



Russian ICT in 2009

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I will start with Conclusions made by RusSoft's President Mr. Makarov

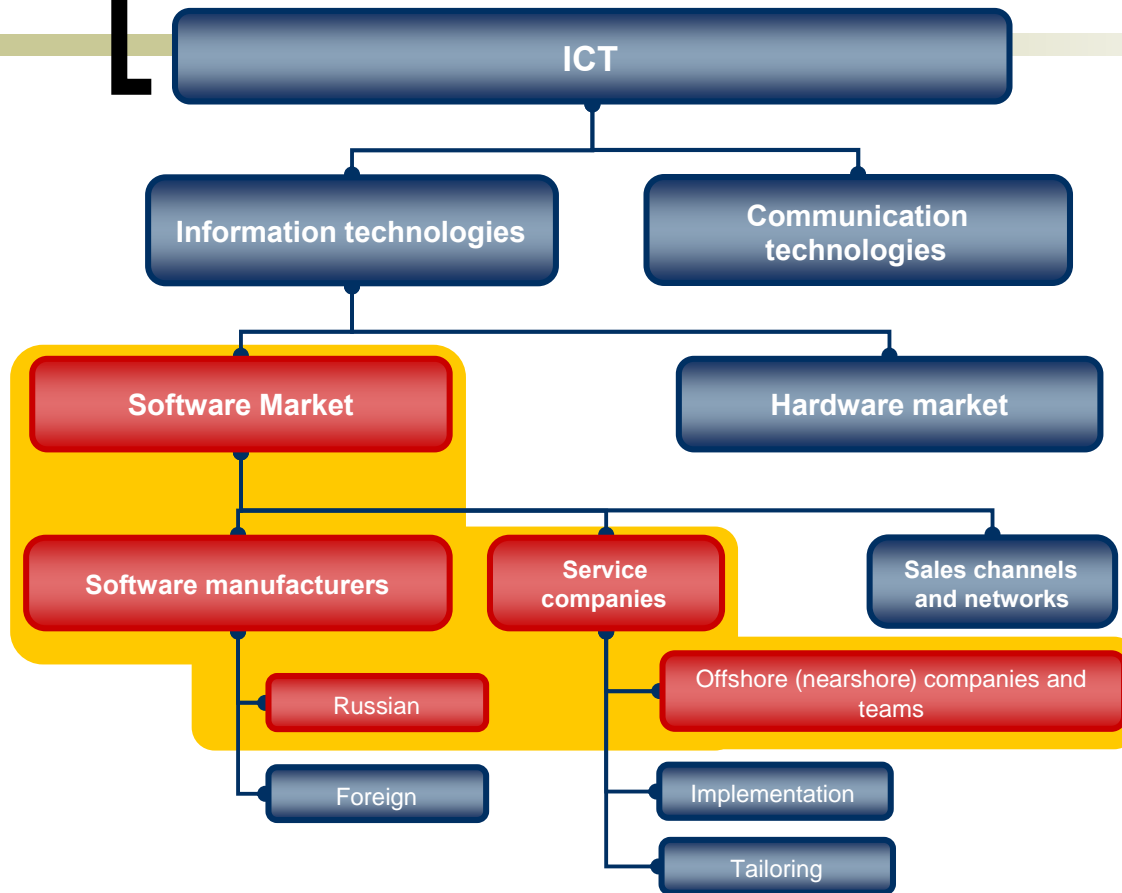
- Within 10 years Russia became World #2-3 in terms of HighTech off-shore IT-services, got significant results in Mobile WiMax, in Voice (Russian, English, Chinese) Integration, in Voice&Video Engines, Image Recognition, Virtualisation, in automatic translation, and in every sphere of Software related to Mobile communications.
- Russian High Education brings new generations of ever best engineers to the Global market every Year. They do not leave the country. Instead they produce new software and services, create new businesses
- Russian Software Development Industry is ready to fit Finish ICT performance to forge a worth and sound synergetic market force
- Free Economic zones provide another opportunity with friendly conditions for establishing business in Russia



[Agenda]

- Russian ICT structure
 - Domestic market
 - Export products
 - Export services
- Venture funds and startups in Russia
- Russian IT associations
- Finnish-Russian IT cooperation
- Conclusion and future plans

RUSSIAN ICT STRUCTURE)

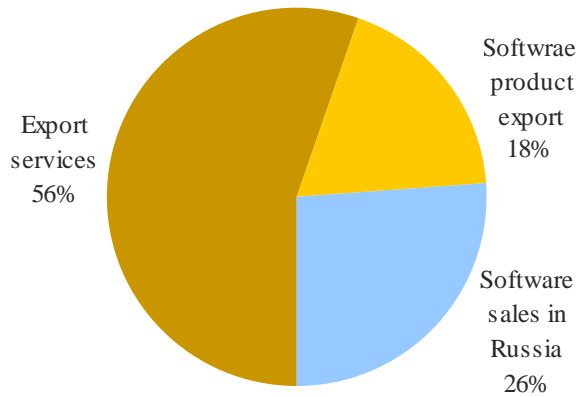


- 96 blb. Rub (\$3+bln) totals size of software market in 2008 .
- 75 000 programmers, 1200 companies
- 1,5 mln rub (\$50k) annual earnings per programmer (3 times higher than in other industries)

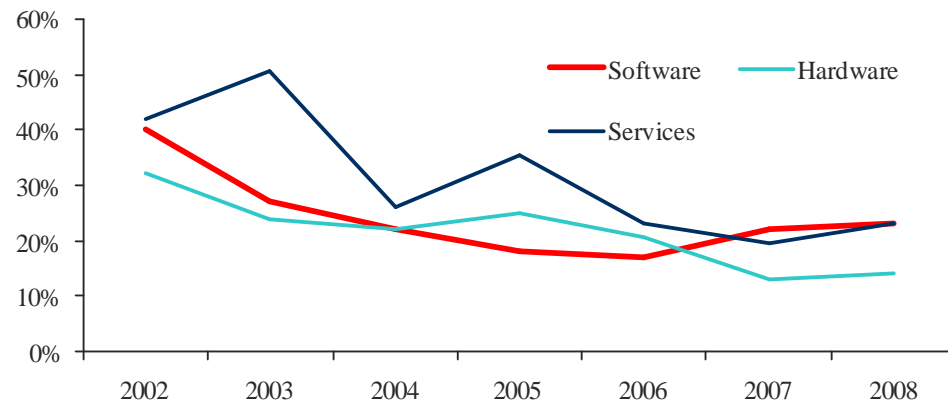
A lot of new Internet startups appeared in 2008-2009 thanks to activities of Russian venture capital industry.

Software market in Russian Information technologies market structure

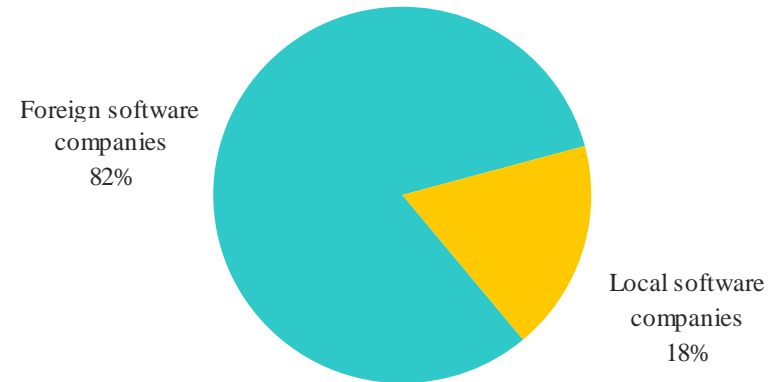
Software production structure



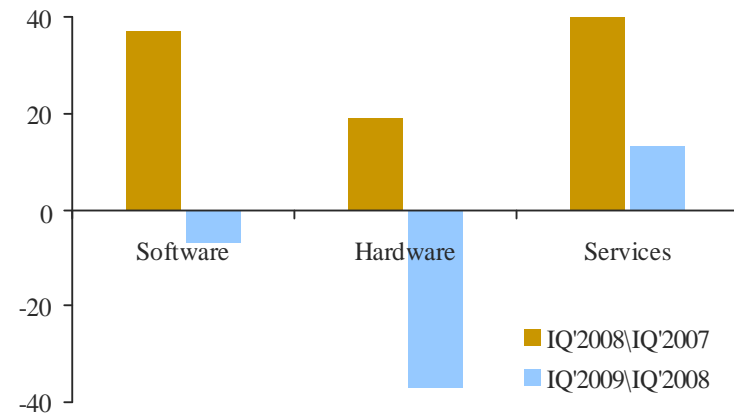
Market sectors growth dynamics



Internal software applications market structure



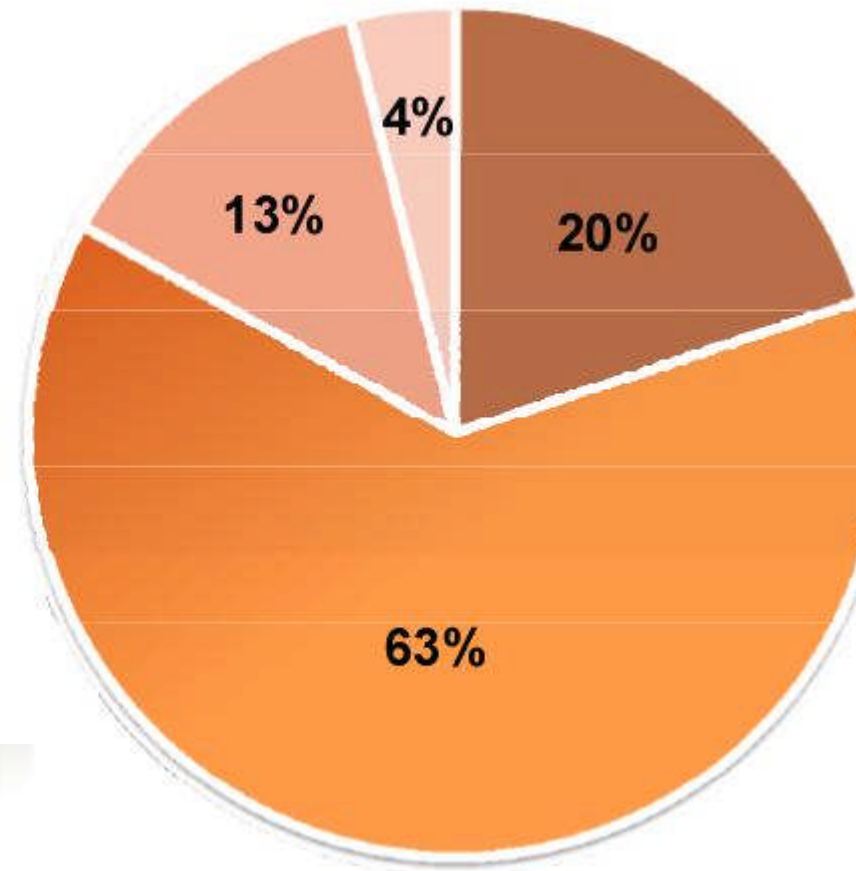
Crisis influence in 2009 Q1



Source: IDC, Linex, Real IT, market players, NSA

Crisis influence on business, answers of Russian IT companies

- Very negative influence
- Slightly negative influence
- No influence
- Had positive influence



Major players in Russian local software products and solutions area

- Domestic Russian market
 - Integrators (Lanit, IT, IBS, Technoserv, BCC, Marvel, Verisell, OCS)
 - Local software manufacturers (ERP, MIS, CAD, Legal)
 - 1C, Parus, Galaktika, Kompas
 - Terralink, Askon, Kodeks, Konsultant Plus, Solvo
 - Kaspersky Labs, Promt, Parallels, Paragon, Abby, Transas, Spb Software House, Speech technology Centre
 - Games (1C, Buka, Astrum Online, Alawar Entertainment)
 - Foreign software manufacturers
 - Microsoft
 - IBM
 - SAP
 - ORACLE

Major players in Russian IT export software products area

- Product export companies in Russia
 - Kaspersky Labs - antivirus
 - Prompt – language translation tools
 - Parallels – virtual machine
 - Paragon – mobile software
 - Abby – OCR and dictionaries
 - Transas – sea and avia simulators
 - Spb Software House – mobile software
 - Speech technology Centre – speech recognition

Major players in Russian software outsourcing export services industry

- Leading Russian software outsourcing vendors
 - Auriga
 - Aplana (IT)
 - Exigen Services (+Star Software)
 - Reksoft (Technoserv)
 - DataArt
 - Mera Networks
 - Luxoft (IBS)
 - Epam (+VDI)
 - Digital Design
 - Arcadia
 - Lanit Tercom (Lanit)

The Best 100 Global Service Providers in 2009

- **Among 100 best IT-service providers**

- EPAM Systems (Belarus-Russia)
- Exigen Services
- IBA (Belarus)
- Luxoft
- Mera NN
- Reksoft
- Intetics (Ukraine)
- Itransition (Belarus)

- **Ten best IT-service providers in CEE**

- 1. Luxoft
- 2. EPAM Systems
- 3. Exigen Services
- 4. IBA
- 5. Reksoft
- 6. MERA Networks
- 8. DataArt
- 10. Auriga



- **Ten best Global Product development services' providers**

- Exigen Services, EPAM Systems, Luxoft, Auriga, MERA Networks

□ Global Services&NeoIT, 2009

Russian Outsourcing Industry Profile Details

Total Amount of Exports of IT Services - \$1,3 B

- **Applications Development** - appr. \$520-\$650 M or 40%-50% of total Exports
- **Applications Outsourcing** (Maintenance & Management) appr. \$260M-\$300 M or 20%-25% of total Exports
- **Enterprise Apps (ERP)** --- appr. \$130 M or 10% of total Exports
- **R&D services** (embedded development or engineering services) – appr. \$130 M or 10% of total Exports
- **BPO** (Business Process Outsourcing) – less than 1 % of Total Personnel Employed for Exports of IT Services
- **Call Centers** – less than 1 % Total Personnel Employed for Exports of IT Services
- **Infrastructure Outsourcing** (Data Center, desktop, help desk, storage etc.) - less than 1% of Total Personnel Employed for Exports of IT services
- **Telecommunications** (embedded development or engineering services) – appr. \$130 M or 10% of Total Exports

Leading captive centers of foreign companies in Russia

Alcatel	Borland
Chrysler	Dell
Ericsson	Google
HP	Huawei
Intel	LG
Motorola	Samsung
Sun	Siemens
Teleca	T-Systems
Know-IT (Endero)	Digia (SunRise)
Tekla (TekLabs)	

[HighTech oriented investment funds in Russia]

- Investment funds and Russian startups
 - Russian Venture Fund (RVK), fund of funds 16 bln rub (**\$575 mln**) invested 4.8 bln. Rub into 4 funds below formed in 2008:
 - Maxwell Biotech 3bln Rub
 - Leader Innovations 3 bln Rub
 - Tamir Fishman CIG 2 bln. Rub
 - S-Group Ventures 1.8 bln. Rub
 - In 2007 RVK formed VTB Venture Fund 3 bln Rub and Bioprocess Capital Ventures 3 bln. Rub.

Investors and startups in Russia

- Top 10 Russian Venture Capital internet investors:
- 1. Yuri Milner, CEO, [Digital Sky Technologies \(DST\)](#) – [Facebook](#), [Zynga](#), [Mail.ru](#), [Astrum Online](#), [Odnoklassniki.ru](#), [Vkontakte](#), [KinoPoisk.ru](#), [HeadHunter \(hh.ru\)](#), etc.
- 2. Viktor Remsha, CEO, [Finam](#) – [Alawar](#), [Begun](#), [Buka](#), [Mamba](#), [MoneyMail](#), [AstroStar.ru](#), [MirTesen](#), [MarketGid](#), [AuKa.ru](#), [Badoo](#), etc.
- 3. Artem Yukhin, Venture Capital Investments Director, Troika Venture Funds/ [Troika Capital Partners](#) – [Evernote](#), [VidiMAX](#), [SafenSoft](#), [iZ3D](#), [Cortona3D \(ParallelGraphics\)](#).
- 4. Ratmir Timashev, Managing Partner, [ABRT Venture Fund](#) – [KupiVIP.ru](#), [Entermedia](#), [Quintura](#), [AutomatedQA](#), [StarWind Software](#), [iCore Software](#).
- 5. David Waroquier, Principal, [Mangrove Capital Partners](#) – [KupiVIP.ru](#), [Entermedia](#), [Quintura](#).
- 6. Sasha Galitsky, Managing Partner, [Almaz Capital Partners](#) – [Acumatica](#), [Apollo Project](#).
- 7. Pascal Clement, CEO, [Direct Group](#) - [Ozon.ru](#), [WomanJournal.ru](#), [KupiVIP.ru](#).
- 8. Andrey Morozov, Managing Director, DFJ VTB Venture Funds – [MOBI.Money](#), [Returnil](#), [Questora Software](#).
- 9. Dmitry Alimov, Managing Director, ru-Net II - [Digital Access](#), [MobileDirect](#), [iConText](#).
- 10. Anatoly Karachinsky, President, [IBS Group](#); [Oradell Capital](#) - [NewsPaperDirect](#), [Parter.ru](#), [Podberi.ru/Yandex](#), [Mediaologia](#), [VR Ocean/LAVA-Online](#).
- **Runners-up:**
- Igor Chekun, Director, [Softline Venture Partners](#) – [Actio](#), [bookee](#).

Major startup competitions in 2009

■ Web Ready

- <http://web-ready.ru/>
- 400 participants, finalists
- <http://web-ready.ru/final>

webready

■ NevaCamp

- <http://nevacamp.com/en>
- StartupVision competition



[IT Associations in Russia]

- Associations

- APKIT



АССОЦИАЦИЯ ПРЕДПРИЯТИЙ
КОМПЬЮТЕРНЫХ И ИНФОРМАЦИОННЫХ
ТЕХНОЛОГИЙ

- RusSoft



- New association “National Software



Ассоциация разработчиков программных продуктов

Отечественный софт

RUSSOFT (www.russoft.org)

- **RUSSOFT** is the major Association of 60+ leading software development companies from Russia (also some from Belarus) with more than 23000 software engineers, \$800 M of export turnover
- Part of the Russian Information and Computer Industry Association (APKIT).
- Close partnership with the Russian Association of Electronics' manufacturers
- Leadership in implementing PM and QA (CMMI/ISO) standards in the Industry
- Organizer of marketing and PR activities in Russia and abroad (RUSSOFT Forum, Mobile Software Forum, SECR, IT-Seasons, National Pavilions at CeBIT, ...)
- Active lobbyist of IT interests in the Russian Government (IT-parks and Free Economic Zones, Export Promotion Agency, Law on better taxation, less administrative barriers, more effective educational system, etc.)



Finnish-Russian business cooperation

■ Finnish-Russian ICT cooperation opportunities

- Technopolis in St.Petersburg
- FinNode in St.Petersburg
- MobileMonday in St.Petersburg and Moscow
- Money Talks in St.Petersburg
- Finnish-Russian Nanotechnology collaboration (Tekes)

TECHNOPOLIS



MoneyTalks™



Finnish-Russian educational cooperation

- FRUCT seminars

- <http://fruct.org/>



- Forum Nokia trainings

- During RusSoft's **Mobile Software Forum** in St. Petersburg

Forum.Nokia.com
Driving mobile innovation

- FinNode breakfasts

- <http://www.finrusinno.ru/en/component/content/article/4-news-archive/92-211-seminar-establish-your-own-business-in-lappeenranta>



Future of our cooperation

- For Russian companies Finland is attractive place to offer their services in software development and offer their help in delivery and maintenance of Finnish solutions in Russia.
- Future plans of RusSoft in Finland
 - Continue with introducing Russian software companies to Finnish Industry using seminars and matchmaking meetings.
 - Organize series of educational events on Finnish and Russian side preparing Finnish and Russian companies in solving mutual problems.
 - Help to Russian Trade mission and Russian Science and Culture centre to offer more information about Russian software industry in Finland.

[Conclusion]

- What you can easily get from the web and from reports?
 - Mika Ollikainen, Project Director, Eastern Europe, Market-Visio Oy / Gartner Group
<http://www.taloussanomat.fi/seminaarit/itviikko/55>
 - **The 6th Annual Survey of the Russian Software Export Industry**
 - <http://www.russoft.org/docs/?doc=1771>

- What could be of interest in addition, questions?
 - My personal view on what Russian software already has and what they need to have to enter Finland.
 - What Russian software companies would like to know about Finnish ICT.

[Conclusions again:]

- “ A number of factors, such as developing legislation system, governmental support to regional innovation development agencies, increasing availability of financial resources (such as public funds, private venture companies, business angels, and growing interest of global venture capital towards Russia) is turning Russian economy to more innovative direction. Despite of the problems in commercialization of Russian innovations because of weakness of IPR - transparency, lack of financing of innovation developments and start-ups, low level of English proficiency and international communication, bureaucracy and corruption, the new generation of modern and internationally oriented young Russians guarantees stable movement of Russia towards innovative society. Finland will be a reliable partner of Russia in this movement.”

Timo Koponen, “Opportunities of Finland in Russian innovation environment”, Baltic Rim Economies, 31.8.2009