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Auriga's Newsletter

August 5, 2008

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Auriga significantly expanded its operations in Nizhny Novgorod, Russia

Auriga-Nizhny Novgorod Delivery Center (NN-DC) is one of several regional Software Development Centers, founded in 2006. Started as a minor extension of Moscow-based projects with a few engineers on board, at present NN-DC is a full-featured delivery center fully staffed and equipped for management and delivery services for most of Auriga customers. For the last several months Auriga significantly expanded its operations by increasing ongoing investment and development. Just within last 3 months DC's headcount increased by 22% and the amount of Auriga key customers, transferred their projects to NN, doubled.

Being one of the world leaders in embedded systems development since 1990, Auriga,—as well as Intel, Motorola and Nortel,—primarily has chosen NN as a source of specifically qualified human resources which can be utilized to resolve system level, embedded, firmware, hardware and Man-Machine Interface developments tasks. Nowadays, NN_DC is capable of providing the full spectrum of Auriga services for healthcare, telecommunications and computer software industries.

Ildar Gabdulline, Head of NN Delivery Center, said. "I believe in the world-class engineering power of Nizhny and may confirm that Delivery Center, located here, is capable to successfully handle most, if not all, projects related to Auriga business sectors. Our future plans include: further growth of engineering staff, launch of software engineering training courses in cooperation with one of

local universities, some activities targeted to additionally optimize service delivery processes."

Microsoft Corp: Russia to enter the top-5 list of IT countries by 2020

In June, Microsoft Corp held the "Innovations in development" conference in Moscow. The representatives of the world IT giant believe that Russia can claim 10–15% of the science-intensive world market and has all chances to be among the top 5 economies by 2020.

According to Microsoft, Russia's economy today is in the middle of a transition period. The share of innovative businesses in Russia's GDP is smaller than that in the GDP of developing countries: the IT sector is responsible for only 0,2% of Russia's GDP (compared to 6% in India), and enterprises invest into corporate software less than they do in hardware.

Microsoft considers the development of intellectual potential to be a top-priority task for Russia. "Despite the high level of scientific education in Russia, we still have to learn to bring together theory and cutting-edge technologies, as sometimes conventional teaching methods get in the way", said Oleg Sutin, Head of Economic Development and Technologies at Microsoft Russia.

A separate issue is how to obtain the required funding. Although large companies are eager to invest into R&D, they seldom encounter smaller companies that are ready to embrace the new product. Daniel Ling, Corporate Vice President of Microsoft, listed the steps that Microsoft takes to encourage collaboration between businesses. Microsoft supports 11250 young companies by providing access to knowledge and technologies. Together with Intel and Russian Business Angels Association, it formed the Investment Technology Alliance. ITA has already launched 11 projects, and a project enabling knowledge exchange between 20 thousand professional developers.

Jury Frantsuzov, Director of Strategic Business Development of Intel Russia and Eastern Europe, pointed

out that Russia spends 1,2% of its GDP on scientific research projects.

“This is in fact a significant amount of money. India and China allocate less than 1% GDP for scientific research. As R&D in Russia doesn’t exceed 3% of the market,” he said, “science actually receives sufficient funding, and the problem is in business. In 2007, the country’s economy received 5 bln USD of direct investments, of which only 300 mln was invested into the hi-tech sector, and they are cutting down on funding Russian IT.”

However, the government plans imply that 20% of world brands will have Russian background by 2015. It is also expected that the contribution of the hi-tech sector to the Russian economy will increase up to 1,5% of GDP.

Although conference members pointed out a number of potential problems that may face Russian R&D sector, they were unanimous in their opinion that such progress is achievable. In their opinion, Russia can hope to cover 10–15% of the science-intensive world market, generating 120–180 bln USD per year.

New President of Russia focuses on IT perspectives

Dmitry Medvedev, recently inaugurated as Russia’s third President, has already demonstrated his firm intention to develop Russian IT industry. He started next day after inauguration by reorganizing the Ministry of Mass Communication and Mass Media and by appointing a new Minister. The previous Minister Leonid Reiman was appointed as one of the president’s nearest advisors, and is now in charge of forming the President’s Council on the “Information Society” project. The first task of the Council is to implement the Electronic Government scheme (to be launched in 2010). The Council also plans to reduce customs duties on high-tech equipment and to introduce tax benefits for software R&D and IT outsourcing services providers.

Russia is strongly determined to shake off the image of a country with underdeveloped IT infrastructure and establish itself as a world’s high-tech leader. Russian government are undertaking huge efforts to bring the country into the information era, including the abovementioned

“Electronic Government” scheme and a project to introduce computers into all Russian schools. By 1 September 2008, 95 % of Russian schools will have been equipped with the latest workstations connected to the Internet. When asked by a Microsoft top manager what targets he sets for Russian IT, Mr. Medvedev remarked that, in his opinion, global IT companies should become the driving force “that will unite the digital world of the 21st century”.

On July 17th Dmitry Medvedev held a State Council presidium meeting in Petrozavodsk. The topic was “Building Information Society in Russia”. The president stressed that the country counts on its ability to build a strong information technology sector. He mentioned that Russia occupies the third place in the world market of IT outsourcing services providers. President intends that 20% of world brands will have Russian background by 2015, the contribution of the hi-tech sector to the Russian economy will increase up to 1.5% of GDP, and Russia itself will become one of the world leaders, with a strong national software development industry.

Russian IT statistics:

- According to the Ministry of Communications and Information Technology, ICT comprised 4,8% of the Russia’s GDP in 2007, 4,5% in 2006 and 3,2% in 2000. Over 2007, the ICT market capacity grew 28,4% and reached 117,9 bln rubles.
- The Russia’s ICT growth rate exceeds the average world rate, and its IT market capacity is predicted to reach 580 bln rubles this year. Money turnover in the software sector will reach 123 milliard rubles, and 157,8 milliard rubles IT services sector.
- According to several reviews Russian export capacity in the ICT sector by 2010 can reach 10 bln dollars per year opposite 2 milliard nowadays. Russian scientific development outlays are now 1,2% of GDP, India and China spend less than 1%.

Russian IT Human Capital:

- At present, about 80 thousand of Russian developers work for independent software vendors or IT outsourcing service providers (compared to 1,4 mln in India).



- At least 200 thousand IT specialists are employed in EAI companies.
- 150 thousand software developers and 500 thousand IT specialists are employed in corporate in-house IT departments.
- About one third of Fields Medal winners have Russian origins.
- 1,6 bln students are doing their majors in technical subjects, 225 thousand of them are estimated to be currently employed in software development.

About Auriga:

Auriga (www.auriga.com) is a software R&D and IT outsourcing services provider incorporated in the U.S. that has been operating development centers in Russia since 1990. Auriga was the first to focus on satisfying the specific needs of software and hardware high-tech companies as its driving strategy. Included in CMP's Global Services 100 list since 2006 and in top 10 ITO providers in Central and Eastern Europe according to the 2006 Black Book of Outsourcing, and being one of the 44 companies that made both the Global Services 100 and the Global Outsourcing 100 lists this year, Auriga offers a wide range of services covering all aspects of the entire product engineering area and superb expertise in a rich set of knowledge areas from embedded systems and OS internals to enterprise information systems and Web applications. Auriga's client list includes such industry majors and leaders in their segments as IBM, Draeger Medical, LynuxWorks, NMS Communications, Verdasys, and many others.

About Nizhny Novgorod:

Nizhny Novgorod, colloquially shortened as Nizhny, is the fourth largest city in Russia, ranking after Moscow, St. Petersburg, and Novosibirsk with the population of about 1.5 billion people. Nizhny Novgorod Region ranks seventh in Russia in industrial output and Nizhny itself is one of the centers of the IT Industry in Russia—it ranks among the leading Russian cities in terms of the quantity of software R&D providers.

There are 25 scientific R&D institutions focusing on telecommunications, radio technology, theoretical and applied physics, and 33 higher educational institutions. Nizhny Novgorod has also been chosen as one of four sites for building an IT-oriented technology park—a special zone that has an established infrastructure and enjoys a favorable tax and customs policy.

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