

**ARMADA**

**ARMD RX**

# Unique opportunities on the Russian IT market

Presentation for Investors

April 17, 2012

# ARMADA: Software & IT Services



## COMPANY OVERVIEW

ARMADA is a public **Software** developer and **IT services** provider in Russia. The company focuses on solutions for the public sector and corporate clients. ARMADA has over 1,500 clients, and no single client contributes more than 8% of the total group's revenue. The company was founded in 1993.

	ARMD RX
<b>Market Cap</b>	<b>\$140m</b>
<b>Free float</b>	<b>59.6% (\$83m)</b>
<b>Founders</b>	<b>26.1%</b>
<b>Current managers</b>	<b>7.2%</b>
<b>Treasures</b>	<b>7.1%</b>

Market cap: MICEX as of Apr 10, 2012

## 2011 RESULTS

	\$m (RUB m)	RUB growth YoY
<b>Revenue</b>	<b>\$145m (4656)</b>	27%
<b>EBITDA</b>	<b>\$18m (566)</b>	38%
<b>EBITDA margin</b>	<b>12.2%</b>	11.2% in 2010
<b>Net profit</b>	<b>\$15m (492)</b>	31%
<b>Net profit margin</b>	<b>10.6%</b>	10.3% in 2010
<b>Net cash</b>	<b>\$30m (959)</b>	Dec 31, 2011

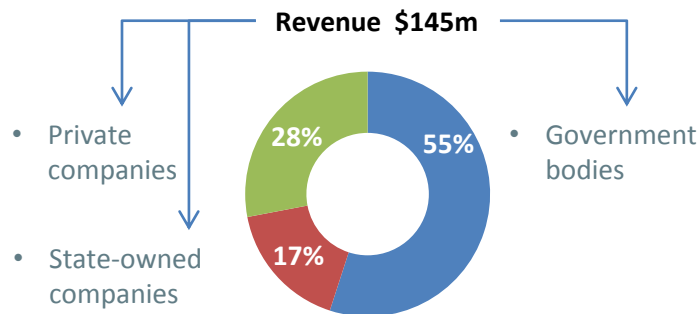
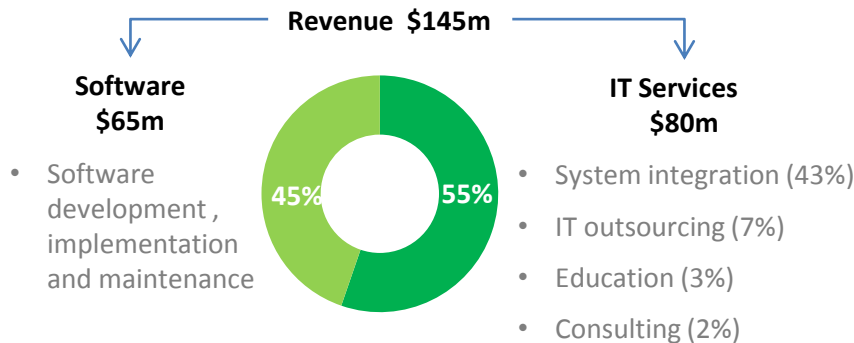
Source: the group's consolidated audited statement under IFRS

## 2012 OUTLOOK

<b>Revenue</b>	<b>25-30% organic growth</b>
<b>EBITDA margin</b>	<b>&gt; 12.2%</b>
<b>M&amp;A</b>	<b>1-2 M&amp;A \$5m-\$10m revenue each</b>

## 2015-2017 OUTLOOK

<b>EBITDA margin</b>	<b>15-16%</b>
Software market share in Russia	IT services market share in Russia
2011	2015-2017
2011	2015-2017



# What are recent changes in Russia?



## MACRO ECONOMICS

- Most economic statistics released this year indicates that Russian economy is in a good shape supported by relative improvement of global economy as worst forecasts failed to materialize.
- After a slowdown in late 2011, the Russian economy accelerated in 2M12 driven by manufacturing, which accelerated to 6.3% YoY in February.
- High commodity prices resulted in record high trade surplus in January – February (\$21.7bn and \$19.7bn respectively) leading to reduction of capital flight and fuelling ruble appreciation.
- In February 2012, inflation fell to a 20-year low of 3.7% YoY.

## GOVERNMENT BODIES



IT parts of top federal programs 2011-2013 \$ bn, \$1.3bn totally for 2011



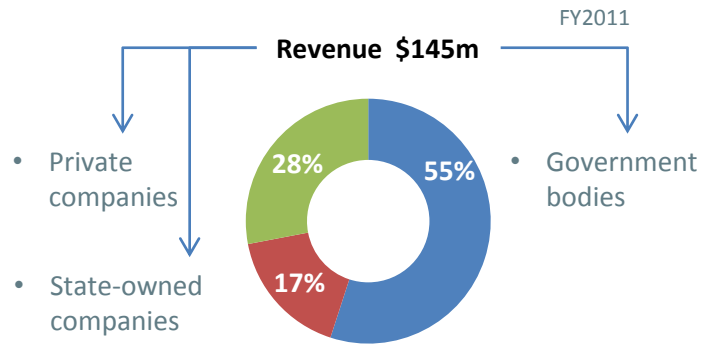
## STATE OWNED COMPANIES



Only Sberbank's IT budget for 2011 was about **\$1bn.**

To compare:  
the total IT market in Russia was **\$20bn** in 2011

## ARMADA'S CUSTOMERS



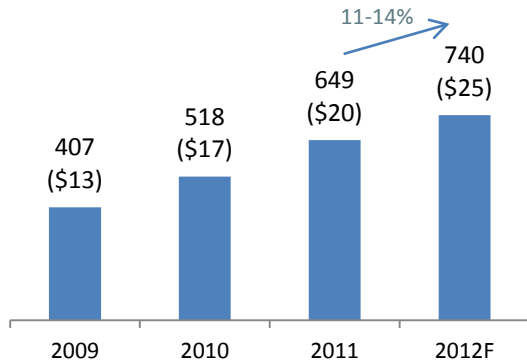
\* no single client contributes more than 8% of the total revenue

# Potential of Software and IT Services



## RUSSIAN IT: 11-14% GROWTH

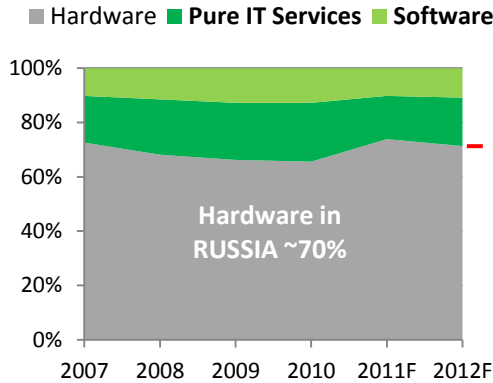
RUSSIAN IT MARKET, RUB BN (USD BN)



Source: Ministry of communications of Russia, PMR

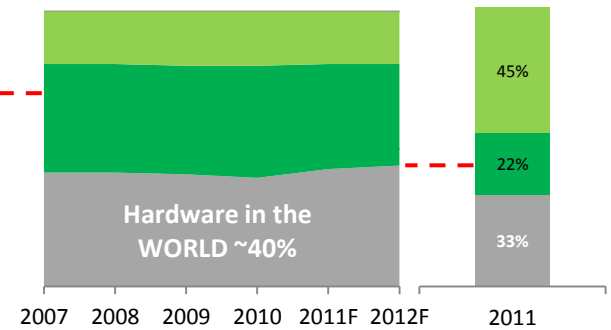
## SOFTWARE & IT SERVICES SEGMENT: ~20% GROWTH

RUSSIAN IT SEGMENTATION, %



Source: IDC

WORLD IT SEGMENTATION, %



- Russian IT market growth rate (**11-14%** YoY forecast as for 2012)
- Developed IT markets' grow at **3-4%**

Source: IDC, Gartner

- Per capita expenses in joint Software development and IT services market in Western Europe stand at **EUR 431**. In Russia they total **EUR 38**.
- IT Services & Software segments in Russia growth forecast for 2012 is about 20% YoY

Source: IDC, Pierre Audoin Consultants

**This more than tenfold difference reflects the tremendous development potential for ARMADA's priority markets.**

# Selected projects started in 2011



## TRANSPORT

- Customer: Federal Road police
- A project to architect Russian road police IT information systems including management of drivers' licenses, car registration and inspection, fines management, safety and security systems, etc.
- A "Motor Vehicle Safety Inspection" system as a first stage

## HEALTHCARE



- Customer: Blood donation centers
- ARMADA works with the blood donor unit - an organization that unites the country's medical institutions involved in taking, safekeeping and processing donor blood.
- ARMADA helps maintain smooth running of the main software and hardware utilized in the unit's operations.
- The unified IT system has been deployed in the unit all across Russia.

## CULTURE



- Customer: Ministry of Culture
- Internet portal to promote Russia's cultural heritage and traditions
- Three-year contract of about \$7m for 2011-2013 allocated under the state program "Information Society 2011-2020".
- Online theatre shows' webcasts, selling tickets online, 70 million digitized exhibits entities, etc.



## OIL & GAS

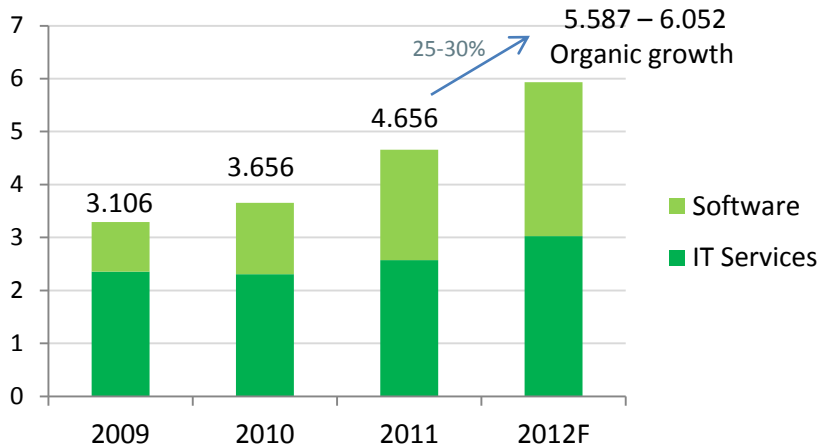
- Customer: TNK-BP
- Outsourcing of project management

# ARMADA: Strong financials

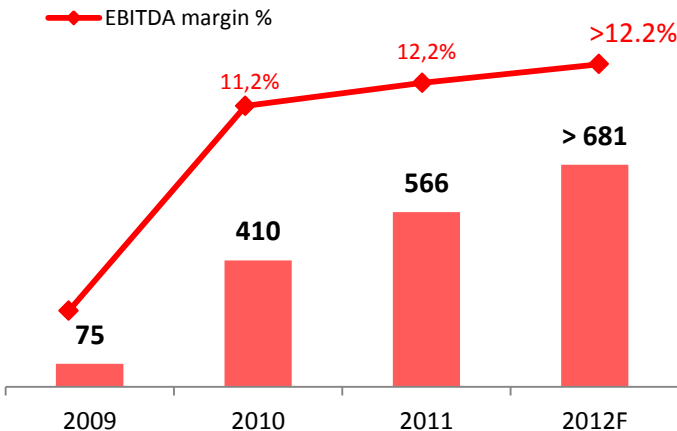


\* Please note, that ARMADA reports results and makes forecasts in RUB terms. Exchange rate as for Dec 31, 2011 was RUB 32.1961 per dollar.

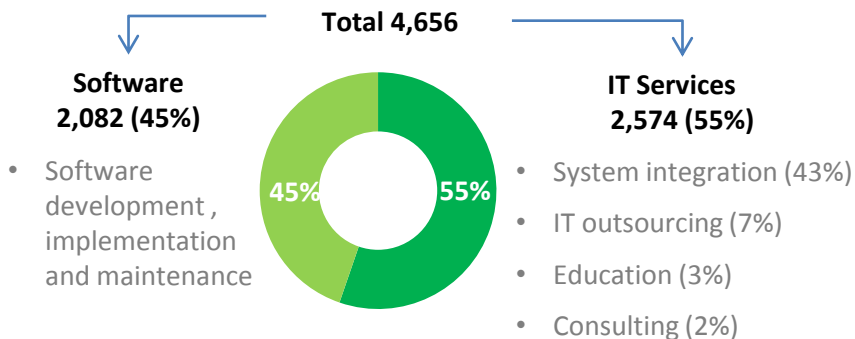
## REVENUE, RUB bn



## EBITDA, RUB m



## REVENUE MIX, RUB m







## NET CASH: RUB 959M (\$30M)

As of Dec 31, 2011

# Track record of successful M&As

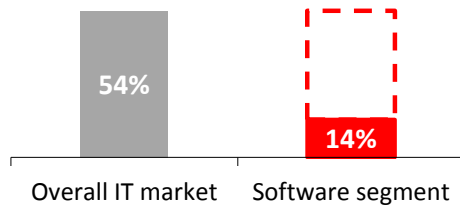


## ARMADA HAS UNIQUE TRACK RECORD OF SUCCESSFUL M&A ON THE RUSSIAN IT MARKET

 <b>HELIOS IT-SOLUTIONS</b>	 <b>PM EXPERT</b>	 <b>SOYUZINFORM</b>	 <b>PMT (Medialog)</b>	Net cash \$30m as of Dec 31, 2011  <b>1-2 M&amp;As in 2012</b>
51% Acquired in <b>2006</b>	50.01% Acquired in <b>2007</b>	55% Acquired in <b>2007</b>	51% Acquired in <b>2011</b>	
<b>System integration</b>	<b>Project management</b>	<b>IT outsourcing</b>	<b>Healthcare Software</b>	Acquisitions of 2012
Average P/E 5.5 for 51%			P/E 6-10 for 51+49%	Software, IT Services

## RUSSIAN SOFTWARE MARKET IS FRAGMENTED

### TOP 10 PLAYERS' MARKET SHARE IN RUSSIA



Source: Expert RA 2010, PMR

## ARMADA'S M&A PIPELINE FOR 2012

- purchasing 51% in small software and service companies with current revenues \$5m-\$10m,
- profitability over current one of ARMADA,
- leadership positions in their market segments and congenial to ARMADA's business, including:
  - **transport,**
  - **public utilities sector,**
  - **corporate cloud services**
  - **and other sectors.**

# Priorities of the management

## In 2012:

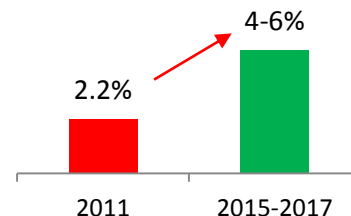
- Organic revenue growth by 25-30% (in RUB terms)
- EBITDA margin higher than achieved in 2011 (12.2%)
- One or two M&A deals of \$5m-\$10m revenue companies are slated for execution

## Priorities:

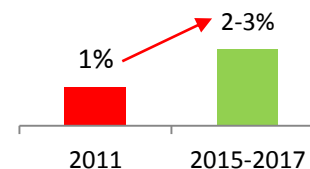
- The growth in Software market segment mostly
- Participation in majority of tenders for new high-level government information systems
- To be a consolidator of the Software market segment while it is highly fragmented
- To grow the share of own box-software products in the revenue mix
- To lower the share of hardware in the revenue mix
- To keep working with the government bodies while state is the major market driver

**EBITDA margin: 12.2% (2011) -> 15-16% (to 2015-2017)**

**Software market share in Russia**



**IT services market share in Russia**



# Appendices

# ARMADA's financial statements



## INCOME STATEMENT, MLN RUB<sup>1</sup>

	2011	2010	2009
<b>Revenue</b>	<b>4,656</b>	<b>3,656</b>	<b>3,106</b>
<i>including:</i>			
Software	2,082	1,348	1,175
IT Services	2,574	2,308	1,931
<b>Cost of sales</b>	<b>(3,869)</b>	<b>(3,032)</b>	<b>(2,933)</b>
<i>including:</i>			
Cost of goods sold	(1,561)	(1,366)	(1,258)
Sub-contractors and contractors	(1,354)	(1,110)	(1,074)
Materials	(178)	(37)	(146)
Wages and Salaries	(277)	(250)	(173)
Other cost of sales	(499)	(269)	(282)
<b>Gross profit</b>	<b>787</b>	<b>624</b>	<b>173</b>
Distribution expenses	(19)	(24)	(19)
Administrative expenses	(296)	(228)	(223)
Other income/ (expenses)	(20)	37	12
Financial income/ (expenses)	84	18	93
<b>Profit (loss) before income tax</b>	<b>536</b>	<b>427</b>	<b>36</b>
Income tax benefit (expense)	(44)	(50)	(13)
<b>Net profit (loss) for the period</b>	<b>492</b>	<b>377</b>	<b>23</b>
<b>EBITDA<sup>2</sup></b>	<b>566</b>	<b>410</b>	<b>75</b>

(1) the Group's consolidated audited statement under IFRS

(2) EBITDA is defined as net profit/ (loss) before the following items: financial income/expenses, income tax expense/benefit, depreciation and amortization, share option program compensation expense, accounts receivable write-off, intangible impairment write-off, loss on disposal of subsidiaries

## CONDENSED BALANCE SHEET, MLN RUB<sup>1</sup>

	31-Dec-11	31-Dec-10	31-Dec-09
<b>Non-current assets</b>	<b>1,057</b>	<b>665</b>	<b>345</b>
Property, plant and equipment	57	59	66
Intangibles assets	990	589	261
Available-for-sale investments	-	-	-
Investments in associates	-	5	5
Loans	10	12	13
<b>Current assets</b>	<b>3,481</b>	<b>1,985</b>	<b>2,344</b>
Inventories	426	325	339
Other investments	-	4	1
Loans	40	56	621
Trade and other receivables	1,800	1,074	866
Cash and cash equivalents	1,215	526	517
<b>Total assets</b>	<b>4,538</b>	<b>2,650</b>	<b>2,689</b>
<b>Equity</b>	<b>2,120</b>	<b>1,231</b>	<b>792</b>
Share capital	14	12	12
Share premium	1,651	753	689
Treasury shares	(217)	-	-
Foreign currency translation reserve	3	1	1
Retained earnings (loss)	669	324	(20)
Minority interest	424	141	110
<b>Non-current liabilities</b>	<b>144</b>	<b>70</b>	<b>41</b>
Deferred tax liabilities	144	70	41
Provisions	-	-	-
<b>Current liabilities</b>		<b>1,349</b>	<b>1,856</b>
Loans and borrowings	256	92	6
Trade and other payables	1,546	1,246	1,844
Provisions	-	-	6
Income tax payable	8	11	-
<b>Total liabilities</b>	<b>1,994</b>	<b>1,419</b>	<b>1,897</b>
<b>Total equity and liabilities</b>	<b>4,538</b>	<b>2,650</b>	<b>2,689</b>

# ARMADA is a group of companies



АРМАДАСОФТ



hēlios  
IT-SOLUTIONS



PM Expert  
Professional Project Management



ОЮЗ ИНФОРМ



pmt



ARMADA'S STAKE	100% Core company	51% Acquired in 2006	50.01% Acquired in 2007	55% Acquired in 2007	51% Acquired in 2011
	<ul style="list-style-type: none"> <li>▪ Custom software development</li> <li>▪ Software integration solutions</li> <li>▪ Portal systems</li> <li>▪ E-government system</li> <li>▪ Open source software</li> <li>▪ Information analytical systems</li> <li>▪ E-procurement system</li> <li>▪ and more...</li> </ul>	<ul style="list-style-type: none"> <li>▪ System integration</li> <li>▪ Hardware</li> <li>▪ ITSM software solutions</li> <li>▪ Information security</li> <li>▪ Technical support of IT infrastructure all over the CIS</li> <li>▪ Corporate engineering systems</li> <li>▪ and more...</li> </ul>	<ul style="list-style-type: none"> <li>▪ Consulting in project management (building of a model for efficient IT project management within a company)</li> <li>▪ Outsourcing of PM (Managing customers' projects with PM Expert's human resources)</li> <li>▪ Training in PM (Onsite and remote training courses, role trainings for realization of project cases)</li> </ul>	<ul style="list-style-type: none"> <li>▪ IT outsourcing</li> <li>▪ Systems integration</li> <li>▪ Intelligent buildings solutions</li> <li>▪ Licenses to implement IT projects at specialized and high-security Russian facilities within the country and abroad</li> </ul>	<ul style="list-style-type: none"> <li>▪ Medical information system MEDIALOG, a box software</li> <li>▪ TELEMEDIALOG is a SaaS software for clinics</li> <li>▪ MOBIMED.RU is a web portal for end-users</li> <li>▪ Implementation &amp; consulting services</li> <li>▪ and more...</li> </ul>

(1) Including other software companies of the group

# PMT's acquisition in May 2011

**ARMADA**

ARMADA acquired PMT (Medialog), **#1 software developer for the healthcare in Russia**<sup>1</sup>

- PMT's revenue in 2012F was more than USD 10m, CAGR for the next few years planned at 30-50%
- Founders may sell remaining 49% x (P/E 6 to 10) in 2013-2017, paid in cash or ARMADA shares
- The deal was financed with SPO proceeds

## ATTRACTIVE MARKET...

- The government plans to spend about \$1bn on IT in healthcare modernization in 2012-2013
- There are about 10,000 of medical institutions in Russia
- Only 20% of them are computerized, and Government plans to computerize 100% in 5 years<sup>2</sup>

## ...LEADING COMPANY

- Medical information system MEDIALOG, developed by PMT, is #1 medical system in Russia<sup>1</sup>
- PMT has 300+ customers, 50% of them are private clinics
- 30+ partners in Russia, and in Europe install MEDIALOG
- The headcount of PMT is about 80



POST MODERN TECHNOLOGY  
**МЕДИАЛОГ**<sup>®</sup>  
Medical Information System

- Access to a new attractive segment of the Russian IT market
- New leading product to offer to existing clients of ARMADA
- Growing ARMADA's number of clients in private sector
- New R&D products for healthcare based on MEDIALOG for existing and new clients
- Possibility to grow PMT's business in Europe
- Increase in ARMADA's EBITDA margin and revenue

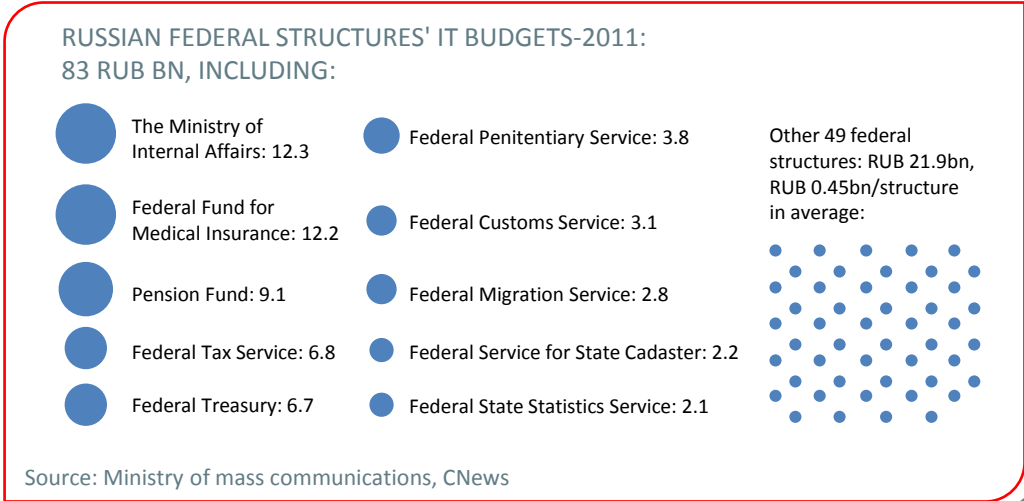
(1) CNews Analytics, 2010, 2011; PC Week/RE No 39 (597) October, 2007;

(2) Ministry of Healthcare and Social Development of Russia, 2010

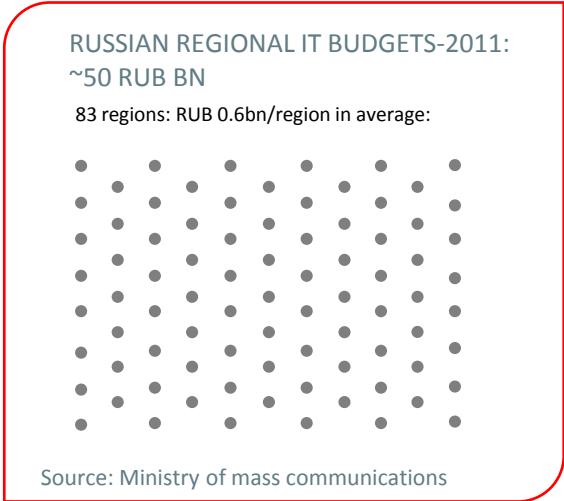
# Russian public IT budget in 2011



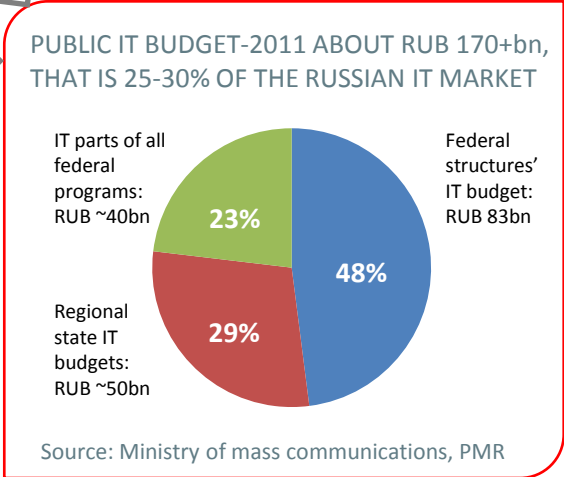
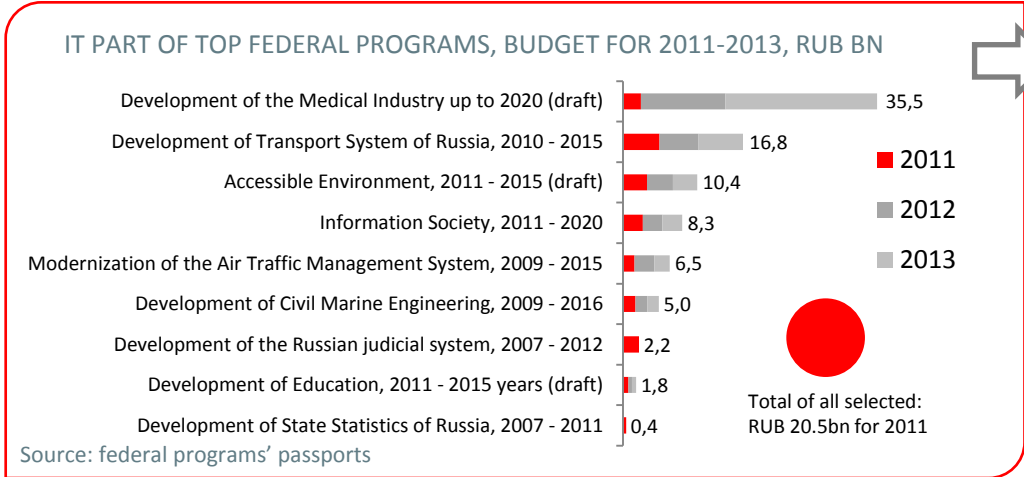
## FEDERAL MINISTRIES & AGENCIES BUDGETS,



## ... REGIONAL PUBLIC BUDGETS,

































## ... PLUS FEDERAL PROGRAMS



# Selected clients



The largest client in terms of revenue in 2011 is **8%** of the Group's consolidated revenue, three clients with 4%, 3%, 2% respectively, followed by **1500+ clients** with a share of less than **1% each**.

	Government bodies	State-owned companies	Private customers	
	<b>55%</b>	<b>17%</b>	<b>28%</b>	
	<b>% of total revenue in FY11</b>			
	 E-government - state services in electronic portal <a href="http://www.gosuslugi.ru">www.gosuslugi.ru</a> <b>MINISTRY OF MASS COMMUNICATIONS</b>	 Electronic ID, Web portal, custom software development, Infrastructure projects <b>SBERBANK</b>	 <b>BSGV</b>	 <b>TOYOTA</b>
	 Development of national electronic library, the largest storage of e-books in Russia <b>RUSSIAN STATE LIBRARY</b>	 Industry specific electronic purchasing system and a corporate portal <b>GAZPROM</b>	 <b>Raiffeisen BANK</b>	 <b>MITSUBISHI MOTORS</b>
	 The system for calculating GDP of Russia Unified Statistical Information System <b>FEDERAL STATE STATISTICS SERVICE</b>	 Project management, Web portals <b>SOCHI 2014</b>	 <b>VTB24</b>	 <b>MARUSSIA</b>
	 Information system for registering auto transport for 700 customs offices <b>FEDERAL CUSTOMS SERVICE</b>	 Internal portal integrating all software applications; Infrastructure projects <b>CENTRAL BANK</b>	 <b>TNK-BP</b>	
	 Database and web assistance system on Russian legislation <b>MINISTRY OF JUSTICE</b>	 Project management solutions to serve the breakthrough of aircraft Sukhoi Superjet 100 <b>SUKHOI</b>	 <b>Allianz</b>	 <b>POCHO</b>
	 The monitoring system for national program «Agriculture development», project management <b>MINISTRY OF AGRICULTURE</b>	 IT consulting and design, reengineering of business processes <b>TRANSNEFT</b>	 <b>Tetra Pak</b>	 <b>MECHEL</b>
	 E-procurement system of ministry's purchases to increase transparency <b>FEDERAL TAX SERVICE</b>		 <b>Sun In Bev</b>	 <b>Nestle</b>
	 IT outsourcing services, 24x7 IT support <b>MINISTRY OF FINANCE</b>		 <b>PHILIPS</b>	 <b>METRO</b> Cash & Carry
	 IT services in embassies; The system for financial control <b>MINISTRY OF FOREIGN AFFAIRS</b>			

# ARMADA in ratings



2011	CNEWS ANALYTICS	ARMADA is in Top-10 largest IT suppliers in the state sector
	EXPERT RA	ARMADA is among TOP 150 companies in terms of market capitalization on MICEX and RTS as of September 1, 2011, and #1 IT company in the list
	CNEWS ANALYTICS	ARMADA's PMT is the largest developer of medical information systems in Russia
	CNEWS ANALYTICS	ARMADA is in TOP-10 largest IT-services providers in Russia
	EXPERT RA	ARMADA is in TOP-5 of the largest Software developers in Russia
	EXPERT RA	ARMADA is among TOP-30 Russian IT companies
	KOMMERSANT-DENGI	ARMADA is in TOP-5 of the largest Software developers in Russia
2010	KOMMERSANT-DENGI	ARMADA is among TOP-30 Russian IT companies
2010	CNEWS ANALYTICS	ARMADA is in Top-10 largest IT suppliers in the state sector
	EXPERT RA	ARMADA is among TOP-30 Russian IT companies
	EXPERT RA	ARMADA is in TOP-5 of the largest Software developers in Russia
	KOMMERSANT-DENGI	ARMADA is in TOP-5 of the largest Software developers in Russia
2009	KOMMERSANT-DENGI	ARMADA is among TOP-30 Russian IT companies
2009	FINANCIAL TIMES	ARMADA's product tops FT Bowen Craggs Index for Russian corporate portals
	EXPERT RA	ARMADA is among TOP-30 Russian IT companies
	EXPERT RA	ARMADA is in TOP-5 of the largest Software developers in Russia
2008	CNEWS ANALYTICS	ARMADA is named an IT Company of the Year
	EXPERT RA	ARMADA is among TOP-30 Russian IT companies
	EXPERT RA	ARMADA is in TOP-5 of the largest Software developers in Russia
2007	DELOITTE TOUCHE TOHMATSU	ARMADA is in the list of 500 fastest growing high-tech companies in EMEA



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### BOARD OF DIRECTORS (ELECTED ON AUG 15, 2011)

Alexey Kuzovkin	Chairman of the Board
Yuri Mostovoy	Member of the Board, Non executive
Igor Gorbatov	Member of the Board
Azer Badalov	Member of the Board, CEO Helios IT-Solutions
Maxim Selivanov	Member of the Board, CEO of Soyuzinform
Alexander Kutuzov	Member of the Board, CEO of PM Expert
Viktor Potekhin	Member of the Board of Directors, Non executive

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