former Soviet republics are related with an increased number of surveyed companies focused on the markets in Russia and CIS countries. In addition, the share of companies with representative offices further afield remained almost unchanged compared with the previous survey.

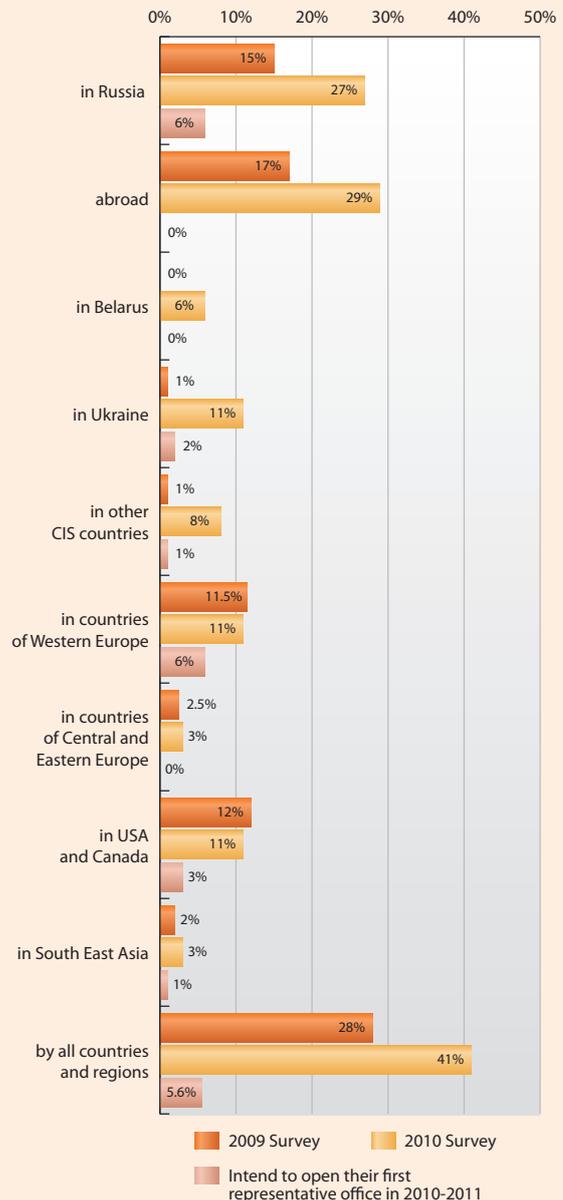
Although 10.5% of the respondents had plans for new representative offices in 2009-2010 and in last year the exporters were opening new representative offices only in isolated cases.

In Russia, companies usually have their representative offices in Moscow (mentioned 23 times) and in Saint Petersburg (mentioned 11 times). Other cities are mentioned by no more than

Exporters with Sales Offices in other Countries or Cities



Sales Offices (share of respondents who named a country or region)



a representative office. However, in practice intentions of such companies in most cases are not realized.

Almost all companies with turnover of more than \$20 mln have at least one representative office in other countries. If there is none, they do not consider it necessary to open such offices in the next 2 years.

GEOGRAPHICAL DISTRIBUTION OF DEVELOPMENT CENTERS

The share of companies with remote development centers did not change compared with the previous year. 32% of surveyed companies have a production facility in another country or city (8% have the development centers in more than a country). Sometimes, this development center also functions as their sales office. However, in general, the development is consolidated in one country (with lower cost of resources) while the sales office locates in another country (in the main market).

8.1% of the surveyed companies have more than one remote development center.

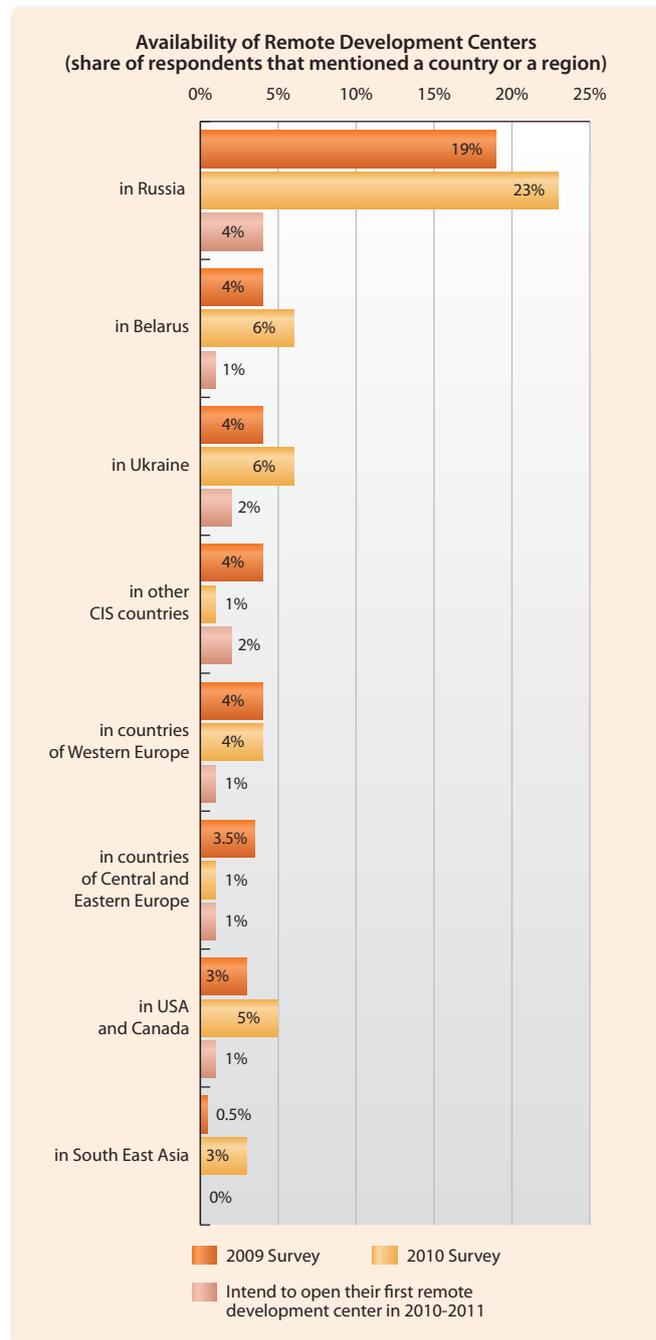
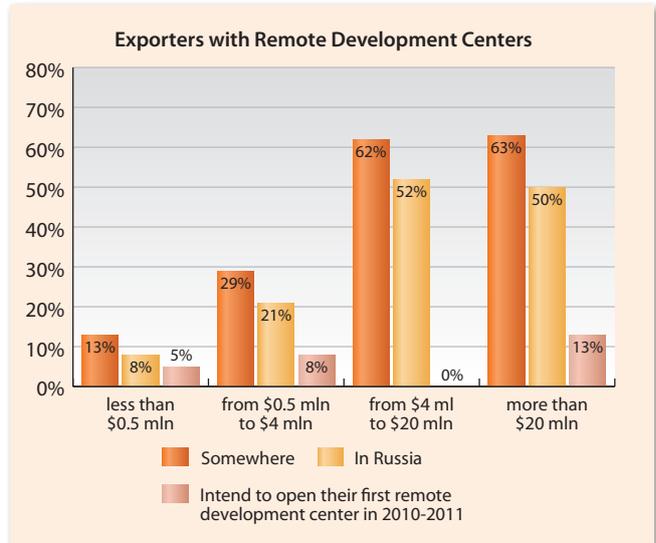
6% of surveyed companies intend to open their first remote development center in 2010-2011. Despite the widespread opinion that the environment for software development in Russia is not among the best (in comparison, for example, with Belarus and Ukraine), most of the new development centers are planned to be opened in Russia.

As for the Russian regions, the head offices and remote development centers of surveyed companies can be found in 50 Russian cities. Most of the remote developer teams, outside Moscow, the Moscow Region and Saint Petersburg, are based in Novosibirsk, Voronezh and Rostov-on-Don. Nizhny Novgorod is in the Top 5 in terms of a number of developers. However, in that city most of the developers work in the three largest companies, which poses an obstacle for companies from other cities opening new development centers.

According to the plans of surveyed companies, in 2010-2011 years should be opened some new development centers in Dubna in the Moscow Region, in Arkhangelsk, Vladivostok, Perm and Timoshevsk.

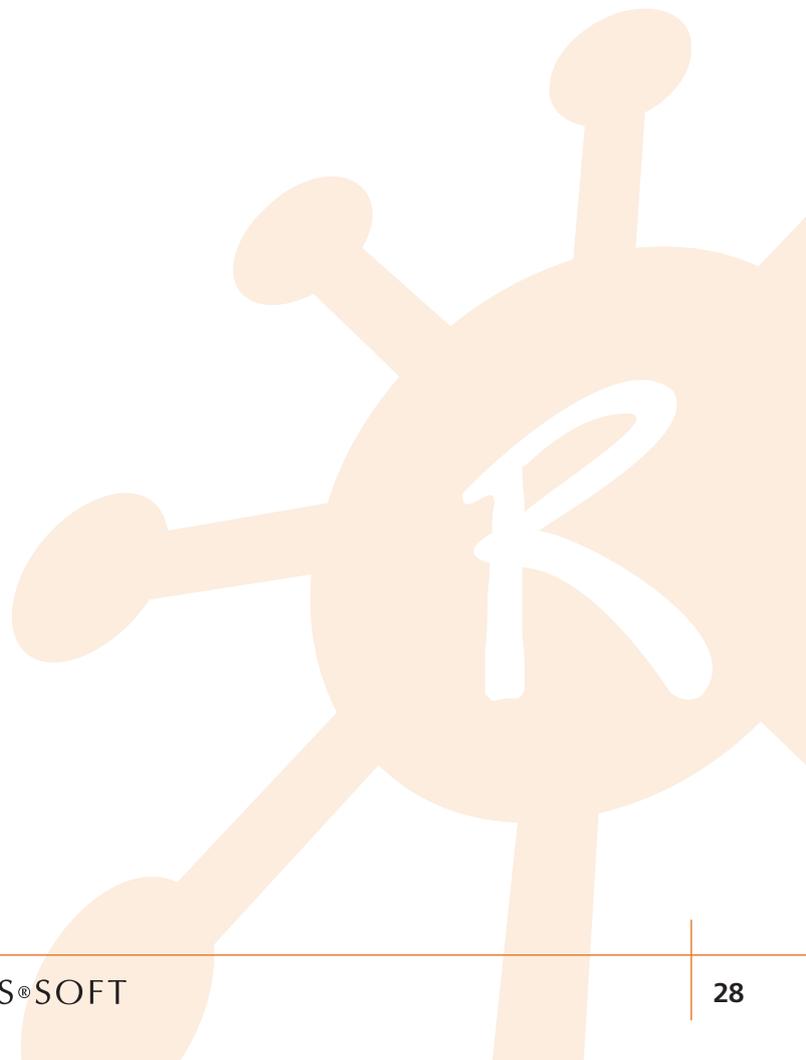
In Belarus, the most convenient locations for opening development centers are Minsk (mentioned 7 times), Mogilev (4), Vitebsk (2), Gomel (2), Grodno (2), as well as Brest (1) and Novopolotsk (1).

In Ukraine: Kiev (6), Kharkov (2), Dnepropetrovsk (2), Vinnitsa (2), Kherson (1), Lvov (1) and Odessa (1). In other CIS countries, there is one development center in Karaganda (Kazakhstan). In 2010, development centers will be probably opened in Azerbaijan and Lithuania (Vilnius) during 2011, such a center will be opened in Uzbekistan.



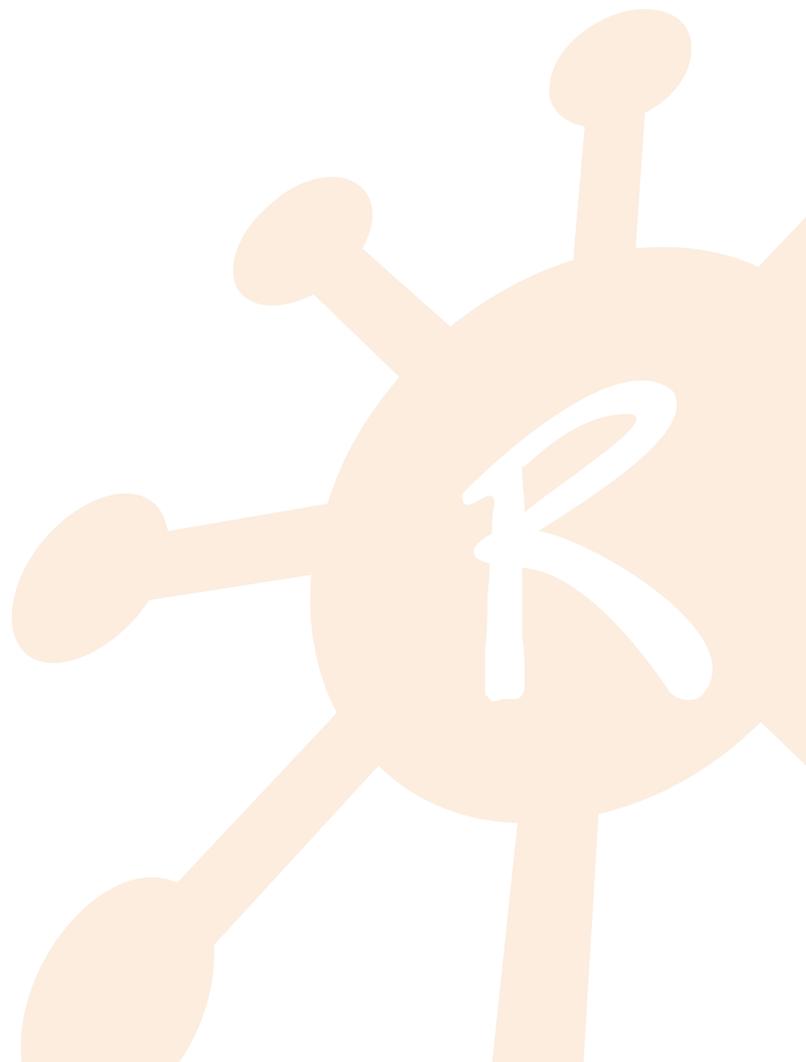
Russian Cities (by number of head offices and remote development centers of companies)

1	Moscow	67
2	Saint Petersburg	49
3	Moscow Region	10
2	Novosibirsk	8
4-5	Voronezh	7
4-5	Rostov-on-Don	7
6	Tomsk	6
7	Yekaterinburg	5
8-9	Veliky Novgorod	4
8-9	Kazan	4
10-12	Nizhniy Novgorod	3
10-12	Izhevsk	3
10-12	Omsk	3
13-20	Belgorod	2
13-20	Vladimir	2
13-20	Ivanovo	2
13-20	Kaliningrad	2
13-20	Krasnodar	2
13-20	Perm	2
13-20	Samara	2
13-20	Saratov	2



CHAPTER 5.

HUMAN RESOURCES AND LABOR MARKET



At the end of 2009 and in the first half of 2010, the Russian labor market experienced some distinct changes. This would inevitably affect the conclusions of our report. So, in addition to the software-company survey conducted in February 2010, we also analyzed the labor market with data provided by recruitment agencies, which track the labor demand, supply and average salary in the industry almost on a monthly basis. Such a consolidated pool of data allowed us to identify the trends and changes on the labor market not only for the past year but also for the first half of 2010.

By early summer of 2010, the main indicators of the labor market reached their pre-crisis levels. First, in the end of 2009, we witnessed the recovery in number of job openings for software programmers, and by May 2010 there was also a recovery of salaries.

Along with such recovery, the software development companies began to experience severe problems with recruitment and training again, almost on a similar scale as in the start of 2008.

In 2009, there were no radical positive shifts in the training of software developers by the universities. According to the poll conducted in February 2010, a number of companies satisfied with the situation on the labor market and education system became significantly higher than in 2008 (see chapter 4). However, this was only the result of a temporary drop in demand for mass recruitment and a temporary opportunity to hire former employees of IT divisions laid off during the crisis by enterprises of various industries. The tensions in the labor market were reduced temporarily and only as a result of the global crisis.

Moreover, we have every reason to believe that there were some negative changes in personnel training by the universities. If 2 years ago some managers of software developers were saying that the quality of education is getting worse while others did not agree with that, by Spring 2010 the decline in the level of graduates and students training (who begin working in companies before their graduation) became obvious almost for all our respondents. Of course, we are talking about the average level of training in the universities. In some institutions the quality of training might have increased in recent years but these exceptions are not able to reverse the general trend.

We should note that in the last decade a number of professional software developers in Russia became significantly higher. This was possible because the overseas drain of programmers practically stopped (a number of Russian programmers leaving the country was offset by those who either returned to Russia or come from former Soviet republics to look for a job in Russian companies).

According to Microsoft, a number of programmers in Russia grew from 212,000 in 2003 to 350,000 by early 2010. Thus, every year there were about 20,000 new professional programmers in Russia. The Microsoft estimates are based on a number of

licenses for software development tools, databases and other programs usually used by programmers that the company purchased to its Russian customers.

These estimates are in accordance with the information provided by the Russian Ministry of Communication and Mass Communications. According to this data, in 2008 Russian universities trained 19,000 IT specialists, if such designation implies that they all were programmers. According to Information and Computer Technologies Industry Association (APKIT), every year universities train at least 60,000 IT specialists.

We should also take into account that the availability of new programmers on the Russian labor market was the result of migration from former Soviet republics (primarily, from Belarus and Ukraine). However, in the past 2 years the influx of foreign specialists somewhat decreased and this process could not already have any significant impact on the Russian labor market.

APKIT data allows the calculation of an overall number of IT specialists working in Russia, and this figure stands at not less than 1 mln people. These are not only the employees of IT companies, but also specialists of IT divisions in various enterprises, organizations and agencies.

The Ministry of Communication and Mass Communications puts a number of IT employees in Russia at 302,000 people. Along with the employees of communications enterprises and mass communications enterprises, they constitute 1.52% of the total Russian workforce. The Ministry believes that this share is much lower than in many European countries where it exceeds 3%.

Another government agency (the Russian Ministry of Education and Science) provided its own data about IT employees and put this figure at 370,000 people.

RUSSOFT experts estimate that a number of specialized employees of software development companies stands at approximately 100,000 people including 50-55,000 specialists who develop custom software and software products for export.

Before the crisis, about half of the staffing requirements for software development exporters were met by university graduates. Only a small portion of graduates was able to work for software developers focused on foreign markets (no more than 20%). Since the beginning of the global crisis, exporters barely felt the lack of qualified personnel. The tensions in the labor market resurfaced toward the summer of 2010, when a number of job openings for programmers in recruitment agencies exceeded a number of job applications.

However, it is still difficult to conclude to what extent the labor market will be able to meet the needs of growth in software development exports industry. In 2010, the exporters intend to increase their staff by 18%. The large and plenty of medium-size companies want to recruit new employees in their foreign development centers outside of Russia. This is the

result of the increasing cost of software development in Russia in recent years as well as the implementation of social payments instead of unified social tax [UST] along with cancellation of tax benefits for exporters (which were in place in 2008-2009) and the general increase of social charges (from 14% of the payroll to 26% in 2010 and up to 34% in 2011).

At the same time, according to Microsoft, Russia has an enormous potential in terms of software development. The research report published by that corporation in the Spring 2010 confirms that about 850,000 Russians have some programming skills. This number includes secondary school and university students who already have required knowledge and skills but still never earned their living by software development.

In addition to the deteriorating quality of education, yet another challenge that may have a negative impact on the labor market is the decline in the occupational prestige of programming. The poll conducted by the Russian Public Opinion Research Center (VCIOM) revealed that 6% of Russians want their children to become programmers. Two years ago this figure stood at 7%. It's too early to draw any conclusions. However, it looks like Russia is following the trend of other economically developed nations where the prestige of technical occupations has significantly declined in the last 10-20 years.

STAFF RECRUITMENT AND PERSONNEL CUTS

In 2009, the surveyed exporters significantly lowered their activities on the labor market compared with the previous year. 23% of the companies did not recruit any new staff within the year. This indicator was at 9% in 2009 and 5% in 2008.

The number of companies that did not recruit any new staff increased not only as a result of the crisis. Rising costs of software development in Russia caused by the cancellation of UST benefits and the introduction of social payments.

In 2009, most of the companies (62%) dismissed at least one employee. However, this was usually related to personnel rotation rather than to any mass layoffs. Only 5% of surveyed companies have significantly (by more than 30%) reduced their staff. We can add to this 5%-10% of the companies that went out of business.

As a year ago, the companies deriving most of their revenues from exports were the most active on the labor market. Only 12% of such companies did not recruit any new staff in 2009 (a year ago the figure was 3%). The similar indicators of developers focused on the Russian market stand at 27% and 10%, respectively.

The activities of companies on the labor market directly depend on their turnover volume. There is not a single company with turnover of more than

\$20 mln that did not recruit new staff in 2009.

Companies most frequently did not want to recruit new staff outside of Moscow (in the capital there was 23% of such companies) and Saint Petersburg (19%). 31% of the companies in Siberia did not recruit new staff while in other cities this share stood at 24%. In Moscow and Saint Petersburg more than in other cities, there is a higher concentration of larger companies that were continuing to recruit during the crisis. This can provide a possible explanation for the activity gap on the labor market.

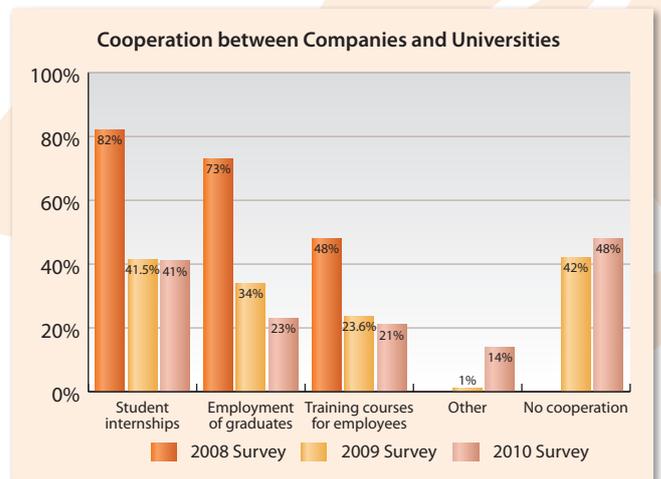


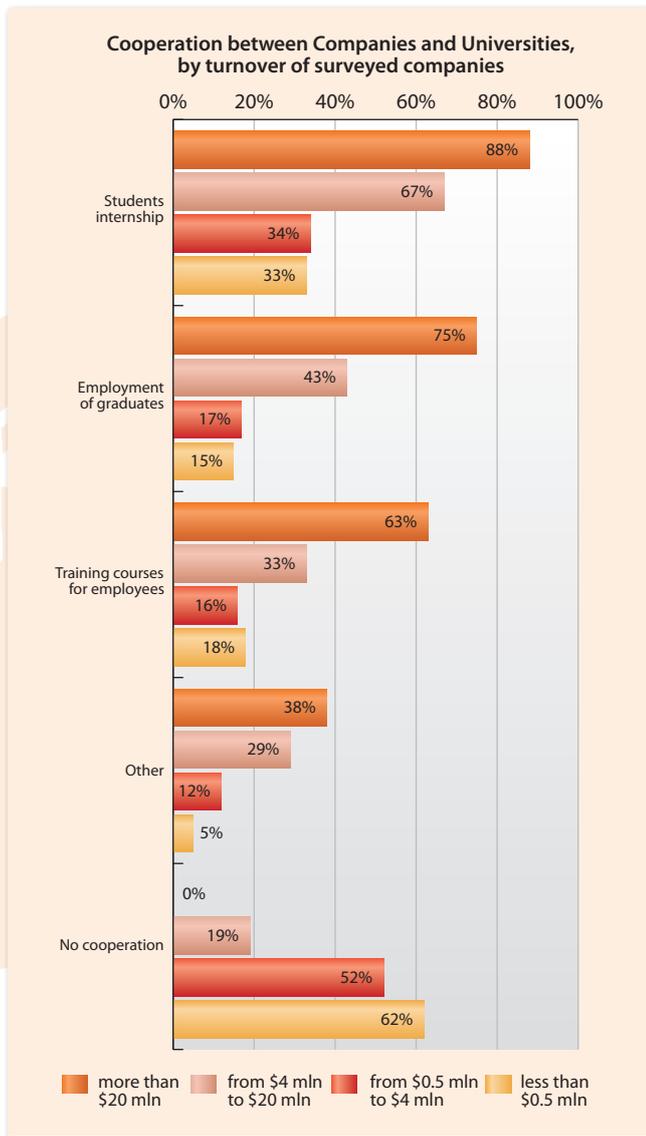
STAFF TRAINING. UNIVERSITIES

The impact of the crisis has reduced the share of companies engaged in some form of cooperation with universities. However, this decline was not as big as a year ago. Furthermore, it was partly the result of an increased number of respondents from companies with turnover under \$4 mln which do not cooperate with the universities as actively as larger companies.

All large companies continued their work with the institutions of higher learning. Some were engaged in their own training programs. For example, Exigen Services opened IT College in Saint Petersburg where it provides training for C# developers and testers.

The employment of university graduates dropped significantly compared with 2008. By early 2010,





recent graduates constituted 3% of the surveyed companies' staff. A year ago, this figure was much higher (10%).

Traditionally, we were observing the largest share of recent graduates among the employees of small-size companies. At the same time, companies with turnover of more than \$4 mln hired almost 60% of the graduates.

The graduates can more easily find employment in companies focused on the Russian rather than on external markets. This is a result of higher professional training requirements of the exporters.

39% of the surveyed companies did not hire any graduates in 2009.

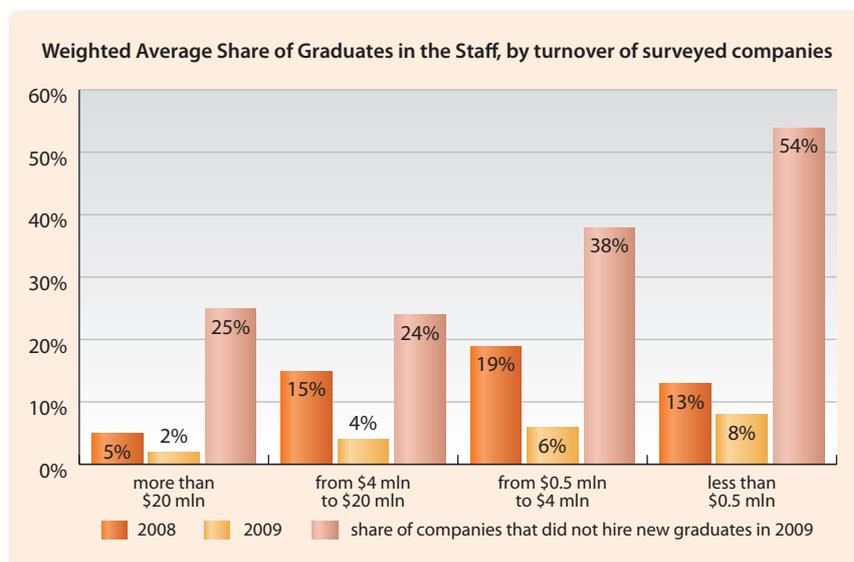
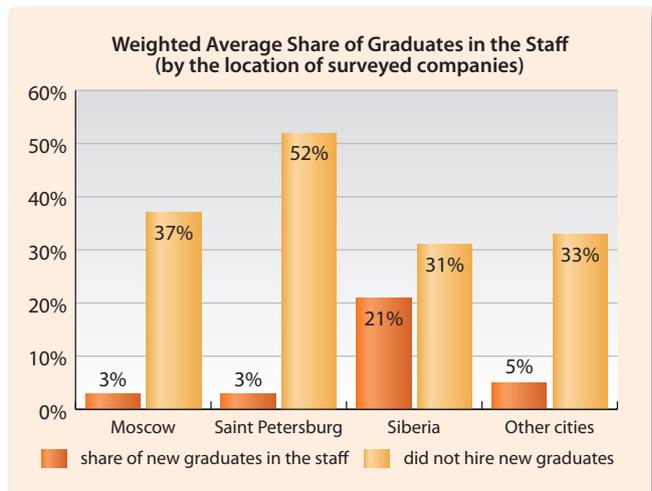
The Siberian companies were the most active in recruiting recent graduates (the share of graduates in their staff reaches 21%). This could be partially explained by a relatively limited selection of companies from that region, represented in our survey mostly by small-size organizations.

We compiled the ratings of Russian universities based on response data about the universities whose graduates are most sought after by IT companies (the respondents were asked to select as many universities as they wanted).

Significant differences in the university ratings compared with a previous year confirm the provisional nature of the ranking.

Since the ranking depends to a large extent on a number of companies representing a particular city, the universities from Moscow and Saint Petersburg lead the ratings. It would be more accurate to compare universities located in the same city. However, a sufficient selection for such comparison is available only for Moscow and Saint Petersburg.

Even taking into account above comments, the universities' rating reflects the level of training for programmers, particularly, given the range attributed to a specific institution in this rating (for example, between 1st and 5th place, or between 6th and 10th place). It is remarkable that the Top 10 list remained almost unchanged compared with the previous year. There are only two newcomers in the Top 10. Novosibirsk State Technical University left the list; it did not even make it into the rating (this is most likely the result of lower participation of



Rating of the Universities whose Graduates are most sought after by IT Companies

Rank	University	Votes
1	Moscow State Technical University (5-6)	23
2	Saint Petersburg State University of Information Technologies, Mechanics and Optics (4)	22
3	Moscow State University (8-9)	20
4	Saint Petersburg State University (1-3)	19
5	Moscow Institute of Physics and Technology (13-15)	13
6	Saint Petersburg State Polytechnic University (1-3)	11
7	Saint Petersburg State Electrotechnical University (1-3)	10
8	Saint Petersburg State University of Aerospace Instrumentation (16-25)	7
9	Novosibirsk State University (7-3)	5
10-13	Ural State University (10-12)	4
10-13	Saint-Petersburg State Institute of Technology (Technical University)	4
10-13	Voronezh State University	4
10-13	Moscow Aviation Institute (State University of Aerospace Technologies)	4
14-19	Novgorod State University	3
14-19	Moscow Engineering Physics Institute (10-12)	3
14-19	Southern Federal University	3
14-19	Tomsk State University	3
14-19	Perm State University	3
14-19	Tomsk State Polytechnic University	3
20-31	Saint-Petersburg State University of Telecommunications (10-12)	2
20-31	Yaroslavl State University	2
20-31	Voronezh State Technical University	2
20-31	Ural State Technical University (8-9)	2
20-31	Ivanovo State Power University	2
20-31	Moscow State Institute of Radio-Engineering Electronics and Automation	2
20-31	Baltic State Technical University (VOENMEKh)	2
20-31	Moscow Engineering and Technical Institute	2
20-31	Perm State Technical University	2
20-31	Tomsk State University of Control Systems and Radioelectronics	2
20-31	South Urals State University	2
20-31	Samara State University	2

* – figures in parentheses refer to previous year ranking

companies from Novosibirsk compared in the survey with a previous year). Petrozavodsk State University, the students of which this year took for the third time prizes in the world programming contest, also failed to make it into the rating. Naturally, it fully deserves to be in the rating of leading universities. However, the representation of Petrozavodsk among the respondents of this survey was even lower than the representation of Novosibirsk.

Overall, the surveyed companies mentioned 85 universities and other higher learning institutions whose graduates are most sought after by IT companies of the region. 54 institutions were mentioned only once and did not make it into the rating.

Another rating of the universities based on the performance of their teams at the ACM International Collegiate Programming Contest provides additional information about the quality of training for software developers.

Of 11 Russian universities that were, since 1999, winning the prizes of this prestigious tournament, our rating does not include Petrozavodsk State University, Saratov State University, Izhevsk State University, Altai

State University, Ufa State University of Aviation and Ural State University. This merely reflects the fact that there are no significant export-oriented companies in these cities.

The outstanding performance of the students on international programming contests proves that Russian universities can provide high-quality training. Leading global corporations regularly organize similar contests and, every time, Russian programmers rank among the champions and winners.

These champions and winners of programming contests are not always getting similarly outstanding results in their jobs in private companies or government agencies. However, they are usually able to perform the most complex tasks in their jobs which are confirmed by the fact that many former Russian champions and winners of ACM contests have created successful software developers or are leading employees of such companies (DevExperts, SPbSoftware, Yota).

Unfortunately, the poor infrastructure hampers the advancement of software development exports in many Russian cities that have the opportunities to train qualified specialists. Many talented graduates

of provincial universities move abroad or to the larger Russian cities (primarily, to Moscow and Saint Petersburg), even though there are many graduates who do not want to leave their native towns.

The vast geographical distribution of the universities whose students won prizes indicates the overall level of training of specialists in Russia. Some of the graduates who did not make it to the contest finals are almost as good as the champions and winners. They just did not have enough luck to achieve the same success.

A whole galaxy of Russian university teams, which have entered into the world's elite, was formed over 11 years of their participation in ACM contests. Since 1999, 11 Russian universities have won prizes in these contests. Three among them became the outright champions in different years. These results are much higher than in any other country. Overall, Russia won the title of champion in these contests 6 times over the last 11 years.

In the finals of the last team programming contest among the students that took place in February 2010 in China (Harbin), Moscow State University (MUST) won the outright second place and a gold medal along with Shanghai University (China), Kiev University (Ukraine) and Taiwan University. Overall, 5 teams from Russia were among the 13 winners. In addition to MUST, these are Petrozavodsk State University, Saratov State University, Saint-Petersburg State University and Ural State University.

If we consider the results of the 2009/2010 contests, the universities of the following 13 Russian cities are capable of training highly qualified programmers: Moscow, Saint Petersburg, Saratov,

Perm, Izhevsk, Stavropol, Yekaterinburg, Novosibirsk, Ufa, Barnaul, Orel, Chelyabinsk and Petrozavodsk. About ten other Russian cities can compete with them on an equal footing.

Russian secondary school and university students also perform extremely well in individual programming and computer science contests. 18 people made it to the semi-finals of TopCoder Open tournament and 4 of them represented Russia. The semi-finals and final of this tournament took place in Las Vegas on June 3 and 4, 2009.

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

Unfortunately, the successful performance of Russians in international programming contests was creating among Russian officials the illusion that everything is all right in the area of staff training. In reality, the IT industry has many complaints both about the Russian universities that are too slow in adapting their training programs to market requirements and about the education system in general. The companies have to cooperate actively with the universities and spend significant resources to bring students up to the business requirements through additional education. If there is no quality change in the system of remuneration for the faculty and if there is no competitive environment, the higher education system runs the risk of remaining in a state of stagnation.

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

University name	Place on ACM International Collegiate Programming Contest											
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Saint Petersburg State University of Information Technologies, Mechanics and Optics	3rd place	5th place	3rd place		3rd place	1st place	3rd place		3rd place	1st place	1st place	
Saint-Petersburg State University	9th place	1st place	1st place					6th place		11th place	3rd place	9th place
Moscow State University				9th place	2nd place		2nd place	9th place	10th place	5th place		2nd place
Saratov State University				6th place	7th place			1st place	6th place		4th place	7th place
Izhevsk State University						8th place	9th place			3rd place		
Altai State Technical University								3rd place			8th place	
Perm State University						4th place						
Novosibirsk State University									5th place			
Ufa State Technical University of Aviation								10th place				
Petrozavodsk State University									13th place	10th place		5th place
Ural State University												13th place
Total winners	2	2	2	2	3	3	3	5	5	5	4	5

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

STAFF TURNOVER

Despite the economic crisis and lower demand for services and solutions of Russian software developers, the staff turnover in Russia not only did not increase but even somewhat diminished. If in 2008 it stood at 9%, then in 2009 this figure was only 6%.

Note that the calculations of this indicator do not take into account the layoffs in the companies that went out of business. However, they were mostly small-size companies that employed in total no more than 1%-2% of all workforces in the Russian software development industry.

Low staff turnover in 2009 may be explained by the general decline of the IT market, which was particularly obvious in Russia and by the corresponding decline in a number of job offers from employers.

Low staff turnover during the last decade is one of the competitive advantages that Russia possesses on the global outsourcing services market. This indicator is much higher in India, which is the global leader in IT outsourcing.

Our survey demonstrates that the lower the turnover of the company, the higher its staff turnover. The smallest companies lead in terms of staff turnover with the rate standing at 12%. The largest companies have their staff turnover at 6%. Large companies used the crisis to optimize their personnel. They were

cutting “worthless staff”, recruited in the period of extensive growth in 2007-2008 while hiring more qualified employees released during the crisis. But in general, they managed to preserve the core of their personnel. Small companies were more often laying off their employees but they also hired more frequently.

Staff turnover is slightly higher among the companies that are largely focused on the Russian market (7% against 5%), because they suffered greater during the crisis.

As a year ago, the highest staff turnover is recorded among the companies from Saint Petersburg (11%). In 2008, this indicator stood at 13%.

SALARIES

The average monthly salary of specialized employees in all surveyed companies was \$1,420. A year ago, it stood at \$1,305. Even though this figure grew by 9%, we can't affirm that the exporters were raising the salary of their employees last year.

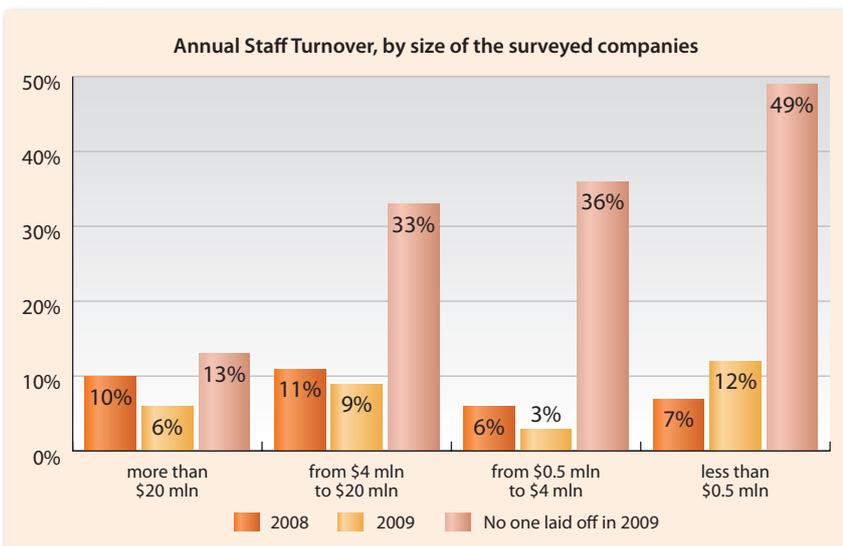
Most likely, the income of programmers increased in US dollar terms, generally, as a result of the strengthening of the ruble against the dollar. In the period from March 2009 to March 2010, the exchange rate of the US currency declined by 21%. Therefore, if the salary of employees was expressed in rubles and did not change in the course of the year, it would grow by 21% in US dollar terms.

60% of the surveyed companies that replied to the relevant question, express their average salary in rubles (40% express their salary in US dollars). The average salary was specified by 93% of our respondents which allows us to estimate rather accurately its real amount and make a selection by geographical distribution, the size of the company and export share.

To compare incomes of the programmers, please note, we have changed our methodology for calculating the average salary. Since this year, the respondents have the option of specifying their salary both in US dollars and in rubles (previously, the respondents could specify the salary in only US dollars). As a result, the margin of error in calculating its dynamics has increased because we had to recalculate the salary in US dollars and take into account the share of the companies (to weigh by the share) that provided the salary figures in different currencies.

Starting next year, there will be an option to track changes in the monthly income of the programmers, distinctly, in rubles and in US dollars. This will provide more information about the ongoing changes.

In spring 2010, the average salary in the companies that have specified



Average Salary, \$ per month (by turnover of surveyed companies)

Salary	more than \$20 mln	from \$4 mln to \$20 mln	from \$0.5 mln to \$4 mln	less than \$0.5 mln
specified in \$		\$1374.8	\$1,165.6	\$1,155.2
specified in rubles	57,000 rubles (\$1,910)	36,200 rubles (\$1,215)	38,700 rubles (\$1,300)	31,100 rubles (\$1,040)
average when recalculated in \$	\$1,650	\$1,300	\$1,250	\$1,080

Average Salary, \$ per month (by the location of surveyed companies)

Salary	Moscow	Saint Petersburg	Siberia	Other cities
specified in \$	\$1,260	\$1,785	\$1,025	\$990
specified in rubles	52,180 rubles (\$1,750)	35,070 rubles (\$1,175)	25,670 rubles (\$860)	24,550 rubles (\$825)
average when recalculated in \$	\$1,604	\$1,460	\$935	\$900

it in Russian currency stood at 43,617 rubles (\$1,462). The exporters that paid the salaries in US dollars were paying less (\$1,358), which was the result of the strengthening of the ruble.

In 2008 and in the first months of 2009, there was a decrease in the average salary expressed in US dollars by about 20%. However, even then the change, in general, was not the result of modified employment agreements but the consequence of the lower ruble exchange rate against US dollar. In the period from fall 2008 to spring 2009, the Russian currency lost about 25-30% of its value. Thus, since the start of the crisis most of the exporters did not review the salaries of their employees. The fluctuations of the average figure were, primarily, the result of changes in the ruble exchange rate. At the same time, we have every reason to affirm that the practice of annual indexation (increase) of salary, which in previous years amounted to dozens of percentage points, was stopped everywhere.

The decline of the programmers income a growth rate started in 2007 (before the crisis). Most likely, there won't be any return to the previous growth rates.

The larger are the company, the higher is its average salary. This selection is not sufficient for a more accurate comparison of salaries in the companies of different size. It is particularly low in the category of large companies (with turnover of more than \$20 mln). Only one of those companies specified the salary in US dollars and 2 companies in rubles. The average salaries in these companies are very high (higher than in other companies of the same size). So, in order to calculate the average salary for this group, we used the expert estimates by the managers of several market players. As a result, the indicator for all largest companies turned out to be lower than the amount of \$1,910 specified in the survey (\$1,650). In other categories, the selection is much larger, and the margin of error is, accordingly, lower.

The highest labor costs are in Moscow and Saint Petersburg. In last year's survey, the average salary in Saint Petersburg companies was even higher than in Moscow. However, such leadership of Saint Petersburg most likely did not reflect the reality and was a result of inadequately representative selection for that city. This year, the salaries in different cities calculated from the data provided by the surveyed companies correspond to a larger extent to the information received from other sources.

The measurements performed by 4 large Russian recruiting agencies in 2010 indicate that the programmers' salaries in Saint Petersburg are about 10-18% lower than in Moscow. In Siberia, the salaries are 36-57% lower than in Moscow, in other cities – 34-60% lower. According to the poll conducted within this research project, these differences are as follows: in Saint Petersburg the salary is 9% lower than in Moscow, in Siberia – 42% lower, in other cities – 44% lower.

The average salary barely depends on the share of exports in the consolidated revenues. In the companies that are to a larger extent focused on the Russian market, it stands at \$1,390 while in the companies with a share of exports over 50% it stands at \$1,360. The difference is within the existing margin of error.

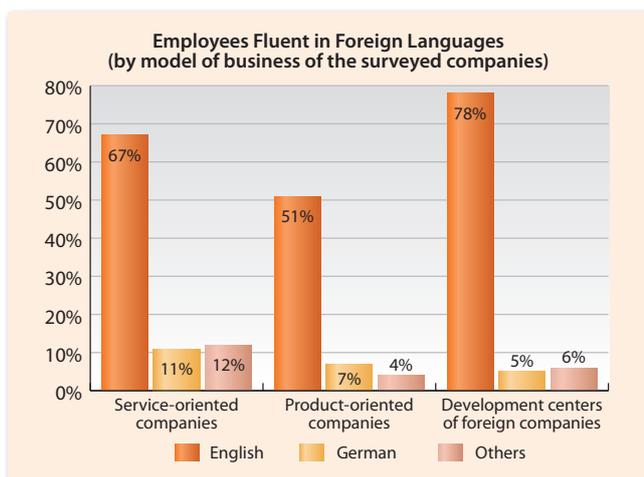
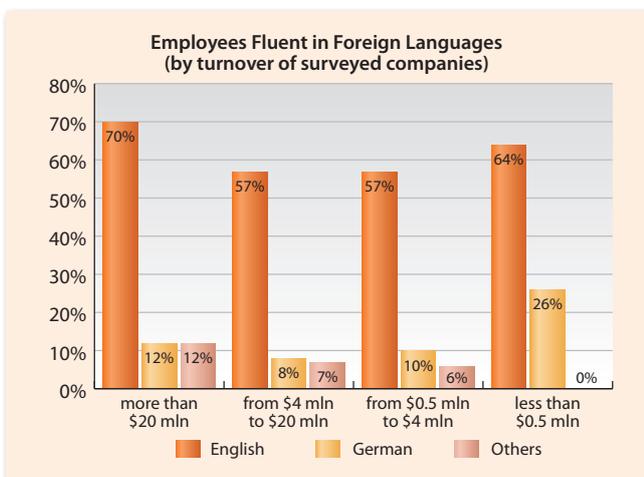
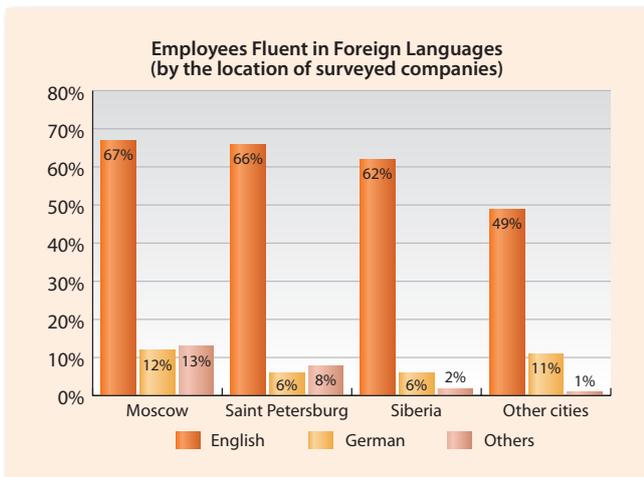
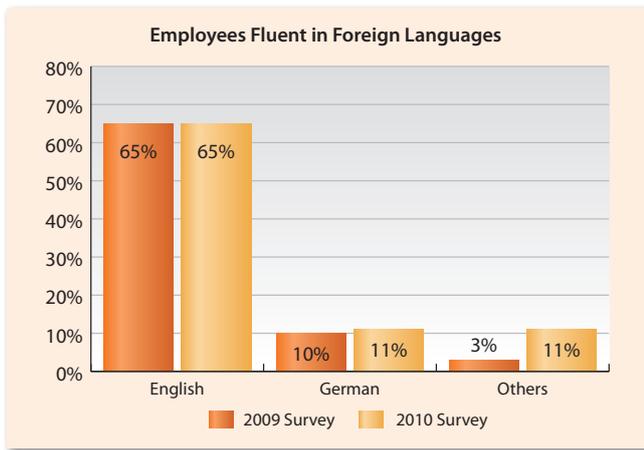
LANGUAGE PROFICIENCY

The share of employees in the software development companies, proficient at least in one foreign language, barely changed in the last 3 years. The managers of the companies estimate that two thirds of the employees are fluent in English. The share of those who are proficient in German, about 10%, remains stable. It appears that such a distribution of employees proficient in foreign languages adequately reflects the needs of companies at this moment.

At the same time, there is a sharp increase in the share of employees proficient in other foreign languages (from 3% to 11%). Most likely, it reflects the desire of Russian companies to enter new markets. Until now, most of the Russian software (software development services) exports went to English-speaking and German-speaking countries as well as to Northern Europe where the customers are usually fluent in English. In the meantime, we are seeing the growing popularity of the French market as well as the markets of Latin America, Middle East and South East Asia.

Among other languages, our respondents most frequently mention French (5 times). In addition, they mentioned Italian and Portuguese once.

Most employees who are proficient in foreign languages work in companies in Moscow and



Saint Petersburg as well as in larger companies. We observed a similar correlation with the size and location of the company in previous years.

Proficiency in a foreign language is an almost mandatory requirement in the development centers of foreign companies. Only a little more than 10% of employees of these centers can afford to speak only their native language.

For most employees in service-oriented companies who work in permanent contact with their customers, it is also important to know a foreign language. But in this group the significance of the English is slightly lower than the role played by other languages. The product-oriented companies have the lowest share of employees proficient in foreign languages. In these companies, most of the communications with the customers goes through sales managers.

SITUATION IN THE LABOR MARKET IN RUSSIA AND OTHER COUNTRIES

It appears that the average salary of programmers in Russia will now grow at about the same rate as in economically developed countries (less than 10% annually).

The programmers' salary gap between Russia and the USA is still very large. On average, an American IT specialist earns \$6,500 a month while his/her Russian counterpart earns almost 4 times less. However, on the global software market, Russia competes primarily with India, China, Vietnam, other countries with low-cost labor and not with the USA and European nations. In addition, the advantage of Russia over the USA in terms of labor costs is offset by the higher expenditures for the lease of office premises, administration of accounting and financial reporting, higher taxation of high-tech companies and their employees.

According to Russian software developers with remote development centers in other countries, the labor costs in Vietnam and China are at least 2 times lower than in Russia. Other business-related costs in these countries are also lower. The costs of software development in India remain much lower than in Russia.

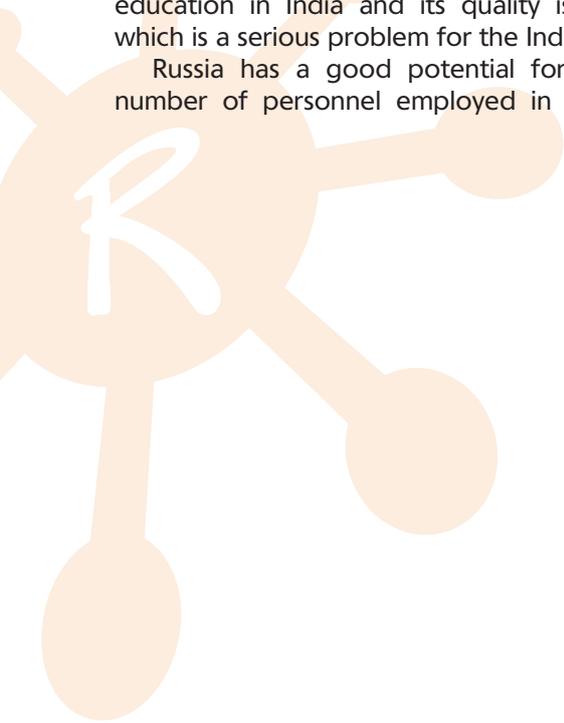
The salary ceiling in Russia is already reached, and it is defined not by the labor costs but by the taxation of the payroll (social payments) that the government adds to a company's production costs. If the situation with the social payments remains unchanged, and software development companies do not receive social payment benefits promised by the President, the companies will be unable to raise salaries in order to preserve and expand their staff. Therefore, they will be forced to move their software development away from Russia to other countries with more favorable taxation.

In many countries with cheap labor, salaries are also growing fast. This is a result of an acute shortage

of qualified personnel in all developing countries. According to NASSCOM (the leading IT companies association in India), quoted by The Wall Street Journal, about 50% of all engineering graduates and up to 85% of all college graduates in other professions are not fit for work in private companies after their graduation. There is no mandatory secondary education in India and its quality is relatively low, which is a serious problem for the Indian IT industry.

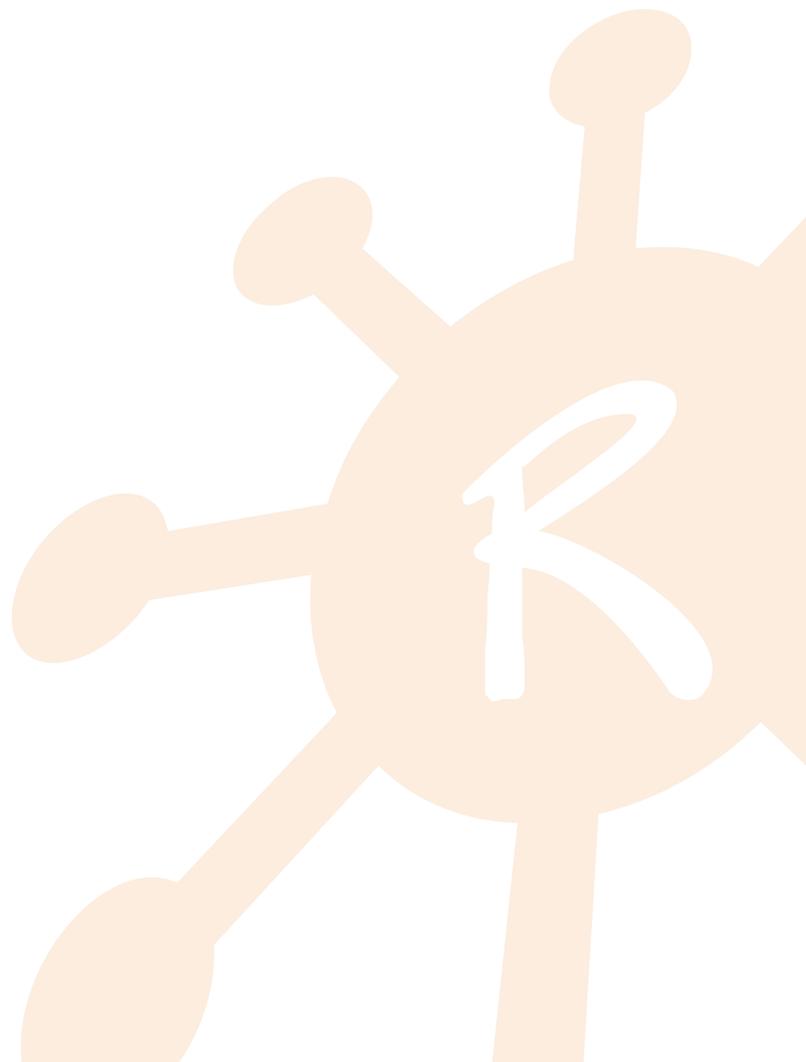
Russia has a good potential for increasing the number of personnel employed in the IT industry.

According to Frost & Sullivan, Russia ranks first in the world in terms of researchers and software developers per thousand inhabitants and it is the third in terms of scientists and engineers per million inhabitants, well ahead of India and China. Russia ranks first in the world in terms of the share of students receiving education in technical disciplines (according to UNESCO, Federal Statistic Office of Germany). However, the use of such potential requires the establishment of favorable environment for software development business in Russia.



CHAPTER 6.

TECHNOLOGIES



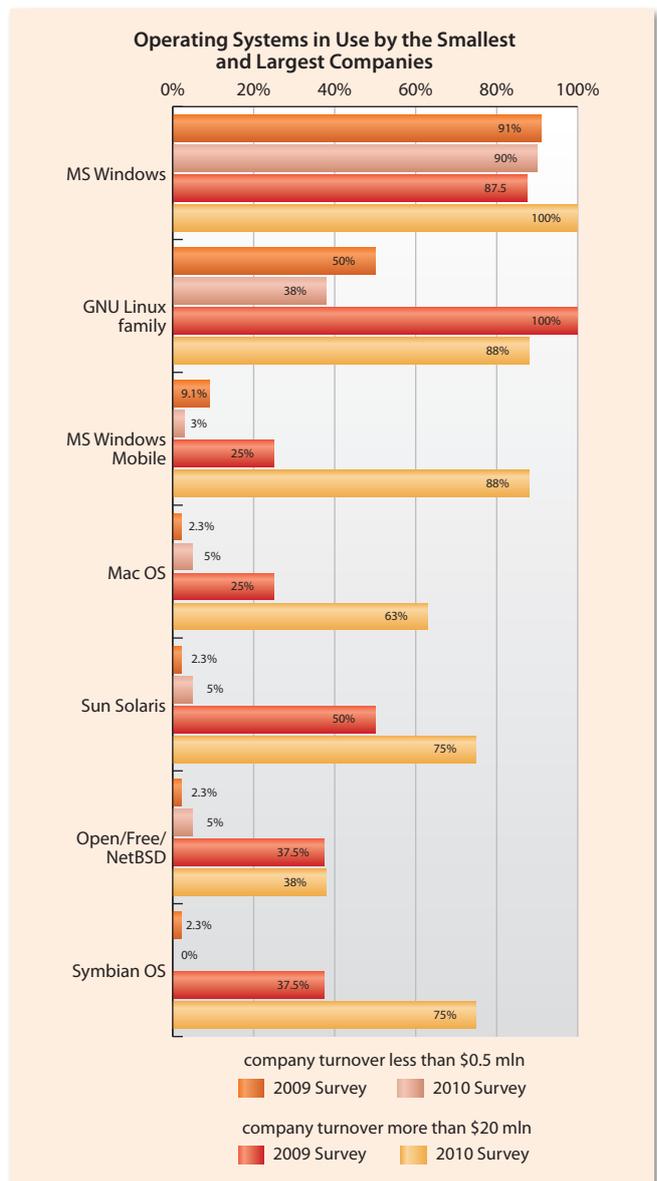
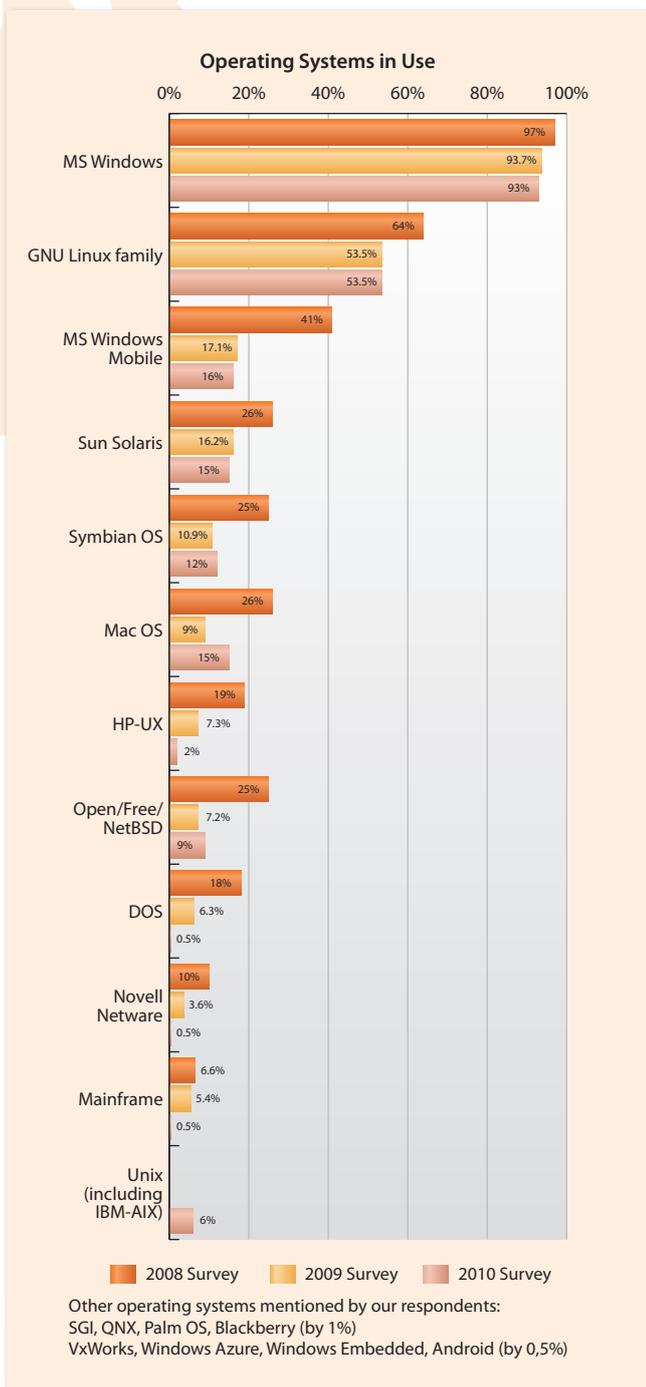
Compared with our previous survey, a number of references to various technologies and solutions used in software development (operating systems, programming languages and tools, databases) did not change a lot and remains at a significantly lower level than shows 2008 survey. In our 2009 and 2010 reports, as a result of the crisis, a number of references to technologies fell in almost all segments. As a matter of fact, the license fees for operating systems, databases, programming tools used by laid-off employees were diminishing simultaneously with the "optimization of the personnel". Before the crisis these operating systems, databases and programming tools were not used to their full capacity but were rather maintained for marketing purposes, awaiting new orders.

The second reason for the decline in a number of tools and platforms in use by our respondents was the significant increase in a number of surveyed companies with a larger share of relatively small-size companies that have a limited range of technologies and tools in use.

As a result of the economic crisis, we were additionally able to learn to what extent the operating systems, databases and tools were used as a reserve and, conversely, what technologies could not give up companies despite the crisis.

OPERATING SYSTEMS

The frequency of references to the 7 most popular operating systems remains on the same level as in last year (the variation is within the margin of error, no more than 1%). The only exception is Mac OS, the frequency of its references increasing from 9% to 15%. The growing popularity of this operating system is most likely the result of the revolutionary breakthrough made by this company in the mobile



and tablet devices market, which in general contributed to the increased attention to Apple's products from customers in all segments.

We find it hard to make a judgment on any changes for the HP-UX system, since only 10 companies mentioned Unix in their responses, and it is not always clear which Unix-like system these respondents have in mind. There is some growth in the popularity of Symbian and Open/Free/NetBSD, even though this increase only slightly exceeds the margin of error.

We noticed the continuing decline in the frequency of references to Novell Netware, DOS and Mainframes. A year ago, it transpired that the crisis made a most negative impact on their popularity (as well as on the popularity of Mac OS). But in contrast with them, the popularity of Mac OS has significantly increased over the past year.

DATABASES

Among the most popular databases, we note the increased popularity of MySQL (from 36% to 47%), PostgreSQL (from 11% to 17%), MS Access (from 14.7% to 19%) and IBM DB2 (from 8% to 13%). The changes for other databases are within the margin of error.

Among other databases that were not included in the table, the respondents mentioned, no more than once, ADABAS, Apache Derby, Progress, IBM solidDB, MongoDB, DataFlex, RDM, Sedna and TimesTen. Two of the surveyed companies are using their proprietary databases.

Database	2008 Survey	2009 Survey	2010 Survey
MS SQL	82%	66,1%	63%
Oracle	69%	48,6%	49%
MySQL	68%	35,8%	47%
MS Access	49%	14,7%	19%
Firebird	19%	11,0%	11%
PostgreSQL	31%	11,0%	17%
MSDE	27%	9,2%	7%
IBM DB2	33%	8,3%	13%
InterBase	18%	7,3%	9%
Sybase ASA	13%	6,4%	6%
SQLite	8%	5,5%	9%
IBM Informix	18%	5,5%	7%
SAP DB	9%	4,6%	6%
Sybase ASE	13%	3,7%	6%
Sybase IQ	7%	2,8%	0%
LINTER	5%	2,8%	0%
Paradox	12%	1,8%	4%
Cachee	7%	1,8%	1,3%
Ingres	2%	1,8%	0,7%
Berkeley DB	1%	1,8%	0,7%
Other			13%

Databases in Use by the Smallest and Largest Companies

Database	company turnover less than \$0.5 mln		company turnover more than \$20 mln	
	2009 Survey	2010 Survey	2009 Survey	2010 Survey
MS SQL	61,4%	49%	87,5%	88%
Oracle	31,8%	31%	75,0%	88%
MySQL	27,3%	26%	62,5%	88%
MS Access	-	3%	50,0%	63%
IBM DB2	-	9%	25,0%	63%
PostgreSQL	-	6%	50,0%	63%
MSDE	-	0%	37,5%	13%
Firebird	6,8%	11%	25,0%	13%
IBM Informix	-	0%	25,0%	75%
InterBase	-	3%	25,0%	50%
Sybase ASA	-	6%	37,5%	50%
Sybase ASE	-	0%	25,0%	50%
Paradox	-	0%	12,5%	38%
SAP DB	-	0%	25,0%	38%
Sybase IQ	-	-	12,5%	
LINTER	-	-	12,5%	
Ingres	-	-	12,5%	
SQLite	-	0%	-	25%
Other	-	6%	-	38%

PROGRAMMING TOOLS

There is a significant increase in the frequency of references to C/C++ as the main program language (from 36% to 46%) compared with the previous year. The figures for other programming tools barely changed compared with last year.

28% of respondents mentioned their secondary programming tools (of all surveyed companies that mentioned their main programming tool).

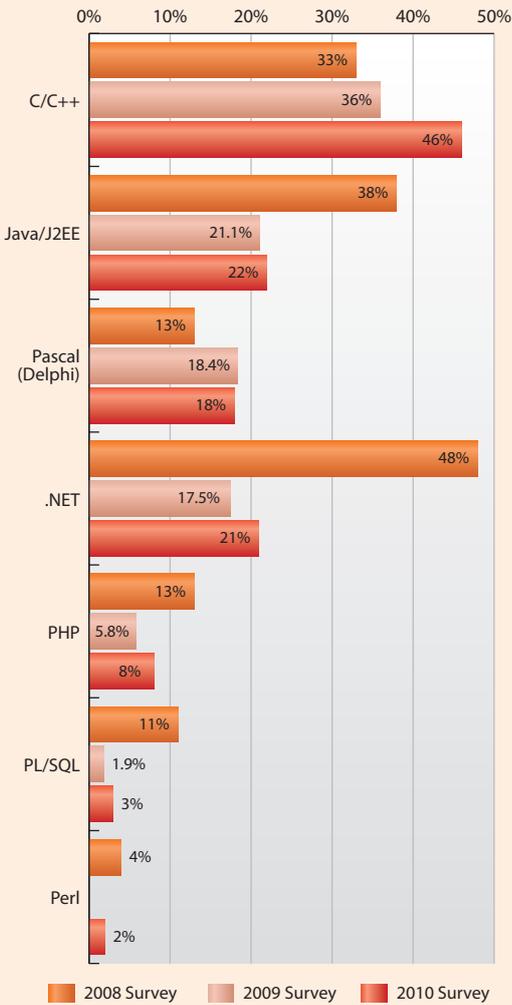
We note the significant increase of references to C/C++ and .NET in the rating of secondary programming tools. The frequency of references to C/C++ increased both in the rating of the main programming tools and in the rating of secondary programming tools

Other secondary programming languages: Forth and Ruby (by 3%), Fortran, Python and COBOL (by 2%). About 15 more tools were mentioned once.

Only 49% of surveyed companies (78 respondents) mentioned their development tools. As a result, the margin of error for measuring the popularity of programming tools is higher than in case of operating systems and databases. The frequency of references for MS Visual Studio barely changed over the past year. The popularity of other tools slightly diminished.

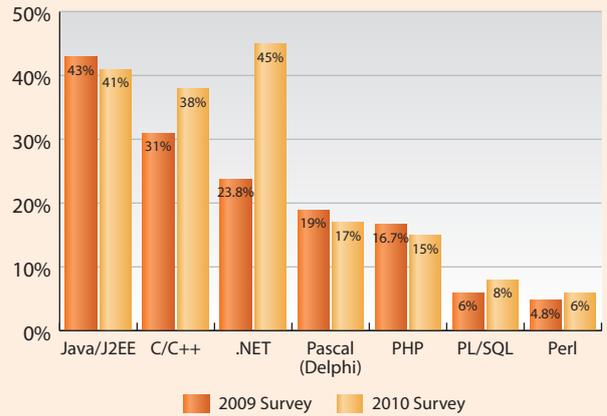
Among other development tools, our respondents mentioned the tools provided by IBM (2.5%), Borland JBuilder (2.5%), tools provided by Oracle (5%) as well as their proprietary tools (6.5%).

Main Programming Tools

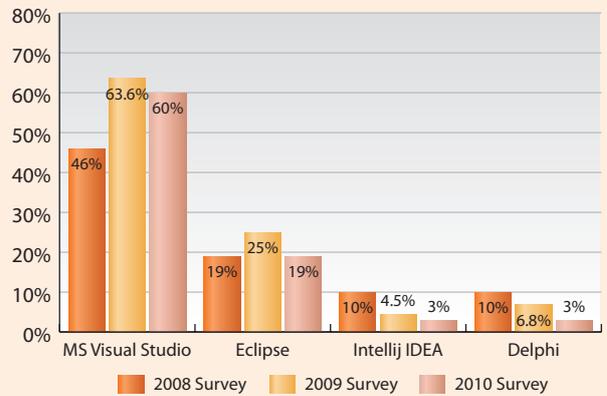


Other programming tools mentioned by our respondents:
 Ruby (2 references), Cobol (1), Python (2), 1C (3)

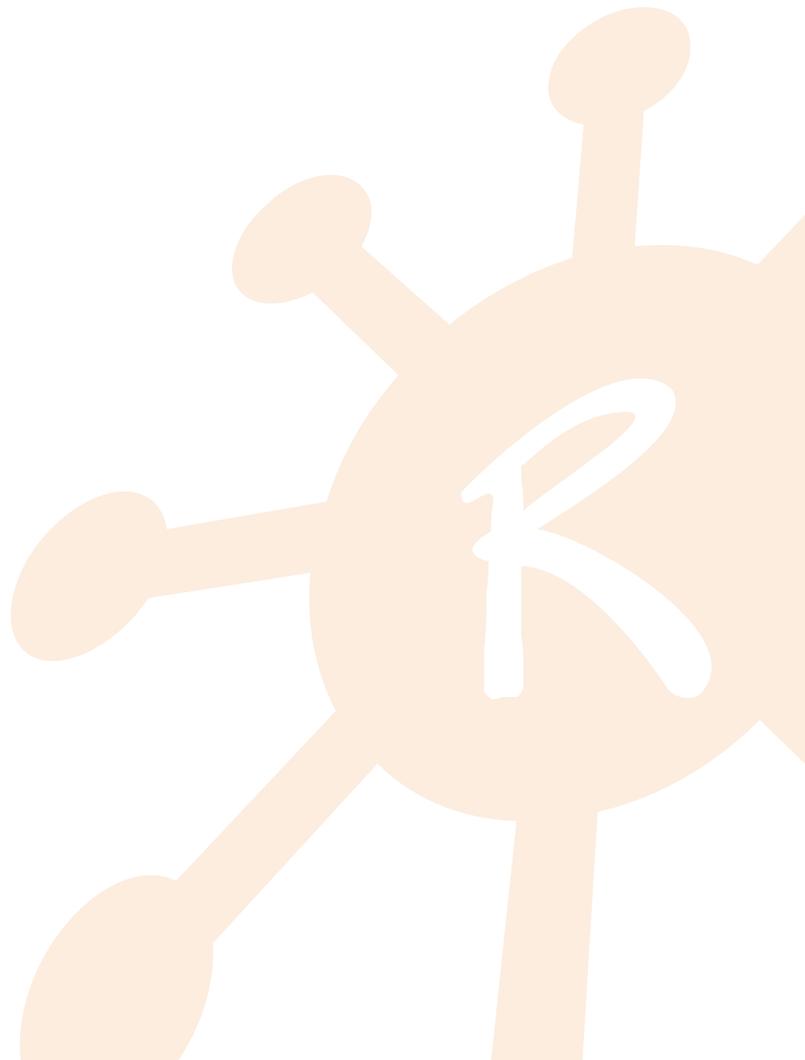
Secondary Programming Tools, used by the companies in certain projects



Most Popular Development Tools



SUMMARY



Faced with a 2.3-2.6% drop in demand on the world software market (according to IDC and Gartner) and a 5.3% drop on the world IT services market, the Russian software companies managed to increase their foreign sales by 5% last year. In 2009 Russian software and development services export reached \$2.75 bln.

Russian software exports volume growth was fueled by sales of software products which increased by 28%. The exports of products and ready-made solutions exceeded the nominal milestone of \$1 bln. The sales of software development services remained at the level of 2008. There was a certain reduction in the turnover of Russian software development centers of foreign corporations. We assume that in the coming years there will be the increased expansion of software products exports while the exports of software development services will grow slightly slower with more emphasis on high-tech projects.

The 2010 Global Outsourcing 100 Rating includes a record number of 13 companies from Russia and neighboring Russian-speaking countries. In this list are Allied Testing, Artezio, Auriga, IBA Group, Itransition, Intetics, EPAM Systems, Luxoft, MERA Networks, Reksoft, SaM Solutions, Sibers and SoftServe. 7 Russian companies in this rating are among the Top 100.

The image of Russia as a provider of software and development services to the world market is gradually improving. Russia increased by 11 points in the Global IT Industry Competitiveness Index by the Economist Intelligence Unit by climbing to 38th place ahead of all other BRIC countries. However, 40% of foreign media publications with keywords «Russia» and «Software» mention spamming, computer viruses and cyber attacks rather than successful Russian software developers and the victories of Russian university teams in software programming contests. This contributes to a generally negative image of the country. Only 15% of publications bring a sense of somewhat positive image of Russia. This negative tone of publications about Russia and its IT industry does not correspond to real life where Russia significantly lags behind the USA, China, Brazil and some other countries in terms of generating spam and malware.

As a year ago, most of the respondents believe that the crisis «worsened slightly the situation» for the industry. Primarily, it made the negative impact on the smallest companies (with turnover of less than \$0.5 mln). About 100-150 of such companies were forced out of business in 2009. At the same time, almost a quarter of the small businesses that remained either felt no impact of the crisis or noted its positive impact. So we can be sure that in the next 2 years a number of small businesses will be restored to its 2008 level and will grow as fast as ever.

In the past year, the software developers treated with caution any prospects of market growth and incoming investments. No more than 8% of surveyed companies attracted new investments. However, the

fact that 20% of respondents declared their desire in attracting outside financing in the next two years suggests that the period of uncertainty is over.

According to the companies, their business environment in Russia in 2009 either got no worse or did not change at all. Compared with the previous survey, the respondents rate better only the «Availability of Up-to-date Infrastructure», «Human Resources Availability» and «Financial Support to Small Businesses and Start-ups». It is a paradox that a large number of positive responses about the first two characteristics are most likely the result of economic crisis. This crisis led to a reduction in commercial property rental rates and to a certain (temporary) reduction of the tensions on the labor market.

All existing improvements in the Russian business environment are offset by the changes (expected or already in place) in the domestic taxation policy. The increase of payments on wages, under the legislation that replaces the Unified Social Tax (UST) by social payments, significantly deteriorates the financial indicators of software development companies. The replacement of UST by social payments would also mean the loss of benefits under UST that were used by software exporters in 2008-2009. If the government does not adopt promised measures to ease taxation for software developers, the competitiveness of the industry will be seriously damaged.

According to the survey, 2009-2010 saw a steady decline in the importance of the «US and Canada» market for Russian software developers. The Western European market, primarily, German and Scandinavian (including Finland), remains on the same level, while the importance of French and Italian markets is somewhat increasing. CIS countries are becoming the most rapidly expanding market. Russian software developers are increasingly present in the markets that are new to them: Latin America, South East Asia, Middle East, Australia and Africa.

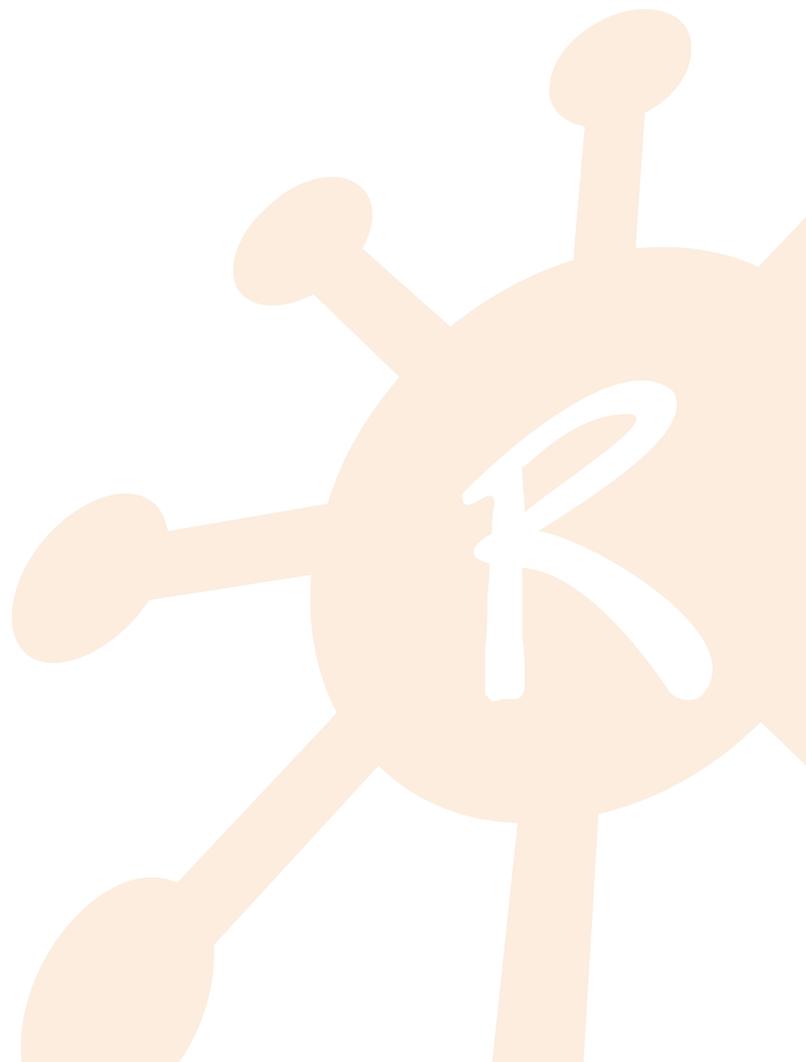
Large software developers are continuing their expansion in Russian regions. The head offices and remote development centers of surveyed companies can be found in 50 Russian cities. Most of the remote development teams, outside Moscow, the Moscow Region and Saint Petersburg, are based in Novosibirsk, Voronezh and Rostov-on-Don. Belarus is becoming an attractive region for Russian remote development centers. Similar centers will be also created in China, Vietnam and Eastern Europe.

The surveyed exporters have significantly reduced their activities on the Russian labor market compared with the previous year. 23% of the companies hired no new employees within the year. This indicator was at 9% in 2009 and 5% in 2008. At the same time, the companies tried to preserve the core of their staff while the employees preferred to keep their working place than to seek a better level of labor compensation. The staff turnover in Russia not only failed to increase in 2009 but it even somewhat diminished (6% instead of 9% in 2008).

The salaries in software companies slightly decreased in 2009, but at the beginning of 2010 they returned to their pre-crisis level. Finding qualified personnel will be the biggest challenge for Russian companies in the coming years. This problem is compounded by the «demographic pit» resulting from the decrease in the birth rate during «Perestroika». Our respondents believe that the quality of

professionals prepared by the Higher Education System is somewhat decreasing. Nevertheless, their level of education still remains one of the highest in the world which is confirmed by the victories of Russian universities teams in the world programming contests (ACM) and stronger position of the Russian companies on the high-tech development market.

PARTICIPANTS OF THE SURVEY



	ABBYY
Company Overview	<p>ABBYY is a leading developer and provider of document recognition, data capture, linguistic technologies and services. ABBYY software products range from end-user applications for PC, Mac and mobile devices to cloud-based enterprise solutions and development tools. ABBYY maintains a strong focus on innovation and has a 20-year history of scientific research in the field of artificial intelligence and applied linguistics.</p> <p>ABBYY covers all major markets across five continents. Today, more than 30 million people from over 130 countries use ABBYY products and technologies. Paper-intensive organizations from all over the world use ABBYY solutions to automate time- and labour-consuming tasks and to streamline business processes. ABBYY linguistic technologies and services help break down language barriers, facilitating better communications.</p> <p>ABBYY Language Services provides comprehensive language solutions to corporate customers, offering technology-intensive and high-quality translation and localization services.</p> <p>Another of ABBYY's business domains is publishing paper dictionaries and reference books (ABBYY Press).</p>
Website	www.ABBYY.com, www.ABBYY-ls.com
Locations Worldwide	10 offices in Russia, Germany, Ukraine, the United States, the United Kingdom, Japan, Taiwan, and Cyprus
Founded	in 1989
Employees	ABBYY Group employs over 900 people worldwide.
Key Products and services	ABBYY FineReader line of optical character recognition (OCR) applications; ABBYY FlexiCapture line of document capture solutions; ABBYY Lingvo dictionary software, and development tools for integrating OCR and document capture technologies; end-to-end translation and localization services to corporate customers.
Key Partners and Customers	<p>Companies that license ABBYY technologies include BancTec, Canon, EMC/Captiva, Hewlett-Packard, Microsoft, NewSoft, Notable Solutions, Samsung Electronics, among others. ABBYY OCR applications are shipped with equipment from the world's top manufacturers such as BenQ, Epson, Fujitsu, Fuji Xerox, Microtek, Panasonic, Plustek, Toshiba, and Xerox. ABBYY products are used in large-scale government projects such as those of the Australian Taxation Office, Brazilian Federal Tax Department, Lithuanian Tax Inspectorate, Ministry of Education of Russia, Los Angeles County and Montgomery County Government of the USA.</p> <p>More than 1000 customers worldwide have entrusted ABBYY Language Services with their linguistic tasks; more than 10 of them belong to the 100 best global brands.</p>
Recognition and Awards	<p>ABBYY products have gained significant recognition from leading industry publications, partners and technology organizations around the world with more than 200 awards. Examples include:</p> <ul style="list-style-type: none"> • The Russian Government Science and Technology Award • KM World "Trendsetting Product of the Year 2010", for ABBYY FlexiCapture 9.0 • KM World "Trendsetting Product of the Year 2008", for ABBYY FineReader 9.0 • Silver Mobile Star Award from MobileVillage, for ABBYY Mobile OCR Engine



Artezio – the Art of Technology

Founded	2000
Headquartered	Moscow, Russian Federation
Company Overview	<p>Artezio is an ISO 9001:2008 certified software development and consulting company. Over the last nine 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.</p> <p>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.</p>
Development centers	Moscow, Saratov (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	<ul style="list-style-type: none"> • Software engineering • Technology consulting • Software quality assurance and control • Support and maintenance • Offshore development center setup and operate • IT outsourcing
Industry focus	<p>Core: Healthcare/Pharmaceuticals/Bio-tech/Life Sciences, Finance/Banking, Telecommunications, Hi-tech</p> <p>Emerging: Transportation/Logistics, Retail, Entertainment/Media, Education, Governmental, Gas and Oil</p>
Corporate solutions	<p>Business software: business applications, web-applications, SaaS, e-Learning, CRM, PRM, ABAP development for SAP, software customization</p> <p>Portal Software: Open source (Liferay, GridSphere, Exo) platforms based large-scale business portal solutions; Sharepoint-based portal development; Large-scale video streaming entertainment portals</p> <p>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</p> <p>BI: Data Mining, Data Warehousing, OLAP</p> <p>Document workflow: SharePoint, Nuxeo, Alfresco</p> <p>Mobile platforms: J2ME, iPhone, Android, Symbian</p>
Technological profile	<p>Platforms: Microsoft Windows 98/NT/2000/ XP/Vista, Linux, FreeBSD, IBM AIX, Sun Solaris, HP-UX</p> <p>Technologies: J2EE, Microsoft .NET, LAMP</p> <p>Programming languages: Java, C, C++, C#, Perl, PHP, SAP/ABAP</p> <p>Product lines: IBM, Microsoft, Oracle, SAP, JBoss</p> <p>Databases: Oracle, Microsoft SQL Server, IBM Informix, MySQL, PostgreSQL, InterBase</p> <p>Methodology: WF, RUP, Agile (SCRUM, XP)</p>
Corporate websites	http://www.artezio.com , http://www.artezio.ru
Contacts	<p>info@artezio.com, sales@artezio.com</p> <p>Russia: Phone: +7 495 981-0531, Fax: +7 495 232-2683</p> <p>USA: Phone: +1 978 930-1698, Fax: +1 856 596-7512</p> <p>Germany: Phone: +49 8031 267-935</p>



Auriga

Elite Software R&D Services
Since 1990

Founded in	1990
Engineering Locations	Russia (Moscow, N. Novgorod, Rostov-on-Don), EU (Vilnius, Lithuania)
Services	<ul style="list-style-type: none"> • 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, Actel/Pigeon Point Systems, BroadVision, Dräger Medical, Dialogic, Raymarine, etc.
Technologies & Platforms	<ul style="list-style-type: none"> • 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, Symbian, RIM BlackBerry, LiMo, Moblin, Windows Mobile) and Wireless (GSM, 3G, 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	<p>– Ranked #15 in worldwide Top 50 Best Managed Providers of The 2010 Black Book of Outsourcing (by Datamonitor), the highest rank achieved by a Russian company ever. In earlier years ranked as #3 among ITO service providers in CEE and #6 among software testing / QA providers worldwide.</p> <p>– 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.</p> <p>– In Global Services 100 (by Global Services Media and neoIT) since 2006. The company is ranked among the “Top 10 Service Providers: Eastern Europe”.</p> <p>– In overall Top 20 of software R&D service providers and in Top 10 among the companies serving Software industry, in 2009 ranking of service providers in India, China, Russia, Ukraine & CEE by Zinnov Management Consulting.</p>
Industry Standards	CMMI Level 4, ISO 9001, SPICE, DO-178B, ISO 13485
About Auriga	<p>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.</p> <p>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.</p> <p>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.</p>
Contacts	<p>Auriga, USA: 92 Potter Rd, Ste. 1, Wilton, NH 03086, USA. Phone: +1 (866) 645-1119. Fax: +1 (603) 386-6097</p> <p>Auriga, Russia: 125 Varshavskoe Shosse, Unit 16A, Moscow, Russia, 117587 Phone: +7 (495) 713-9900, Fax: +7 (495) 939-0300</p>
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	5,500+
Company Overview	<p>EPAM Systems is the leading provider of full-cycle software engineering and IT consulting services with development centers in Central and Eastern Europe. EPAM provides services to clients worldwide utilizing global delivery model through its customer support operations in North America, UK, Germany, Sweden, and Switzerland together with 5,500 IT professionals across development centers in Central and Eastern Europe and Russia.</p> <p>EPAM's core competencies include complex software product engineering for leading global software and technology vendors, as well as development, testing, maintenance, and support of mission critical business applications and vertically oriented IT consulting services for global Fortune 2000 corporations. EPAM has developed, deployed into production, as well as currently supports and maintains systems for global customers in 30+ countries and 13 languages.</p> <p>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 17 years to support this delivery model.</p> <p>Certified as compliant with SAS 70 Type II security standard, EPAM's experience is backed by financial strength, security & IPR protection, maximizing quality, efficiency and scalability of company operations while minimizing risks.</p>
Development centers	Russia, Ukraine, Belarus, Hungary, Kazakhstan
Major Service Offering	<ul style="list-style-type: none"> • Software product engineering and custom development • Project-based technology consulting • Application Testing, Maintenance and Support • Application Migration and Reengineering
Technology Focus	<ul style="list-style-type: none"> • .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) • Enterprise Content Management (EPAM CMS, Open Source, Stellent (Oracle), Documentum, Interwoven) • Embedded SW development (OSE, VxWorks, LynxOS, Reliant (pSOS), QNX, Linux, HP-UX, Solaris, Windows NT 4.0 Embedded, Windows CE/Mobile)
Practice Areas	<ul style="list-style-type: none"> • Software Product Development • Finance and Banking • Media and Entertainment • Travel and Hospitality • Insurance and Healthcare • Telecommunications • Oil/Gas, Energy • Retail and Consumer Goods
Partial Customer List	Thomson Reuters, The Coca-Cola Company, Wolters Kluwer, MTV Networks, Expedia, Schlumberger, Renaissance Capital, MICEX, Whirlpool, SAP, Microsoft, Oracle, ATG, Barclays Capital, mobilkom austria group
Awards	<ul style="list-style-type: none"> • The 2010 Global Outsourcing 100: ranked highest among Central/Eastern European and Russian ITO vendors; included into multiple individual sub-lists; • The 2010 Global Services 100: named among the global Top 10 «Outsourced Product Development Vendors»; • Top 50 Best Managed Outsourcing Vendors 2009: is the sole Central/Eastern European and Russian ITO vendor on the list; listed for the third time since 2006



eDevelopers Corporation

Company Name	eDevelopers Corporation
URL	www.evelopers.com
Email	sales@evelopers.com
Headquarter	800 W El Camino Real, # 180, Mountain View, CA 94040 USA
Development Center	15, 26 Line, Vasilievsky Ostrov, St. Petersburg, 199106, Russia
Number of employers	50
Founded	1999
Contacts	USA +1-408-406-8727, e-mail: svelednitsky@evelopers.com Russia +7-812-324-3211 ext. 702, e-mail: anarvsky@evelopers.com
About Company	<p>eDevelopers™ is an ISO 9001:2008 certified software development company which provides consulting, and IT outsourcing to customers worldwide. With the team of professionals we have over 10 years experience in designing and developing outsourcing projects. Our services vary from custom application development, maintenance and support to providing Offshore Development Center and IT consulting.</p> <p>Headquartered in California, eDevelopers maintains presence in Silicon Valley and a global development center in St. Petersburg, Russia.</p> <p>Whether a multi-billion dollar corporation or a promising startup, our clients share the same need: to find the best technical resources no matter where they are located. Businesses and organizations of all sizes, including Fortune 500 companies use eDevelopers as extension of their IT team to become cost effective and more efficient.</p>
Industries	Hi Tech, Travel and Hospitality, Financials
Technical expertise	<ul style="list-style-type: none"> • web technologies: xhtml, css, js, ajax, json, json-rpc, xml, xslt, xpath, xforms, action script, php • web frameworks: jQuery, Dojo, ExtJS, ExtGWT, Flash, Flex, Backbase, PureMVC, CakePHP, PEAR, PECL, ADOdb, Sencha • java platform (first company in St. Petersburg to embrace J2EE standard, delivered more than 150 different J2EE projects): <ul style="list-style-type: none"> – java se: 1.2 to 1.6 – java ee: jsp, jstl, jsf, servlets, ejb, jms, jta, jca, jaxp, jaxm, jax-ws, jmx, struts, spring, hibernate, jboss seam, icefaces, myfaces, gwt – java me: cdc, clc, midp • application platforms: Jboss, Sun One, BEA WebLogic, IBM WebSphere, Adobe LifeCycle, Alfresco • ms platform: c#.net, asp.net, ado.net, SilverStripe, BizTalk • portal platforms: JBoss, Oracle, Liferay, CAS, Tibco • integration with legacy systems: web services, BizTalk, DCOM, CORBA, BEA Tuxedo, RosettaNet • cms: Alfresco, SilverStripe, Drupal • mobile platforms: Android, iPhone, Sencha Touch



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 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

- Business Intelligence
- Master Data Management
- WCM/EPiServer
- ECM
- Cloud computing
- Enterprise portals
- Windows network management

Website

www.firstlinesoftware.com

Contact info

E-mail: sales@firstlinesoftware.com
Phone: +1 (877) 737-7178

Global presence

USA, Russia

	<h1>Lanit-Tercom</h1>
Foundation date	1991
Headquarters	St.Petersburg
Headcount	300+
Company Overview	<p>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.</p> <p>Lanit-Tercom works with the customers from Russia, the USA and the EU.</p> <p>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.</p> <p>The core Lanit-Tercom's services are: development of software/hardware complexes, software/hardware optimization, reengineering and ODC set-up.</p>
Key areas of expertise	<ul style="list-style-type: none"> • Energy & Industry • Banking & Finances • Telecom/Internet • Education • Law • Transportation • Publishing & Media
Competence Centers	<ul style="list-style-type: none"> • Mathematical software • Energy & Industry • Electronics development • Reengineering • Image and Video Processing • Media and Publishing • Mobile applications • Special purpose electronics • Software for managing analytical equipment • Resource Pool
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).
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.
Services	<p>Software Development Services</p> <ul style="list-style-type: none"> • Application software development • Software architecture services • Performance engineering • Software quality assurance • IT infrastructure management <p>Product Engineering</p> <ul style="list-style-type: none"> • Product engineering <ul style="list-style-type: none"> • Embedded systems development • Systems engineering services • Hardware engineering services <p>Consulting</p> <ul style="list-style-type: none"> • IT strategy consulting • Software process consulting • Data security consulting
Industries	<ul style="list-style-type: none"> • Aerospace • Automotive and Transport • Banking and Finance • Software Industry • E-commerce • Energy and Utilities • Manufacturing • Media and publishing • Telecommunications
Locations	<p>Development centers</p> <ul style="list-style-type: none"> • Russia: Moscow, St Petersburg, Omsk, Dubna • Ukraine: Kiev, Odessa, Dnepropetrovsk • Vietnam: Ho Chi Minh City • Romania: Bucharest • UK: London <p>Representative offices</p> <ul style="list-style-type: none"> • Poland: Krakow • USA: New York, Seattle • Canada: Vancouver • Europe: London, UK; Frankfurt, Germany; Zurich, Switzerland; Singapore, Singapore
Number of employees	3700+
Quality standards	SEI CMM/CMMI Level 5, ISO 9001:2008, ISO 27001:2005
Key clients	<p>European and US clients: Deutsche Bank, Boeing, UBS, IBM, Thomson, Areva, IDS, Sabre Holdings, Avaya, Alcatel, Ping Identity, AePONA, Harman</p> <p>Russian clients: Microsoft Russia, Absolute Bank, Uralsib, Vimpelcom, Polymedia</p>
Awards	<ul style="list-style-type: none"> • 2010: Luxoft Recognized as a Leading CEE Service Provider and a Prominent Player in Engineering Services and Application Development Space – by Global Services 100 rating by NeoAdvisory & Global Services • 2010: Dmitry Loschinin, President & CEO of Luxoft, receives “Russian Business Leader of the Year 2010” Award at the Global Russia Business Meeting • 2009: #1 IT Outsourcing Service Provider in Eastern and Central Europe - by Black Book of Outsourcing for 2008 • 2009: “Leaders” category of the 2009 Global Outsourcing 100 list by IAOP • 2009: #1 in the “Emerging European Markets” Category in Global Services 100 rating - by neIT & Global Services • 2008: Winner in the Telecom, Utilities And High Tech Project of The Year Category – by National Outsourcing Association Awards • 2008: the Fastest Growing Russian Software Company in Technology Fast 500 EMEA Ranking by Deloitte • 2007: Applied Innovation Award for the CRM system built with Deutsche Bank
Website	www.luxoft.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

ABI Soft

URL	www.abisoft.spb.ru
Contact E-mail	info@abioft.spb.ru
Contact Phone	+7 (812) 591 6903
Headquarters	Saint-Petersburg
Year of Foundation	1998
Number of Employees	13
Programming Languages	C/C++, C#
About ABI Soft	ABISoft Ltd. is a dynamically growing software development company. The core of our team was formed in 1999 year, during the work in w-Technologies representative office. We have experience in the areas of distributed and autonomous systems for mobile devices, WEBapplication development, local or remote support of up systems, database administration, development of computer games, etc.

AKVIS

URL	www.akvis.com
Contact E-mail	info@akvis.com
Contact Phone	+7 (342) 237 9328
Headquarters	Perm
Year of Foundation	2003
Number of Employees	20
Programming Languages	C/C++
About AKVIS	AKVIS specializes in development of image processing software and scientific research. The company was founded in 2004 by IT professionals having considerable experience in programming and software development. Since then the company has released a number of successful programs. The software development division is located in Perm, Russia. The company sponsors web-design and digital photography contests. AKVIS offers free licenses to non-profit organizations (heritage foundations and historical societies) involved in conservation and restoration of photographic archives having cultural value.

Alfa-Tranzit

URL	www.alfatran.com
Contact E-mail	info@alfatran.com
Contact Phone	+7 (495) 232 6091
Headquarters	Khimki
Year of Foundation	2000
Number of Employees	13
Programming Languages	C/C++, C#
About Alfa-Tranzit	Engineering & Consulting Centre of Alfa-Tranzit Co., Ltd was founded in 2000 year by Mikhail K. Leontiev - academician, professor, doctor of science, the member of SAE. Leader in rotordynamics field, who together with the employees have accumulated over 40 years of rotating machinery field design and service experience. Today the company has become one of the Russian industry leaders in the software, analysis, design and testing of rotor structures for high performance turbomachinery.

ALT Linux

URL	www.altlinux.ru
Contact E-mail	sales@altlinux.ru
Contact Phone	+7 (495) 662 3883
Headquarters	Moscow
Year of Foundation	2001
Number of Employees	70
Programming Languages	C, C++, Python, Java, Scheme, Perl, Ruby
About ALT Linux	ALT Linux was founded in 2001 by a merge of two large Russian free software projects. By the year 2009 it became a large organization developing and deploying free software, writing documentation and technical literature, supporting users, and developing custom products. ALT Linux produces different types of distributions for various purposes. ALT Linux has its own development infrastructure and repository called Sisyphus, which provides the base for all the different editions of ALT Linux.

Arcadia

URL	www.arcadia.spb.ru
Contact E-mail	info@arcadia.spb.ru
Contact Phone	+7 (812) 610 5955, +7 (812) 610 5958
Headquarters	Saint Petersburg
Year of Foundation	1993
Number of Employees	160
Programming Languages	C#/.NET
About Arcadia	ZAO Arcadia provides full cycle of custom software design, architecture and development services for international clientele. Our knowledge domain includes business applications for business process automation, accounting, fixed assets management, HRM, insurance, education and e-learning, pharmaceutical data warehousing, data security, developer tools, as well as web applications, corporate and collaboration web-portals.

A-Real Consulting

URL	www.a-real.ru
Contact E-mail	hello@a-real.ru
Contact Phone	+7 (4852) 427 787
Headquarters	Yaroslavl
Year of Foundation	2003
Number of Employees	30
Programming Languages	PHP, C
About A-Real Consulting	A-Real Consulting is small innovative company, working in the area of information technology. Founded in 2003 by a group of IT professionals A-Real Consulting provides clients products and services in three main directions: Custom software development, including business automation, specific task software development, web development, distribution of ready products and integration of open source solutions; Systems integration and Internet connection control, providing complete traffic accounting, user access control, network security and value added services.

Ascon

URL	www.ascon.ru
Contact E-mail	info@ascon.ru
Contact Phone	+7 (812) 703 3933
Headquarters	Saint-Petersburg
Year of Foundation	1989
Number of Employees	550
Programming Languages	C++, Delphi
About Ascon	ASCON was founded in 1989 as a private company and become one of the first CAD/AEC/PLM developers and integrators on the Russian and CIS member countries market. ASCON software solutions address key issues of engineering design, such as preparation and release of drawing and design documentation, business process development and engineering data management. Today ASCON operates more than 60 offices in major industrial regions worldwide. Each company branch provides a full range of services in software implementation, IT consulting, personnel training, software integration and support.

ASV

URL	www.asv.ru
Contact E-mail	saleinfo@asv.ru
Contact Phone	+7 (342) 224 4444
Headquarters	Perm
Year of Foundation	1994
Number of Employees	32
Programming Languages	C, Perl
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.

Avicode

URL	www.avicode.com
Contact E-mail	hr@avicode.com
Contact Phone	+1 (443) 577 3000
Headquarters	Baltimore, USA
Year of Foundation	2001
Number of Employees	100
Programming Languages	C#
About Avicode	AVIcode is the leading provider of application monitoring solutions for the Microsoft .NET Framework. With its award-winning technology and innovative products, AVIcode delivers the industry's most complete suite of application monitoring solutions used throughout the full application lifecycle.

BACUP IT

URL	www.bacup.ru
Contact E-mail	a.r.rakhimov@bacup.ru
Contact Phone	+7 (383) 325 0771
Headquarters	Novosibirsk
Year of Foundation	1990
Number of Employees	42
Programming Languages	
About BACUP IT	Bacup IT – private Russian software development company with the primary focus on custom business application development. The company was founded in 1990 in Novosibirsk, Russia. Bacup IT gathered the best programmers and software developers and shaped up a solid harmonious software development team. The team consists of diverse in age software specialists with one common goal–use all the expertise and skills to meet growing expectations of our customers.

Bornica

URL	www.bornica.ru
Contact E-mail	info@bornica.ru
Contact Phone	+7 (495) 764 3144
Headquarters	Moscow
Year of Foundation	2003
Number of Employees	12
Programming Languages	Pascal, Delphi
About Bornica	The Bornica company was created in the year 2003. We develop and sell software for business. One of our products «Autobase» gained popularity and is being widely used in fleet managemet. We deal with differnt regions in Russia (Saint-Peterburg, Kaliningrad, Murmansk, Arhangelsk, Vladivostok and other) and we also would like to have foreign partners. Among our clients there are large oil companies, construction companies, heavy machinery companies.

Canopus

URL	www.canopus.ru
Contact E-mail	sales@canopus.ru
Contact Phone	+7 (495) 956 3468
Headquarters	Moscow
Year of Foundation	1993
Number of Employees	15
Programming Languages	PHP, Delphi
About Canopus	CANOPUS Software Ltd was founded in 1992. With more than 18 years of experience in Information Technology market we established a reputation of a stable and reliable supplier of solutions for financial companies, banks, corporate treasuries and payment systems operators. For the present day, the company structure includes the following departments: Development; Implementation and support; Sales and Marketing; Accounting and Finance.

CBOSS

URL	www.cboss.ru
Contact E-mail	info@cboss.ru
Contact Phone	+7 (495) 363 4460
Headquarters	Moscow
Year of Foundation	1996
Number of Employees	500
Programming Languages	
About CBOSS	CBOSS Corporation offers the full range of equipment, system and application software and professional services, including consulting, turnkey implementation, technical support, staff training and IT outsourcing, providing telcos with guaranteed operations quality while minimizing operational and capital expenditures.

CN-Software, Ltd

URL	www.cn-software.com
Contact E-mail	support@cn-software.com
Contact Phone	+7 (8162) 603 500
Headquarters	Veliky Novgorod
Year of Foundation	2005
Number of Employees	10
Programming Languages	PHP, Python, C, Perl
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.

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	25
Programming Languages	C, Java, Delphi, Pascal
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.

Crystal Reality

URL	www.crystalreality.com
Contact E-mail	info@cristalreality.com
Contact Phone	+7 (812) 954 6216
Headquarters	Saint-Petersburg
Year of Foundation	2003
Number of Employees	10
Programming Languages	C++
About Crystal Reality	Crystal Reality LLC was founded in the March 2003 in Saint-Petersburg, Russia by Kim Bondarenko, Philip Philonenko and Misha Filippovitch to improve the basis for the development of Crystal Player product and to bring professional scale management for deployment of the technology to the users. The actual development of Crystal Player product was started in Oct 2002 by Kim Bondarenko. We specialize on highly complex multimedia solutions for wide range of platforms, providing our customers both quality products as well as well tested software components for building media applications.

CTI Communications

URL	www.cti.ru
Contact E-mail	info@cti.ru
Contact Phone	+7 (495) 784 7313
Headquarters	Moscow
Year of Foundation	2000
Number of Employees	13
Programming Languages	Delphi, C++, Java, C#
About CTI Communications	CTI is a system integrator and software development company located in Russia, specialized in communications solutions. Our portfolio includes the following solutions for telecommunications companies: Networks, IPTV, OSS/BSS, Service Delivery Platforms (SDP), VoIP, Self-care portals, Data centers and also for corporate customers: Unified Communications, Contact Centers, ITSM and Information Security. CTI develops its own suite of software products for telecommunications market such as billing systems, components of OSS/BSS systems, IP-Telephony applications and Video over IP management systems.

Darout Service Ltd

URL	www.darout.ru
Contact E-mail	ausov@darout.ru
Contact Phone	+7 (812) 346 8530
Headquarters	Saint-Petersburg
Year of Foundation	2001
Number of Employees	45
Programming Languages	Java
About Darout Service Ltd	DAROUT SERVICE Ltd. is a prospective outsourcing company, with a strong organization and management aimed at performing the projects on Software Design and Implementation, including ERP and financial applications, custom software for Internet and Mobile Devices, Database design, administration and tuning.

DataArt®

URL	www.dataart.com
Contact E-mail	info@dataart.com
Contact Phone	+1 (212) 378 4108
Headquarters	New York, USA
Year of Foundation	1997
Number of Employees	400
Programming Languages	.Net, Java, C++, Python, Ruby, PHP, Perl, Objective-C
About DataArt®	DataArt is a leading provider of high-end software outsourcing services for SMEs, specializing in enterprise application development, system integration and business automation tools, with industry-specific software expertise in financial, telecom and media sectors. Headquartered in New York.

Daxx

URL	www.daxx.com
Contact E-mail	info@daxx.com
Contact Phone	+7 (812) 493 5543
Headquarters	Amsterdam
Year of Foundation	2000
Number of Employees	20
Programming Languages	PHP
About Daxx	Daxx is an IT Service provider founded in 1999 and based in the Netherlands using nearshore development centers. Daxx offers high quality IT solutions and staffing mostly to small and medium sized companies. For the technical skills required by our clients we use our three in-house competence centers. These centers are located in St. Petersburg, Donetsk and Kiev. Our experience with IT production and service for the last 10 years, our experience in Russia and Ukraine and the high educational standards in these countries ensure that we can handle even the most complex projects.

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	300
Programming Languages	C/C++,C#,VB/VB.NET,Java
About Digital Design	Digital Design is a Russia-based IT consultancy offering a full range of IT services to our clients in Russia and worldwide. We work with large and SMB companies from a variety of branches including banking, logistics, transportation, manufacturing and public sector. We also work with ISVs and system integrators as a software development partner or a subcontractor for large-scale software development projects. The company is headquartered in St.Petersburg, with a local branch in Moscow. Since its inception in 1992 Digital Design has become one of the largest IT providers in Russia with €15 mln.

DIRECTUM

URL	www.directum.ru
Contact E-mail	present@directum.ru
Contact Phone	+7 (3412) 505 500
Headquarters	Izhevsk
Year of Foundation	2003
Number of Employees	100
Programming Languages	Delphi, C#
About DIRECTUM	DIRECTUM Company is one of the leaders of Russian electronic document management market. To intensify promotion, development and implementation of electronic document and interaction management system a special department of NPO «Computer» was established in to DIRECTUM Company in 2003.

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++, C#, Java, Pascal
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.

Edison

URL	www.edsd.ru
Contact E-mail	market@edsd.ru
Contact Phone	+7 (3842) 598 765
Headquarters	Kemerovo
Year of Foundation	2000
Number of Employees	12
Programming Languages	C++, C, C#, Delphi, PHP, Python, Ruby
About Edison	EDISON is currently made up of a team of highly-qualified professionals who provide a whole range of software development and testing services for customers from a variety of business sectors. To date, we have completed hundreds of major projects. The maximum total labour contribution for one project has so far been 15 man-years. The proven quality of our services creates an atmosphere of trust between us and our partners, while the practical value and reliability of the products we create significantly improves our clients' businesses.

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.

ElecCard

URL	www.elecard.ru
Contact E-mail	sales@elecard.ru
Contact Phone	+7 (3822) 492 609
Headquarters	Tomsk
Year of Foundation	1988
Number of Employees	170
Programming Languages	C
About ElecCard	Elecard is a leading provider of software and hardware solutions implemented on MPEG-2 and AVC/H.264 video compression technology. Based on more than 20-year research of multimedia and network technologies, Elecard now offers advanced and cost-effective IPTV and DVB broadcasting servers and STBs. The IPTV product line comprises AVC/H.264 encoders, VoD and TimeShift servers, DVB-IP video gateways, DVB-C, DVB-T and IP set-top-boxes. Consumer and professional product lines feature software products for video editing, playback, conversion, and analysis on PC.

Electronic Microsystems

URL	www.sqlmanager.net
Contact E-mail	inp@sqlmanager.net
Contact Phone	+7 (351) 261 9505
Headquarters	Chelyabinsk
Year of Foundation	1993
Number of Employees	40
Programming Languages	Delphi
About Electronic Microsystems	EMS /Electronic Microsystems/ is an Information Technology Company, one of its activity fields is software development. EMS was founded in 1993 and initially was specializing in the development of network applications, corporate databases and business automation tools built in multi-layer client-server architecture. Since 1999, EMS has concentrated on producing database administration tools and utility applications for data management. The R&D center of EMS is headquartered in Chelyabinsk, Russia. EMS also has headquarters in New York, Oxford and Stuttgart.

Enterra

URL	www.enterra.ru
Contact E-mail	info@enterra-inc.ru
Contact Phone	+7 (3852) 360 898
Headquarters	Barnaul
Year of Foundation	2001
Number of Employees	60
Programming Languages	PHP, Java
About Enterra	Enterra's Mission is "To use our expertise and innovation to provide our customers with high-end software solutions on Time, on Point, on Budget!" Founded in 2001 Enterra currently is a multi-national software development company with offices based in: Tampa (USA), Walldorf (Germany), Barnaul, Moscow (Russia), Simpheropol (Ukraine).

Equelli

URL	www.equelli.com
Contact E-mail	info@equelli.com
Contact Phone	+7 (3812) 39 6489
Headquarters	Omsk
Year of Foundation	2008
Number of Employees	90
Programming Languages	C++, Java, C#, PHP, Ruby, Python
About Equelli	We are Equelli – an up and coming IT company providing IT outsourcing services worldwide. We currently employ over 90 software developers working in two offshore software development centers. It is in our plans to found two more development centers in 2010. Besides the great team of developers, we have a crew of analysts, and a testers department. The company started with 3 developers in August of 2008 and since that time we have grown to be a successful and profitable company (the company's revenue has increased up to about 1000% over the last half a year).

ETNA Software

URL	www.etnasoft.com
Contact E-mail	info@etnasoft.com
Contact Phone	+1 (718) 717 2700
Headquarters	Saint Petersburg
Year of Foundation	2002
Number of Employees	55
Programming Languages	C#, .NET, Java
About ETNA Software	ETNA Software is a software development company focused on electronic trading and asset management applications. ETNA offers a full spectrum of IT services from software design, development, implementation and testing to support and maintenance. Trading platforms, automatic trading systems and order routing solutions produced by ETNA are used by major brokerages in the USA and the UK.

Exigen Services

URL	www.exigenservices.com
Contact E-mail	info@exigenservices.com
Contact Phone	+7 (812) 327 9900
Headquarters	San Francisco
Year of Foundation	1993
Number of Employees	1700
Programming Languages	Java/ Java EE, C++, C#, PHP, COBOL, Fortran
About Exigen Services	Exigen Services is an Inc. 5000 global IT company that provides a lower risk alternative to conventional application outsourcing. The company combines advanced development methodologies with value-based project governance and performance-based contracts to mitigate outsourcing risks and provide a higher return on IT project investments. Since 2000, Exigen Services has been a global leader in the use of distributed Agile methods for rapid and precise systems development throughout the banking, insurance, brokerage, healthcare, telecommunications, government and media industries.

Fujitsu Russia GDC

URL	www.fujitsu.com
Contact E-mail	andrey.krehov@ru.fujitsu.com
Contact Phone	+7 (843) 279 4909
Headquarters	Kazan
Year of Foundation	2006
Number of Employees	196
Programming Languages	C#, VB.NET
About Fujitsu Russia GDC	Fujitsu Russia Global Delivery Centre (GDC) — the key organization department, delivers services to Fujitsu Europe business in following directions: Application Services — services for applications development and applications support; Infrastructure Services — services in remote infrastructure management and network operations; Test and Validation — services in test and validation and workplace services; Customer Services — dispatching and supply maintenance, remote workstation management and hardware support.

HyperMethod IBS

URL	www.learnware.ru
Contact E-mail	haper@learnware.ru
Contact Phone	+7 (812) 380 8877
Headquarters	Saint-Petersburg
Year of Foundation	1991
Number of Employees	30
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 eLearning 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 eLearning 3000 has been translated into English, Kazakh, Armenian, Ukrainian, Czech, Farsi and other languages.

IBA Group

URL	www.iba-it-group.com, www.ibagroup.eu
Contact E-mail	info@iba-it-group.com
Contact Phone	+375 (17) 217 3952
Headquarters	Prague, Czech Republic
Year of Foundation	1993
Number of Employees	2466
Programming Languages	C/C++/VC++, C#, Java, VB.Net, Cobol, ABAP/4, RPG/400, Fortran, Forth, Basic, Pascal, Smalltalk, Lisp, PLX, ADA, Prolog, Modula, PL/1, Natural, Ассемблеры для разных платформ
About IBA Group	IBA Group is one of the largest IT service providers in Eastern Europe employing 2,500 professionals. Headquartered in Czech Republic, its offices are in Belarus, the US, Germany, Cyprus, Russia and Bulgaria. Founded in 1993, IBA offers software development, migration, maintenance, 24x7 support, and IT consulting services with focus on mainframe software, enterprise applications, business intelligence, web solutions, SAP solutions, Lotus technologies, and business intelligence. IBA Group serves clients in 30 countries across diverse industries, including banking, railway, telecommunication, manufacturing, healthcare, trade, and public sectors.

iFiles

URL	www.ifiles.ru
Contact E-mail	info@ifiles.ru
Contact Phone	+7 (495) 960 7083
Headquarters	Obninsk
Year of Foundation	2000
Number of Employees	20
Programming Languages	Java, PHP, C++
About iFiles	iFiles is a company of Web solutions and Software development provider. We have an extensive experience in web-systems development more than 7 years. We partner with clients to provide sophisticated end-to-end technology solutions - from development concept and strategy, architecture and design to the complete execution and launch of complex initiatives.

Informatic

URL	www.informatic.ru
Contact E-mail	info@informatic.ru
Contact Phone	+7 (495) 957 7877
Headquarters	Moscow
Year of Foundation	1989
Number of Employees	30
Programming Languages	C++
About Informatic	Since 1989 (the date of foundation) Informatic Ltd develops and implements software in the fields of linguistic technologies. Today Informatic is one of the topline developer of linguistic software. Our products have won wide acclaim from customers, experts and software industry professionals worldwide.

Infotecs

URL	www.infotecs.ru
Contact E-mail	kokorev@infotecs.ru
Contact Phone	+7 (495) 737 6192
Headquarters	Moscow
Year of Foundation	1991
Number of Employees	120
Programming Languages	C/C++, C#, Java
About Infotecs	Infotecs (Information Technologies and Communication Systems), one of Russia's oldest high-tech companies, was founded in 1989. At present, the company is a key player on the Russian VPN and TCP/IP security software market. Over the last sixteen years, the company has been developing its proprietary corporate networking and information protection products and managing major projects aimed at building private and public communications networks.

InnoWorx

URL	www.innoworx.ru
Contact E-mail	ali@inno-worx.com
Contact Phone	+7 (812) 764 0500
Headquarters	Saint-Petersburg
Year of Foundation	2008
Number of Employees	40
Programming Languages	PHP, Java
About InnoWorx	Innoworx is fast growing software and web development Company in Europe and Middle East. We specialize in high-end software and web development, employing hand-picked specialists and training them on a constant basis to sustain our quality and competence levels. Our strategy is to build up a network of companies in Europe and Middle East that support the near-shoring development process and utilize our flexibility in resource usage and our ability to adjust quickly to market movements.

Inquartos Software Ooo

URL	www.inquartos.ru
Contact E-mail	info@inquartos.ru
Contact Phone	+7 (843) 294 7117
Headquarters	Kazan
Year of Foundation	2004
Number of Employees	50
Programming Languages	C++, C#, WBA, Perl, Bash
About Inquartos Software Ooo	Inquartos Software is a technology company based in Kazan, Russia. Since its foundation in 2006, the company has focused its efforts on the development of custom software in the area of data protection and centralized management of resources on corporate networks.

Inreco LAN

URL	www.inrecolan.com
Contact E-mail	sergey.pyatigorskiy@inrecolan.com
Contact Phone	+7 (4922) 444 090
Headquarters	Vladimir
Year of Foundation	1989
Number of Employees	60
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.

InSAT

URL	www.insat.ru
Contact E-mail	scada@insat.ru
Contact Phone	+7 (495) 974 0092
Headquarters	Moscow
Year of Foundation	1988
Number of Employees	35
Programming Languages	Delphi, C#, C++
About InSAT	InSAT — private company, established in 1988. The basic company profile is: Software tools development for industrial automation — SCADA, SoftLogic, OPC; System integration of industrial automation systems in Power, Chemical and others; Hardware and software distribution for industrial automation; Custom and off-shore programming; Development of precision tensometric systems.

Intel

URL	www.intel.ru
Contact E-mail	igor@intel.com
Contact Phone	+7 (812) 331 9430
Headquarters	Saint Petersburg
Year of Foundation	2004
Number of Employees	100
Programming Languages	Java, C, C++
About Intel	Intel Russia is composed of approximately 1,150 employees (including 166 interns) and has offices in Moscow, Nizhny Novgorod, Novosibirsk, St.Petersburg, and Sarov. In addition to sales and marketing divisions, Intel Russia is home to a large R&D center that employs approximately 560 engineers. Since 1992, Intel has invested more than USD 800 million into the Russian economy, with a primary focus on Russian businesses. Through these investments, Intel Capital gives Russian companies the opportunity to take advantage of Intel's wide scope of cutting-edge technology and experience.

Intellect-Inform

URL	www.intellect-inform.ru
Contact E-mail	intellect-it@aanet.ru
Contact Phone	+7 (863) 242 2901
Headquarters	Rostov-on-Don
Year of Foundation	1997
Number of Employees	500
Programming Languages	C, C++, JO
About Intellect-Inform	The consulting company «Intellect-inform Ltd. « is in the market of information technologies from the end of the ninetieth years. The basic direction of activity of the company is complex maintenance of an information exchange of the enterprises on the basis of introduction of modern information technologies. Since 2003 « Intellect-Inform Ltd. « was included in «I&I» Group. Specializations are: Development of the software, Information bank systems; Information control systems of the enterprise; System of electronic document circulation; IT-consulting.

Internet-Frigate

URL	www.ifrigate.ru
Contact E-mail	main@ifrigate.ru
Contact Phone	+7 (8635) 224 110
Headquarters	Rostov-on-Don
Year of Foundation	2000
Number of Employees	28
Programming Languages	C#, ASP.Net, PHP, C++, ActionScript, Java, Perl, Ajax
About Internet-Frigate	Development of internet-systems: from web-sites and social networks to business-process automation systems and e-commerce systems. Web-modules with CMS for customer relationship management systems (CRM), sales force automation systems (SFA), systems of electronic documents circulation automation, collaboration systems, geo-informational systems (GIS), mobile solutions. Industry experience: logistics, transport and tourism, information services and telecommunications, trade and marketing, government, entertainment and edutainment.

Intsoft

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

ISD Co.

URL	www.isd-co.ru
Contact E-mail	info@isd-co.ru
Contact Phone	+7 (499) 408 4789
Headquarters	Moscow
Year of Foundation	2001
Number of Employees	17
Programming Languages	C++, C#
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.

Knowledge Genesis

URL	www.kg.ru
Contact E-mail	mail@kg.ru
Contact Phone	+7 (846) 272 3202
Headquarters	Samara
Year of Foundation	1997
Number of Employees	90
Programming Languages	C#
About Knowledge Genesis	Software Engineering Company "Knowledge Genesis" is a privately owned company with headquarters in Samara, Russia (see on Map), one of the modern aviation and airspace centers of Russia. Founded in 1997, today we are a team of more than 60 professionals in new information technologies able to provide advanced technologies and solutions in combination with high quality and low-cost outsourcing services in for IT industry. We have implemented and work according to the quality management system (ISO 9001:2000) and provide enterprise-ready solutions according to highest standards of IT industry.

KRUG

URL	www.krug2000.ru
Contact E-mail	krug@krug2000.ru
Contact Phone	+7 (8412) 556 497
Headquarters	Penza
Year of Foundation	1992
Number of Employees	150
Programming Languages	C#, C, C++
About KRUG	Founded in 1992, today SPC «KRUG» is one of outstanding engineering companies in Russia in industrial automation field. SPC «KRUG» is creator and supplier of modern industrial automation systems and branch solutions. Using uniform hardware and software, adapted for Russian standards, in designing and producing allow to decrease total cost of ownership fundamentally and to provide high level of saving rate from our production.

LEDAS

URL	www.ledas.com
Contact E-mail	info@ledas.ru
Contact Phone	+7 (383) 335 6504
Headquarters	Novosibirsk
Year of Foundation	1999
Number of Employees	35
Programming Languages	C++, PHP, Java
About LEDAS	LEDAS Ltd. is an independent software development company founded in 1999 in Novosibirsk, Russia. LEDAS provides computational components and services to its customers — PLM (CAD/CAM/CAE/PDM) and ERP software development companies and manufacturing enterprises, using its core competence in mathematics, computer science and computer-aided design, solid experience in software development & 3D modeling, proprietary technologies, and advantages of its location.

MIDISA Soft

URL	www.medisa.com
Contact E-mail	info@medisa.com
Contact Phone	+7 (3812) 382 914
Headquarters	Omsk
Year of Foundation	2007
Number of Employees	10
Programming Languages	C++, Visual Basic
About MIDISA Soft	Our company is engaged in software development since 1995. Over the years, we have created a lot of different projects. Our projects are applied in various branches of business in many countries all over the world. During recent years, our company holds leading position on Russian software market.

Mobitech

URL	www.mobitech.ru
Contact E-mail	info@mobitech.ru
Contact Phone	+7 (812) 333 1869
Headquarters	Saint-Petersburg
Year of Foundation	2002
Number of Employees	15
Programming Languages	C, C++, Java, Perl, PHP
About Mobitech	Mobitech is a Russian software development company, founded in 2002 in Saint Petersburg. We develop software for cellular communications operators and employ it to furnish, integrate, and support combined hardware and software design solutions for clients. Our team of experts has unique experience in developing and integrating design solutions for cellular operators. All software that we furnish is the result of our own development efforts, which means we can modify it to suit your specific business objectives in the shortest possible time.

Nadosoft Ltd

URL	www.nadosoft.com
Contact E-mail	info@nadosoft.com
Contact Phone	+7 (812) 427 3901
Headquarters	Saint-Petersburg
Year of Foundation	2003
Number of Employees	52
Programming Languages	C/C++, Java
About Nadosoft Ltd	Nadosoft company specializes in providing web and software development, quality control and consulting services including solution integration, migration between different systems and offshore IT outsourcing to small and medium sized companies. We are a software development company which implements your business ideas as software solutions.

NCT

URL	www.smartcard.ru
Contact E-mail	info@smartcard.ru
Contact Phone	+7 (495) 788 7922
Headquarters	Moscow
Year of Foundation	1991
Number of Employees	300
Programming Languages	C, Delphi
About NCT	NCT is a leading provider of customized business solutions based on advanced technologies, expert approach and highly qualified support. We deliver innovative software products and equipment for fleet and banking card systems, retail automation and customer loyalty programs. Our solutions allow our clients to improve their business and better serve their customers. NCT was founded in Moscow in 1991 and presently unites over 300 professional employees working on domestic and international projects. Company's quality management system is certified under ISO 9001.

NTR Lab, Ltd

URL	www.ntrlab.ru
Contact E-mail	info@ntrlab.ru
Contact Phone	+7 (495) 649 8936
Headquarters	Moscow
Year of Foundation	2000
Number of Employees	80
Programming Languages	C#, C/C++, Coldfusion, CSL, Flash, Actionscript Java, Javascript/Ajax, PHP, VB.NET, VB/VBA
About NTR Lab, Ltd	Our founders recognized the opportunity offered by the convergence of the Internet and the need for cost-efficient development of mission-critical solutions and founded NTR Lab in 2000. They had a driving vision of creating an IT outsourcer that would combine Russian strengths with the best of Western management style. NTR Lab's headquarters is in Moscow, Russia. Additionally, we have development facilities in Tomsk and Novokuznetsk, Russia, with US office in Washington State.

Radix-Tools

URL	www.radixtools.ru
Contact E-mail	info@radixtools.ru
Contact Phone	+7 (4732) 519 497
Headquarters	Voronezh
Year of Foundation	2003
Number of Employees	30
Programming Languages	C++, PHP, Perl, Pascal
About Radix-Tools	Radix-Tools was founded in 2003 and specializes in software development in the fields of microelectronics, standard cell library characterization, geo-information, radio-monitoring, navigation, electronic publishing and information systems.

RD-Softwave

URL	www.rd-software.com
Contact E-mail	contact@rd-software.com
Contact Phone	+7 (812) 327 8636
Headquarters	Saint-Petersburg
Year of Foundation	2003
Number of Employees	15
Programming Languages	C, C++, C#, Java, Ruby
About RD-Softwave	RD-Software is a software development company. Our main focus is on the development of custom software for corporate customers. To this purpose a wide spectrum of development tools are used, enabling an optimal solution to our customers' requirements. RD-Software was established in Russia in 1997, followed in October 2001 by RD-Software GmbH in Germany. We have a presence in the IT market for over eight years. Companies in Germany, Finland, UK, Russia and USA benefit already from a partnership with us.

Reksoft

URL	www.reksoft.com
Contact E-mail	info@reksoft.com
Contact Phone	+7 (812) 325 2100
Headquarters	Saint Petersburg
Year of Foundation	1991
Number of Employees	364
Programming Languages	Java, .Net (C#), C++
About Reksoft	Reksoft is an expert offshore software development services provider with a key focus on telecommunications, hospitality & travel, and financial services sectors. Reksoft has been delivering software outsourcing solutions for the past 19 years, winning a loyal customer base of such leading enterprises as Airwide Solutions, Dirol Cadbury, First Data International, Francotyp-Postalia, Fujitsu Siemens Computers, Mazda, Philip Morris, Springer Business+Science Media, Swisscom Mobile, Tieto and T-Systems. Currently, the company counts more than 400 employees and has its offices in 5 countries.

RELEX

URL	www.relex.ru
Contact E-mail	market@relex.ru
Contact Phone	+7 (4732) 711 711
Headquarters	Voronezh
Year of Foundation	1990
Number of Employees	136
Programming Languages	C, C++, C#, Java, PHP
About RELEX	RELEX Group has been successfully working on the IT market since 1990. The group, whose kernel is the production and research enterprise RELEX, Inc., includes several companies each of which specializes in a particular field: Software development under the RELEX trademark; IT outsourcing and custom software development services; Software development for government organizations.

RTSoft

URL	www.rtsoft.ru
Contact E-mail	rtsoft@rtsoft.ru
Contact Phone	+7 (495) 742 6828
Headquarters	Moscow
Year of Foundation	1992
Number of Employees	350
Programming Languages	C, C++
About RTSoft	Closed Joint Stock Company RTSoft was founded in 1992. RTSoft company provides delivery and integration of the wide range of baseline hardware and software as well as develops software for industrial, telecommunication, defense and specialized systems. Company's specialists ensure qualified technical support and professional consulting services. RTSoft specializes in developing software for embedded systems and masters cutting-edge technologies in engineering and debugging software for both leading real-time operational systems and general assignment operational systems.

Soft Mechanics

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

Softage LLC

URL	www.softage.ru
Contact E-mail	contact@softage.ru
Contact Phone	+7 (383) 330 9655
Headquarters	Novosibirsk
Year of Foundation	2003
Number of Employees	30
Programming Languages	C/C++, Java, .NET, Realbasic
About Softage LLC	Softage LLC is an US based offshore outsourcing software development Company providing in addition to web development, custom software development solutions.

SoftBusinessConsulting

URL	www.sbconsulting.ru
Contact E-mail	avs@sbconsrting.ru
Contact Phone	+7 (812) 783 3277
Headquarters	Saint-Petersburg
Year of Foundation	2002
Number of Employees	10
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.

SpetsTek

URL	www.spectec.ru
Contact E-mail	sales@spectec.ru
Contact Phone	+7 (812) 329 4560
Headquarters	Saint-Petersburg
Year of Foundation	1991
Number of Employees	50
Programming Languages	Delphi
About SpetsTek	SpetsTek Ltd. Specializes at Development and implementation of TRIM-software package; Consultancy in the area of development and implementation of technical management and enterprise asset management (EAM) systems based on TRIM; Consultancy in the field of business process optimization; Development of CALS and ILS technology; Development of B2B and B2G technology.

Spider Project

URL	www.spiderproject.ru
Contact E-mail	smt@spiderproject.ru
Contact Phone	+7 (495) 926 4397
Headquarters	Moscow
Year of Foundation	1992
Number of Employees	15
Programming Languages	C
About Spider Project	Spider Project Team is a leading Russian project management consulting company. Company activities cover the following directions: Developing and implementing of project management systems; Project management training; Developing and selling of unique tool for project management professionals - Spider Project

SPIRIT DSP

URL	www.spiritdsp.com, www.spirit.ru
Contact E-mail	marketing@spiritdsp.com
Contact Phone	+1 (408) 540 6033
Headquarters	Moscow
Year of Foundation	1992
Number of Employees	100
Programming Languages	C, C++, Objective C, Java, Ruby, Perl, PHP, JavaScript, Assembler
About SPIRIT DSP	SPIRIT DSP is the world's top provider of carrier-grade voice and video communication software IP platform for telecom operators, OEMs and software developers. 200+ million embedded voice channels in 80 countries are based on SPIRIT technology platform. SPIRIT counts among its direct customers Adobe, ARM, AT&T, Blizzard, BT, China Mobile, Cisco, HP, HTC, Huawei, KT, Microsoft, Oracle, Polycom, Skype, TI, Toshiba, Veraz, ZTE, and 250+ others. VideoMost.com is the SPIRIT spin-off for multi-point video-web-conferencing service. SeeStorm.com is the SPIRIT spin-off for synthetic 3D video platform."

StarForce Technologies

URL	www.star-force.ru
Contact E-mail	info@star-force.ru
Contact Phone	+7 (495) 967 1451
Headquarters	Moscow
Year of Foundation	1998
Number of Employees	40
Programming Languages	C++, C#
About StarForce Technologies	StarForce Technologies is the expert in software and digital content protection against copying, cracking and unauthorized use. For more than 10 years we have been successfully developing and implementing an ultra-modern complete suite of technology means for copyright and intellectual property protection worldwide. StarForce not only produces and sells software products, but at the same time today we market ourselves in the ability of being reliable and responsible Technology partner for those who constantly incur a loss due to computer piracy, unauthorized data access and information leakages.

STOIK Imaging

URL	www.stoikimaging.ru
Contact E-mail	info@stoik.com
Contact Phone	+7 (495) 225 1327
Headquarters	Moscow
Year of Foundation	1994
Number of Employees	20
Programming Languages	C++, C#, PHP, Java
About STOIK Imaging	STOIK Imaging is a Russian 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.

Sun Microsystems SPB, LLC

URL	www.ru.sun.com
Contact E-mail	Grisha.Labzovsky@Sun.COM
Contact Phone	+7 (812) 334 6000
Headquarters	Santa Clara, USA
Year of Foundation	2004
Number of Employees	320
Programming Languages	Java, MySQL, C/C++, Solaris
About Sun Microsystems SPB, LLC	Computer software.

SYNAPSE

URL	www.synapse.ru
Contact E-mail	synapse@synapse.ru
Contact Phone	+7 (495) 434 3638
Headquarters	Moscow
Year of Foundation	1990
Number of Employees	40
Programming Languages	C, C++
About SYNAPSE	For about 15 years SYNAPSE Science Center is at the market of seismological and geophysical software for data acquisition, transmission and processing systems. Its portfolio consists of dozens of products and R&D projects. Its application software and integration solutions work for universities, governmental agencies and private companies all over the world.

Transas

URL	www.transas.com
Contact E-mail	info@transas.com
Contact Phone	+7 (812) 325 3131
Headquarters	St.Petersburg
Year of Foundation	1997
Number of Employees	300+
Programming Languages	
About UTIP Software	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. The company is a member of world maritime associations, international work groups and committees and participates actively in new maritime standards development. 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.

UTIP Software

URL	www.utipsoftware.ru
Contact E-mail	info@utip.ru
Contact Phone	+7 (342) 260 9375
Headquarters	Perm
Year of Foundation	2006
Number of Employees	15
Programming Languages	C++, Delphi
About UTIP Software	We have founded our company in 2006. What for? Being a new player on the trade software market, we are going to contribute to the existing innovative solutions for international financial market environment. The staff made up of software specialists and high-class traders makes the basis for creation the breakthrough products. In creation the UTIP applications, we used the latest software engineering technologies and took into account the needs of our potential customers: brokers oriented on the innovative business schemes as well as traders whose principal demand is to maximize the profit.

WinAgents Software

URL	www.winagents.com
Contact E-mail	edvard@winagents.ru
Contact Phone	+7 (8342) 231 788
Headquarters	Saransk
Year of Foundation	1999
Number of Employees	10
Programming Languages	C++, Delphi, Java
About WinAgents Software	The WinAgents Software Group are developers of software for all Windows platforms, including WinCE. WinAgents specializes in VoIP technology, network applications, Windows NT/2000 services, COM/ActiveX technology, and database applications. We are experienced players in the IT arena, with our first development project dating back to 1999.



RUSSOFT Association
Birzhevaya line 16, 4 floor, St.Petersburg, 199034, RUSSIA
Phone: +7 (812) 3317561
Fax: +7 (812) 3317543
E-mail: info@russoft.org
www.russoft.org

Editor-In-Chief
Valentin Makarov

Analytics
Dmitry Zhelvitsky