Russian IT Industry and Human Capital

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Russian IT Sector Status

Environment for doing IT business in Russia:

- **Social tax** for IT companies **14%** (vs **30%** for other businesses)
- **30 Science & Technology Parks** established across Russia (incl. **8 IT Parks**)
- Total volume of the IT solutions ordered by **Government** structures is more than **$5B** per year
- >**700K IT-specialists**, the average age is less than **30 years**
- Russian IT companies produce **$9B added value** per year
- >**13M PCs** imported to Russia in 2011 (#1 in EMEA)
### Technology/Market Leaders among Russian IT Companies

<table>
<thead>
<tr>
<th>Category</th>
<th>WW Leaders</th>
<th>European Leaders</th>
<th>Russian Leaders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer</td>
<td>ABBYY</td>
<td>Яндекс</td>
<td>@mail.ru</td>
</tr>
<tr>
<td></td>
<td>Kaspersky</td>
<td>game</td>
<td>В Контакте</td>
</tr>
<tr>
<td>Business</td>
<td>Acronis</td>
<td>Diasoft</td>
<td>1С</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>SKB Контур</td>
</tr>
<tr>
<td>Technology</td>
<td>Spirit DSP</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>discard</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- WW Leaders: $8 B
- European Leaders: $8 B
- Russian Leaders: $3 B
Russian Internet Companies (among 20 Largest in Europe)

- **Yandex** – Largest Russian-based search engine
  - >60% of the Russian market; biggest search engine in Europe; 4th WW popular
  - International (incl. Russia, CIS, Turkey)
  - >50M visitors per month
  - Own data mining school and grant/fellowship programs

- **Mail.ru** – Largest Russian Internet portals
  - >30M visitors per month
  - >100M active mailbox accounts
  - Own technology park linked to engineering university
  - Largest online entertainment provider in Eastern Europe (>70 online games)
Internet Market Review:

- **76M users (53% of Russian population)** – biggest Internet market in Europe
- Huge potential for future growth of Internet penetration
- **89%** of youth population in large cities use Internet
- **$2B** annual advertisement market
- **$13B** annual e-commerce turnover
- Dozens of fast-growing **startups** (incl. Ecwid, Metaquotes etc.)
- National social networks dominate on Russian and CIS market (VK.com – **69M users**, Odnoklassniki – **56M users** – #9 and #10 in WW top list)
Gaming Market Review:

- $0.8B current market in Russia
- >20% annual growth
- GameInsight, Nival etc. – WW leaders
- Facebook works with >60 Russian developer teams (100+ in 2014) – the only country to have a dedicated FB Gaming team
- Around 20% of top downloaded games in app stores are from Russia
Current and Planned Actions:

- **Current:**
  - Grant programs of the Government
  - Development institutes programs: centers of applied research
  - Research departments of leading universities

- **In process:**
  - Up to 50 IT research centers with total budget up to $100M

- Ecosystem development for the world-class IT principal investigators and postdocs
- International scientific cooperation and mobility of scientists
- Centers of excellence among top universities
IT Education in Russia: 2013-2018

Status and Ongoing/Planned Actions:

- High quality of **Physics/Math/Engineering education**
- Special IT and Math classes in **high schools** & dedicated Physics/Math schools
- >60K students in Natural Science/Math/Engineering graduating each year
- >300K highly-qualified IT specialists & >800K people programming as a hobby
- 3 world IT Olympiad finals to take place in Russia by 2016 (NGO with use of PPP being created)
- Russian programmers winning IT **contests** WW
- Russian physicists working for >75% of top Physics schools WW
- Government focus on improving **IT literacy** of population
- Business incubators and accelerators
- Co-working areas in large cities
Some of the few next fastest growing IT companies are in Russia.

- Venture investments in the IT sector constitute RUB 40 billion.
- The twofold growth of the number of IT specialists compared to today's quantity.
- The average growth rate of the IT industry is three times as high as that of GDP in Russia.

2018 RESULT:

IT PROFESSIONS ARE AMONG THE FIVE MOST POPULAR ONES
## Where to Work in IT? Russia vs. Other Countries

<table>
<thead>
<tr>
<th></th>
<th>Payroll Taxes</th>
<th>Personal Income Tax</th>
<th>Benefits Duration, years</th>
<th>Average Salary in IT (Russia=1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belorussia</td>
<td>4%</td>
<td>9%</td>
<td>7</td>
<td>0,7x</td>
</tr>
<tr>
<td>UAE</td>
<td>12,5%</td>
<td>0%</td>
<td>15</td>
<td>1,2x</td>
</tr>
<tr>
<td>Ukraine</td>
<td>8%</td>
<td>5%</td>
<td>10</td>
<td>0,7x</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>25%</td>
<td>0%</td>
<td>7</td>
<td>0,6x</td>
</tr>
<tr>
<td>USA (Delaware)</td>
<td>7,65%</td>
<td>17,5%</td>
<td>Lifelong</td>
<td>2,0x</td>
</tr>
<tr>
<td>China</td>
<td>20%</td>
<td>45%</td>
<td>5</td>
<td>0,3x</td>
</tr>
<tr>
<td>Estonia</td>
<td>34%</td>
<td>21%</td>
<td>No benefits</td>
<td>1,5x</td>
</tr>
<tr>
<td>Russia</td>
<td>14%</td>
<td>13%</td>
<td>7</td>
<td>1,0x</td>
</tr>
</tbody>
</table>

- Russia has **competitive** tax & human capital cost environment for IT business.
Governmental Institutes of Development
- Grant Agencies
- Government Funds (incl. Rosinfocominvest)
- Internet Initiative Support Fund

Russian Venture Funds (>20)
- International Venture Funds
- Government Order of IT Solutions
- Legislation Adjustment

- Russia has **high potential** for Information Society development & IT industry growth
- Future **multi-billion** international IT companies can be from Russia
Thank you!