

The first-ever comprehensive
startup research on
24 countries of Central
and Eastern Europe

STARTUP INVESTMENT & INNOVATION IN EMERGING EUROPE

PART 1: Regional Trends

2018 EDITION, VERSION 1 – FEBRUARY 2018

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The result of a one-year-long research across 24 countries, this report highlights the main facts, numbers and trends of startup investment and innovation in Central and Eastern Europe. It can be downloaded at no charge from <http://cee.ewdn.com>

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East-West Digital News is a news and research agency dedicated to the vibrant tech markets of Central and Eastern Europe.

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A consulting branch, East-West Digital Consulting, provides international players with assistance for business development in Eastern-European companies, and advises local companies on their international strategies (<http://www.ewdn.com/services>).

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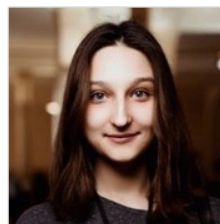
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- Trend analysis & executive interviews
- Venture deals & VC market data
- How EIF supports venture activity in CEE
- How corporations are getting involved
- Key regional events and industry resources

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- Trend analysis & expert opinion
- Case studies & entrepreneur interviews
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- Country data & trend analysis
- Executive interviews & expert opinion
- Select articles

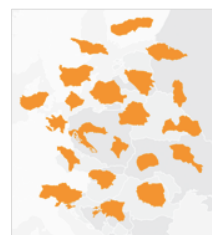
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- ICO market data
- Trend analysis & expert opinion
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“Startup Innovation & Investment
in Emerging Europe” – Part 1

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2018 edition – Version 1
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Section 1:

TREND ANALYSIS & EXECUTIVE INTERVIEWS



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FROM ALMOST NOTHING TO HIGHLY-DEVELOPED ECOSYSTEMS: THE CONTRASTED PICTURE OF THE CEE STARTUP SCENE

BY ADRIEN HENNI, CHIEF EDITOR AT EAST-WEST DIGITAL NEWS



Does it make sense to study startup innovation and investment across a region like Central and Eastern Europe, considering the extreme diversity of the countries concerned? How to compare a country like Russia, with its 143 million inhabitants, its political, economic and technological power, or even Poland or Romania, with such small countries as Montenegro (600,000 inhabitants), Estonia (1.3 million) or Moldova (3.5 million)?

Can Romania, Czechia and Poland, with GDP growth rates nearing or exceeding 5% in 2017, be reviewed next to some countries of the former Soviet Unions which are close to economic stagnation?

This is not to mention the contrasts in terms of culture, political systems, legal environment, and geopolitical orientations of these countries which have deeply diverged since they were freed from Soviet communism 25 years ago.

Ecosystem maturity

Unsurprisingly, our study has confirmed these contrasts. There is not much in common between strong innovators Estonia and Slovenia and some republics of the former Soviet Union or Yugoslavia, where tech startups are extremely few and venture investment close to zero.

In spite of the lack of comprehensive or reliable data for most countries, we have tried to highlight these contrasts by combining two parameters: the yearly volume of startup investment per capita (Chart 1 on next page), and a more subjective estimate of the level of maturity of each startup ecosystem (Chart 2).

1. The VC investment estimates we have used include not only startups headquartered in CEE countries. They also generally include (at least partly) investments made in startups originating from CEE and keeping substantial operations there, but having established themselves in other geographies, typically Silicon Valley and Western Europe (see *Methodological Note in Section 4*).

Keeping in mind the uncertainty of the underlying data, we have ranked CEE countries and grouped them as follows (Chart 3):

- **Group 1, “Underdeveloped markets,”** is characterized by very low startup investment volumes (even per capita) and embryonic startup life. This group includes Albania, Azerbaijan, Bosnia and Herzegovina, Moldova and Montenegro.
- **Group 2, “Early-stage markets,”** includes Croatia, Georgia, Kosovo, Macedonia, Romania, Serbia and Ukraine. In these countries, startup ecosystems are at various phases of development (but clearly not mature yet), and startup investment volumes per capita are more substantial by regional standards.
- **Group 3, “Maturing markets,”** is the largest. It includes Armenia, Belarus, Bulgaria, Czechia, Hungary, Latvia, Lithuania, Poland, Russia, Slovakia. These countries have laid solid foundations to develop their startup industries, and record significant investment flows by regional standards. However, they cannot be characterized as fully developed. For example, such countries as Bulgaria, Czechia, Poland and Russia have built arguably strong ecosystems, but venture investment per capita is still far behind the level of the most advanced countries of the region, and very low in relative or absolute terms compared with advanced countries outside the region. Conversely, Latvia boasts high volumes of startup investment per capita (by regional standards) but its ecosystem is still too young to be considered as mature.
- **Group 4, “Highly developed markets,”** includes the two stars of the regional innovation scene: Estonia, which has the most mature startup ecosystem in CEE and where investment per capita exceeds that of advanced Western European countries; and Slovenia, which the EU considers to be the strongest innovator in the region and where startup investment is relatively high.

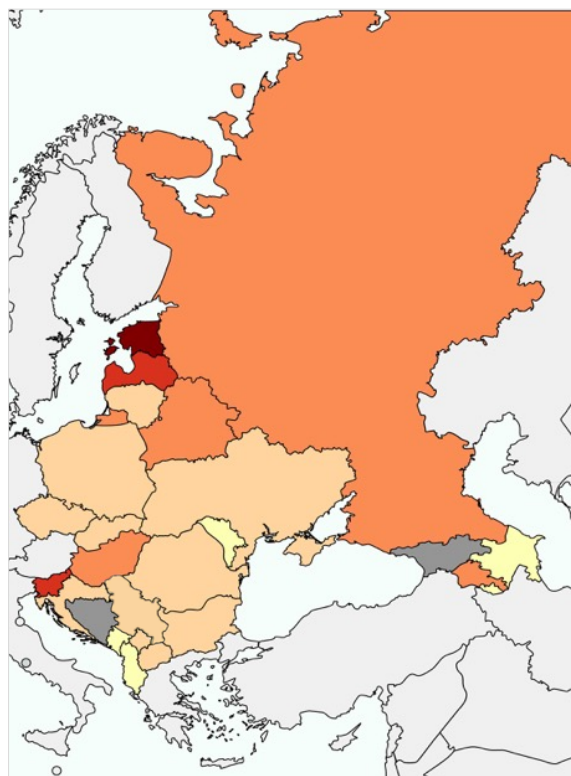


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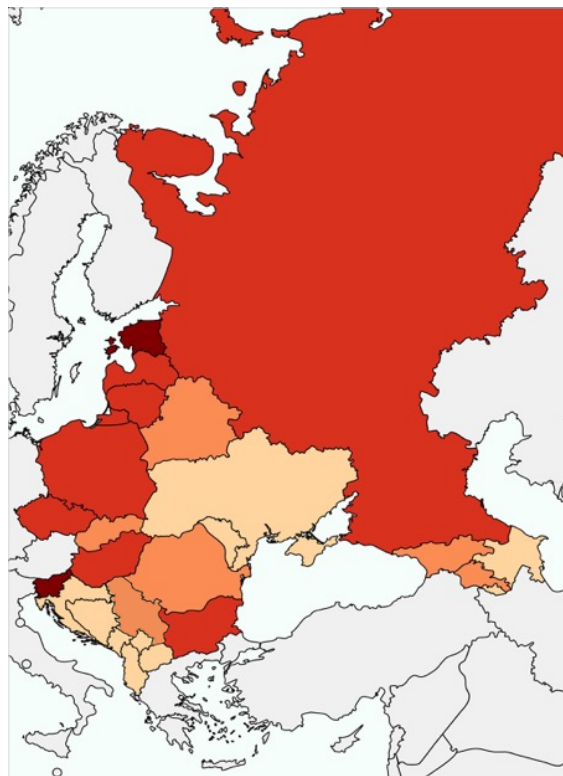
CHART 1: STARTUP INVESTMENT PER CAPITA



- Less than €1
- From €1 to €5
- From €5 to €10
- From €10 to €30
- Around €50
- No data

BASED ON ESTIMATES RELATED TO 2016, INCLUDING INVESTMENT IN STARTUPS WITH CEE ORIGINS BUT ESTABLISHED IN OTHER COUNTRIES

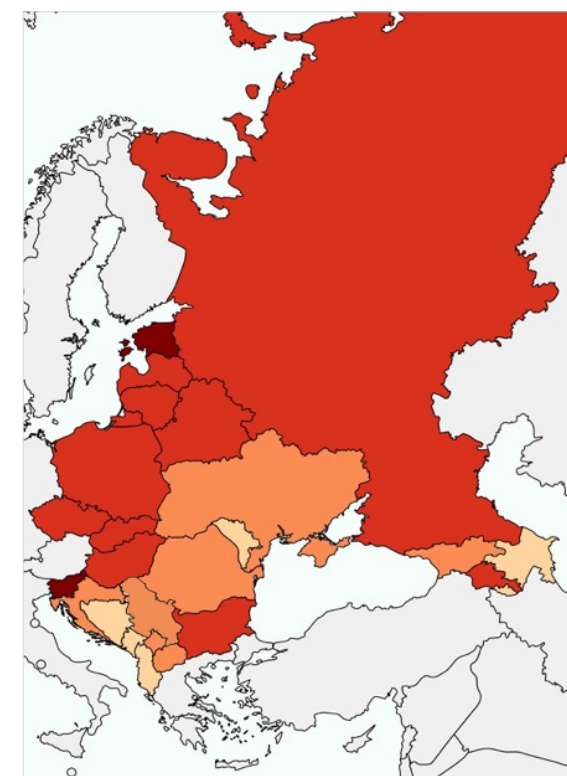
CHART 2: STARTUP ECOSYSTEM MATURITY



- Nascent startup ecosystems
- In development
- Nearing maturation
- Highly-developed ecosystems

BASED ON EWDN KNOWLEDGE AND EXPERT ASSESSMENTS IN EACH COUNTRY (SEE COUNTRY SECTIONS IN PART 4 AND 5 OF THIS REPORT)

CHART 3: OVERALL MARKET MATURITY



- Group 1: Underdeveloped startup markets
- Group 2: Early-stage startup markets
- Group 3: Maturing startup markets
- Group 4: Highly-developed startup markets

THIS RANKING COMBINES STARTUP INVESTMENT PER CAPITA (CHART 1) AND EXPERT ASSESSMENTS OF ECOSYSTEM MATURITY (CHART 2)



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Country specialization

In terms of industry specialization, most countries of the region have developed a rather diverse, generally IT-oriented startup scene; however, on certain local startup scenes, one or a few specific segments have become predominant.

This is the case, for example, with gaming and AI in Belarus, cybersecurity in Czechia, fintech in Latvia, e-commerce and gaming in Lithuania, software and life science in Poland, software in Romania, gaming and cybersecurity in Slovenia.

STARTUP SPECIALIZATION IN SOME CEE COUNTRIES

COUNTRY	AMONG LOCAL STARTUP SPECIALTIES
Belarus	Gaming, AI
Czechia	Cybersecurity
Latvia	Fintech
Lithuania	E-commerce, gaming, laser technologies
Poland	Software, life science-related specialties
Romania	Gaming, cybersecurity

Public support

In terms of government involvement, the situation is very contrasted, too, with massive state interventions in certain countries and a relatively passive attitude, or even indifference, in some others.

The first category notably includes the Baltic states, Georgia, Poland, Russia and most recently Belarus, while Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Moldova, Montenegro, Serbia, Slovakia and Ukraine have offered examples of weak government support so far.

Government attitudes are changing, however. In Montenegro, Serbia, Slovakia and Ukraine, the authorities seem to have realized the importance of developing startup innovations, and local industry are hoping for new positive measures to be taken in the near future.

In certain countries, the role of international support programs is crucial. In such countries as Bosnia and Herzegovina, Kosovo and Macedonia, the young startup scene tends to receive more support from international programs than from their own government

Among international support programs with noticeable presence across the region are USAID, Germany's GiZ, Sweden's SIDA, the Norwegian embassy, and the World Bank (<https://goo.gl/oWbNRK>).

In a range of EU member states, European funds have brought massive support to the emerging innovation and venture industries.

To cite just a few examples, in Bulgaria, an initial commitment of €20 million by the EIF into five PE funds attracted a further €20 million worth of investments from business angels and other private sector investors.



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In Lithuania, the JEREMIE intervention played a decisive role in the emergence of the local equity ecosystem, while in Estonia the local government and the EIF joined forces to launch EstFund, a €60 million fund-of-funds, the first one in the country.

As for the Baltic Innovation Fund, “it has attracted a total of €97 million, which is more than the combined contributions from private independent institutional investors to all VC and private equity funds set up since the three Baltic states regained independence [in 1991],” tells us EIF Chief Executive Pier Luigi Gilibert (*see interview in Section 3*).

Also impactful in the region have been the investment programs of the EBRD and the World bank’s IFC, which have targeted high tech ventures among many other industries.

Some common points and a paradox

CEE countries also have common points in the field of startup innovation. Many of these countries display a strong IT engineering force, which is greatly helping the emergence of startup activity as certain countries tend to switch from an IT outsourcing model to more product-oriented, value-added activities.

These talented CEE programmers are behind the success of numerous startups in a various fields. Among the latest examples are computer vision (*see article below in this section*) and artificial intelligence (*see Part 3 of this report: “The AI powerhouse of Europe”*) as well as blockchain projects (*see Part 2: “The token spring of CEE”*).

Another common point is the strikingly low volumes of startup investments (*see Section 4 below*). These reach Western European levels per capita in only one country: Estonia.

In this country, startup investment per capita reached around €50 in 2016 – which can be compared to France (€32) or the UK (€61), but still lags far behind the USA (€186)

Meanwhile in Albania, Moldova and Montenegro, yearly startup investment volumes range in the hundreds of thousand euros (around €0.2 per capita); while even in such relatively advanced countries as Bulgaria, Czechia, Lithuania or Poland, investment is below €5 per capita (*see Chart 1 hereabove*).

Technical excellence combined low venture investment: this is not the least paradox of the CEE startup scene – and perhaps one of its most problematic issues.

- *Adrien Henni is co-founder and chief editor at East-West Digital News. With almost 20 years of experience in the high-tech and venture businesses in France, Russia and Ukraine, he has advised a variety of startups, funds and other organizations. Mr. Henni graduated the Paris Institute of Political Sciences (Sciences Po) with high honors. You may reach him at ah@ewdn.com*



SASHA GALITSKY OF ALMAZ CAPITAL: “TO A LARGE EXTENT, THE REGION’S STRENGTHS AND WEAKNESSES ARE A LEGACY OF THE COMMUNIST PAST”



Alexander “Sasha” Galitsky, Ph. D., is co-founder and managing partner at Almaz Capital Partners, one of the most prominent international funds with roots in Eastern Europe.

Which technologies are CEE startups strongest at developing?

In this vast region, you can find plenty of startups in a variety of fields; but let me cite just a few examples which reflect the outstanding tech engineering potential of certain countries.

Eastern Europe and Russia represent the second largest community in the world (after the USA) contributing to the Blockchain technology, and the third largest Bitcoin mining pool. The region accounts for 8.2% of Bitcoin active nodes and a substantial fraction of global ICO funding. Several companies from the region are global pioneers in Blockchain: they include BitFury (Latvia, Ukraine), Ethereum (Russia), Ionomi (Slovenia), and Golem (Poland).

CEE programmers also excel in IT security – for the best and for the worst. Russia, Romania and Hungary are among the top 10 countries in the world with the highest number of hackers. Teams from Ukraine, Poland and Russia hold the three first places in the Capture The Flag computer security contests.

In the field of machine intelligence, the Markov chains, Markov random field and Markov models are the very basis of deep learning, while the Hidden Markov Model (by Ruslan Stratonovich) is the main model for speech recognition. Alexey Ivakhnenko, who was a prominent a Soviet and Ukrainian mathematician, is still referred to as the father of Deep Learning.

As for data engineering, Russia and neighboring countries take the fourth place in Kaggle, the world’s largest data scientists community. And Yandex Data School is the largest non-university based school of data analysis, with about 500 graduates since 2007.

How did this engineering force and talent emerge?

To a substantial extent, today’s strength is a legacy of the past. Under communism, these countries were busy developing copies of IBM computers. This activity involved Bulgaria and Hungary (computer disks, disk drives, printers and etc.), East Germany (memory chips, processors), and Czechoslovakia as well as the Soviet republics of Estonia (cybernetics in Tartu), Latvia (microelectronics), and Lithuania (monitors manufactured in Kaunas). Based on these specializations, engineering schools, R&D and production capacities emerged – and they have continued to develop until now.

Of course, the situation differed among countries. Thus, Romania and Yugoslavia were particular cases. With their autonomous, autarchic approach, they didn’t take part in this regional division of labor and specialization. Nevertheless, some great technical schools were built locally.

In terms of entrepreneurship, the legacy has generally been negative. There are just five entrepreneurs in 1,000 inhabitants in Russia, and up to 20 or exceptionally more (40 in Kazakhstan) in other countries of the region – a far cry from the USA’s 71 entrepreneurs per thousand inhabitants. This reluctance to individual risks is obviously a part of psychological legacy from previous times.



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Many startup entrepreneurs in the region leave their countries. Is the grass really greener for them in Western Europe, Silicon Valley or Singapore?

In the modern tech world no one, neither a person nor a country, has exclusivity for innovation. Great tech idea may emerge in any place in the world today. It's today's reality and the beauty of the modern connected by internet world. To build a successful company, tech entrepreneurs need access to three essential things: capital; access to a large market; and only after this to the knowledge and skills.

Highly-skilled engineers, a pretty big pool of them, and at a reasonable price, are the biggest advantage of CEE today in comparison with other regions, especially when taking into account the shortage of skilled engineers in Silicon Valley. In addition, local CEE engineers are more loyal to their employer than in Silicon Valley and even in Western Europe.

CEE startups today can get seed capital (often state-backed) from local VCs, but there's a lack of capital at further stages, like series A and B. More importantly, there is a lack of experience of local VCs in bringing companies to the global scale. Local B2B markets are usually very small, especially when new breakthrough technology is emerging and hitting the market. USA businesses are attuned to new innovations, which could increase their efficiency and profitability. In addition, USA market at the early stages of emerging technologies represents 90% or more of the global market.

Of course, access to the global market is possible even in small countries – in Finland, for example, many startups accessed the global market via Nokia – but it is still easier to start a global company from a big Western tech hub, especially from Silicon Valley, than from Bratislava or even Moscow.

Why is private capital so scarce in the region?

Usually private capital comes with a certain level of historic maturity. In the early 1970s, private capital in Silicon Valley amounted to some \$100 million vs \$2 billion of state investment. In the end of last decade, state investments was around \$4 billion and private grew to over \$35 billion. And in Israel, the VC boom didn't occur before the mid 1990s.





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Maturity means such things as success stories and a developed ecosystem, which attract investors. Another requirement is a certain level of demand on the domestic market, which generates a need for innovation to support the growth of specific segments.

It may sound paradoxical, but fast macroeconomic growth — which most CEE countries have enjoyed over the past 20 years — is not really a positive factor for the development of venture capital. The faster the economy grows, the higher are returns in the traditional sectors — which tend to attract more capital.

Please tell us a bit about your investment activity in the region

Almaz Capital has invested in more than 30 companies over nine years of operations. Our strong belief is that B2B technology companies are usually global vs B2C companies, which are often local. We do not primarily invest in local business opportunities but rather leverage the outstanding local ideas and engineering talent pool to build global businesses.

Our portfolio companies have all their R&D teams in the former Eastern bloc, but the majority of them have their sales and marketing offices in the USA. We have defined several areas of interest — for example, AI and ML, cyber security and data engineering — which correspond to the CEE’s strongest legacy in terms of talents and technologies.

We’ve had eight exits so far: Odin, acquired by Ingram Micro; Plesk acquired by Oakley Capital; Appscotch, acquired by App Annie; nScaled acquired by Acronis; Vyatta, acquired by Brocade; Qik, acquired by Skype; and Yandex, which went public on the NASDAQ in 2011.

Another exit — one of the largest ones — took place in Sept. 2016 with Verizon’s strategic acquisition of Sensity Systems, a startup based in the US and Hungary. Verizon sought to complement its suite of smart city connected solutions. One year before the acquisition, the company had received funding from Cisco, GE, Mohr Davidow Ventures and Acuity.

We have a few regrets associated with our exits as well, like taking cash for a stake in Qik instead of shares in Skype, or not getting a larger stake in Yandex when we had the opportunity to invest more capital.

We have around 25 companies remaining in our current portfolio.

(September 2017)

- Alexander “Sasha” Galitsky, Ph. D., is co-founder and managing partner at Almaz Capital Partners, an international venture fund headquartered in Portola Valley, CA, backed by Cisco Systems, the EBRD and the IFC. A prominent innovator, entrepreneur and investor in the USA and Europe, Mr Galitsky was distinguished by several industry awards and media. He serves the board of directors of several companies, including Acronis, Octonion/PIQ, CarPrice, Jelastix, Parallels, PetCube, StarWind. A former researcher, Mr. Galitsky has over 30 patents for a variety of inventions, including parallel processing, WiFi and VPN security technologies.



SASHA GALITSKY OF ALMAZ CAPITAL: “TO A LARGE EXTENT, THE REGION’S STRENGTHS AND WEAKNESSES ARE A LEGACY OF THE COMMUNIST PAST”



Among Almaz Capital’s portfolio companies



GoodData, founded by serial Czech entrepreneur Roman Stanek, provides the platform and expertise for enterprises to create smart business applications. GoodData’s B2B2C model allows its customers to provide value added business intelligence services to their own clients, and monetize data. The company is headquartered in San Francisco with a major office in the Czech Republic. Almaz Capital co-invested with Andreessen Horowitz, General Catalyst Partners, Intel Capital and other funds.



GridGain offers complete in-memory computing platform enabling 1000x speed increase in databases and analytics, requiring no redesign of existing data infrastructure. It applies to many industries: banking, pharma and ecommerce and paves the way for large scale distributed computing. The product is result of eight years of R&D by development team of more than 20 people in St Petersburg — the equivalent of \$50 million in development costs in Silicon Valley. Almaz was an early investor in 2013. GridGain averaged triple-digit annual sales growth during the past four years, and nearly tripled prior year sales in 2016.



Hover offers an easy way to create a 3D model of a building for clients looking for accurate and current structure data, e.g. home improvement, insurance. Hover aims to disrupt these industries, saving a lot of the time their clients spend on agent visits and measurements. Hover, headquartered in US, has a 200-people office in Ukraine, which was built with the help of Almaz Capital.



PIQ Sport Intelligence is a platform analyzing movements of athletes and allowing them to compare, compete and improve their performance. The platform is powered by PIQ Robot, a multisport wearable device that can analyze more than 195,000 data points per minute in real time. PIQ Sport Intelligence has become the exclusive technological partner of leading global brands in tennis, golf, skiing, kite-surfing and boxing. The company has offices in France and Switzerland as well as a large R&D team in Minsk.



THE EASTERN EUROPEAN INNOVATION SCENE AND THE POTENTIAL IT HOLDS

A RESEARCH BY ALMAZ CAPITAL



This analysis is based on a research by Almaz Capital, an international venture fund with Eastern European roots. It is published here with the fund's permission.

To a large extent, the Eastern European startup scene is a legacy of the past. For starters, let's take the former Soviet Union (FSU) as an example. As much as 22% of its GDP was dedicated to defense and about 5% went to education. Of a total of 139 million employed, 2 million worked in IT. About 23% of the population had a university degree, and there were more than five million students enrolled in college.

Surely, the region was no stranger to innovation. There were more than 350 research institutes in the FSU, over a million scientific researchers, and 10 million people employed in research and development (R&D). The region was also marked by a number of scientific developments over the decades, including the creation of the world's first nuclear power station in the 1950s and the launch of the first Space Station in the early 1970s, among others.

Migration contributed to spreading the knowledge of FSU scientists and engineers across the world, most notably to Israel, Germany and the USA. As a result, it has helped shape a lot of the world's IT industry. More than 1 million immigrants from the FSU live in Israel, of which over 85,000 are trained engineers and technologists. In Silicon Valley alone, the number of Russian-speaking engineers is above 45,000.

Talent is key

Today, Eastern Europe continues to hold great potential for the global IT industry, as the engineering talent in the region is nothing short of top-notch. Russia, Poland and Hungary, in fact, are in the top-five of countries with the best engineering talent, spanning domains like algorithm, Java, C++ and artificial intelligence (AI) development.

With regard to data engineering, Russia and its neighbors take the fourth place on Kaggle, the world's largest data scientists community. The Yandex Data School is the largest non-university-based school of data analysis with about 500 graduates since 2007.

When it comes to blockchain, Russia and Eastern Europe are the second largest community (after the US) contributing to the technology, with multiple companies pioneering it globally. Those include BitFury (which has roots in Latvia and Ukraine), Ethereum (Russia), Ionomi (Slovenia), and Golem (Poland).

The development of machine learning, too, is closely tied to the region. Markov chains and models – used to model randomly changing systems – are the very basis of deep learning. The hidden Markov model developed by Russian-born Ruslan Stratonovich is the main model for speech recognition. Alexey Ivakhnenko, sometimes referred to as the "father of Deep Learning", in turn, developed the Group Method of Data Handling (GMDH) and published the first functional Deep Learning networks.

High quality, low cost

The region is also attractive because of the lower cost of labor. Companies with access to the regional talent pool get high-end software development at a fraction of the US cost, thus, driving capital efficiency for their investors. The median annual salary in IT in the US stands at \$110,000, while that in Russia is 5 times lower, at \$22,000.

With its cost efficiency and high-quality engineering talent, Eastern Europe has raised many IT startups. Its most famous international success stories are Skype, Viber, Evernote and Avast, as well as Internet company Mail.ru, software company GoodData, and instant messaging service Telegram.



THE EASTERN EUROPEAN INNOVATION SCENE AND THE POTENTIAL IT HOLDS

A RESEARCH BY ALMAZ CAPITAL



The key to the success of many of those IT businesses has been the ecosystem's ability to forge lasting relationships between its various stakeholders – from accelerators, incubators and investors, to other startup support organizations, and universities. A strong connection to Silicon Valley and other entrepreneurial hubs has also played an important role in bridging the gap between Eastern Europe and the rest of the world.

That being said, Eastern European companies have best chances to build world champions when they target clients in the US, the most vibrant and receptive IT market in the world. Take the sharing economy as an example: for global ride- and apartment-sharing services like Uber and Airbnb, the US market is still the leading source of revenue (around 70% in 2015).

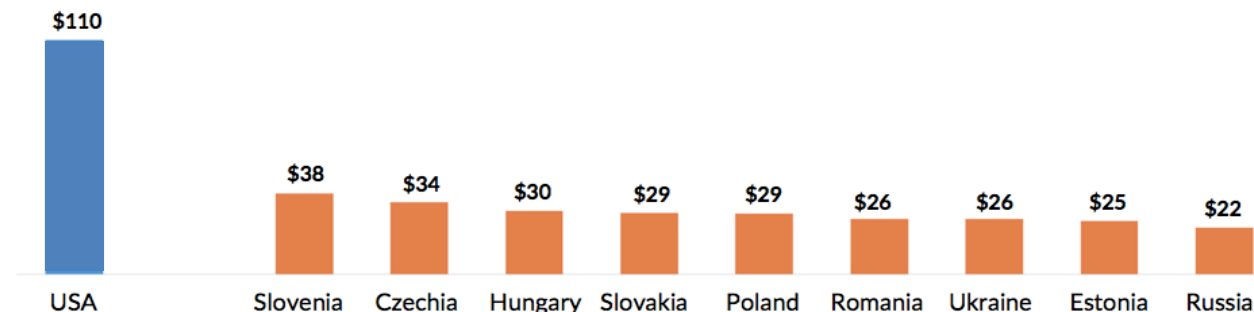
Yet, while Russia and Eastern Europe still have a way to go to catch up with many of the entrepreneurial ecosystems of the West, there is no doubt that the region holds great potential. With multiple success stories coming from the region over the past decade, it has certainly positioned itself as a strong contender in the global innovation scene.

RANKING OF THE WORLD'S TOP ENGINEERING TALENT

RANK	COUNTRY	SCORE INDEX	RANK	COUNTRY	SCORE INDEX
1	China	100.0	13	Singapore	87.1
2	Russia	99.9	14	Germany	84.3
3	Poland	98.9	15	Finland	84.3
4	Switzerland	97.9	16	Belgium	84.1
5	Hungary	93.9	17	Hong Kong	83.6
6	Japan	92.1	18	Spain	84.4
7	Taiwan	91.2	19	Australia	83.2
8	France	91.2	20	Romania	81.9
9	Czechia	90.7	21	Canada	81.7
10	Italy	90.2	22	South Korea	81.7
11	Ukraine	88.7	23	Vietnam	81.1
12	Bulgaria	87.2	24	Greece	80.8

SOURCE: HACKERRANK

MEDIAN ANNUAL SALARIES IN IT (IN THOUSAND USD)



SOURCES: O'REILLY MEDIA, Payscale.com



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Big Data

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THE SUCCESSES, CHALLENGES AND POTENTIAL OF THE CEE STARTUP SCENE

BY EWA CHRONOWSKA, PRESIDENT OF THE CEE BUSINESS ANGELS NETWORK



Central and Eastern Europe, which in a recent past had almost no startup ecosystems, now boasts a significant number of accelerators, incubators, technology parks, events and other initiatives that support innovation. This rapidly developing scene leads to a large supply of innovative ideas, and attracts more and more investors, who form angel networks and VC funds focused on cross-border deals.

Putting CEE on the global tech map

The huge success of companies like ESET (Slovakia), Prezi (Hungary) and Skype (Estonia) has brought a lot of attention to the region. The acquisitions of Ukrainian startup Lookstory by Snapchat in 2015 and Belarusian MSQRD by Facebook in 2016, in turn, have made CEE even more attractive for investors. This region, which only several years ago was said to have complicated legislative systems and no entrepreneurial experience, has begun its way towards becoming a second Silicon Valley.

Looking at the achievements of specific countries from the region, Bulgaria, Estonia and Poland are definitely worth mentioning.

Thanks to low taxes and a well-developed infrastructure for business financing, Bulgaria is now considered to have one of the strongest startup scenes in Europe. What's more, it is the first in the EU in the number of certified IT professionals per capita, and the second among the most attractive outsourcing destinations.

Estonia, as the first country in the world to introduce electronic citizenship, has become a symbol of digital innovation during the last years. Already in 2013, there was a world record in the number of startups per citizen in the country.

Poland, too, has been pushing the region's development with its thriving investment ecosystem and a great number of new funds and innovative companies. In the coming years, public support is expected to flourish even more, providing local startups and scaleups with a wider variety of opportunities.

And those are only a few of the numerous successes that the region has had during the last five years.

Investors, in turn, are attracted not only by the region's well-developed startup ecosystem, but also by the cost of labor, which is considerably lower than that in Western Europe or the US. In addition, well-educated founders with great ideas, a cost-efficient way of running businesses, as well as financial support from local governments and the EU make the CEE ecosystem even more of an interest.

Nevertheless, there are still many challenges

Entrepreneurs from many CEE countries need to think more globally, especially the ones that operate in rather small local markets. The region should put stronger emphasis on R&D spending to be able to turn great innovative ideas into products that can be commercialized across borders. Although the region has the potential to play a substantial role in the global startup ecosystem, it also requires initiatives that support scaleups in the process of entering foreign markets.



THE SUCCESSES, CHALLENGES AND POTENTIAL OF THE CEE STARTUP SCENE

BY EWA CHRONOWSKA, PRESIDENT OF THE CEE BUSINESS ANGELS NETWORK



Adapting the local legal systems towards clearer and more comprehensible laws with regard to entrepreneurship will be also a great advantage for the region's development. Nowadays, complicated and time-consuming business registration processes, bureaucracy and tax burdens often force entrepreneurs to set up companies outside of their own country.

There is still a lot more to be achieved in each of the CEE countries.

In Ukraine, for example, early-stage investing is already in good shape, but there's too little support of later-stage companies. In the Czech Republic and Slovakia, on the other hand, the situation is quite the opposite: There is a well-developed investment ecosystem for scale-ups, but insufficient help for projects in their early stages.

There are also countries where the entire startup ecosystem is in its infancy such as Belarus, Latvia and Montenegro.

Potential and future outlook

It is difficult to predict how the CEE startup ecosystem will look in the future, but based on the recent years of stable economic growth, there is a great probability that entrepreneurship and innovation will continue to develop as dynamically.

The startup and investment scene in CEE will strongly benefit from EU funds that aim to boost innovation, as well as from the emergence of new accelerators and VC funds. The global interest in regional projects is supposed to rise even more, which will contribute to an increased popularity of cross-border deals.

Putting all those factors into one, there is a great prospect for the CEE region to become one of the most prosperous startup ecosystems worldwide.

- *Ewa Chronowska is the founder and president of the CEE Business Angels Network. She is also an entrepreneur, business angel and startup mentor with wide experience in consulting and investments. Mrs. Chronowska thus provides hands-on financial and business support to early-stage companies, and helps build cross-border bridges between international investors and CEE startups.*

- *The CEE Business Angels Network is an international group of individual investors that supports CEE startups with expertise, resources and funds. The network also dedicates a part of its investments to projects which are expected to have a positive impact on the development of the region. An example is Vestbee, all-in-one platform that connects global investors with CEE startups and provides tools to automate and manage funding. <http://www.ceeбан.org>*



POLAND'S UNICORN, SLOVAKIA'S FLYING CAR, AND THE FUTURE OF EUROPE

BY PLAMEN RUSSEV, EXECUTIVE CHAIRMAN AT WEBIT FOUNDATION



The future of Europe is at stake, and the reasons extend far beyond obvious challenges such as the migration crisis and the political turbulence that led to Brexit.

For the last 12 years, the European Union's share of global GDP has fallen from nearly 32% to only about 23%. Although it is difficult to imagine the continent again becoming the center of global manufacturing, the EU still has the tools to reverse this trend. We can take advantage of the Fourth Industrial Revolution - a wave of digital-era change — and push the region to a period of sustained growth, through a combination of long-term policies, innovation and cooperation between governments and businesses.

Central and Eastern Europe has the potential to play a very substantial role in the continent's future. For the last five years, the region registered an impressive growth in Information Communication Technology (ICT) as a share of its GDP (in Bulgaria, for instance, it rose from 1.3% in 2012 to 3.3% in 2016).

Instead of competing within the region's smaller markets, we can create targeted intelligent specialization, drawing on existing areas of expertise as well as creating new ones. This way one country's industry will be able to expand into the broader European market, without having to compete within the region.

Poland's start-up scene

Just a quick look at the Central and Eastern Europe's investment market will show you that Poland has a very well-developed start-up ecosystem in a number of sectors, but with substantial value concentrated in marketing automation. There is already one unicorn, Allegro, and two more potentially on the way, in SALESmanago and Growbots. Meanwhile, the video gaming industry boasts CD Projekt. These are two of the most promising verticals with established know-how and success in today's Poland.

Meanwhile, Czech Republic and Romania have become real pillars of European cyber security, with startups such as Avast Software, Bitdefender and TypingDNA, while my home country Bulgaria already has its own ICT success in the software development company Telerik, that was acquired by Progress Software for \$262.5 million in 2014.

In Slovakia, the advanced engineering company AeroMobil is developing the world's first flying car and is expecting to start taking orders this year.

Further fostering these areas of strength, supporting them with focused education and talents from within the region would make a huge difference both locally and for the future of Europe.

With a more in-depth study I am convinced that we can easily make a list of several specifications for each country and create strategies for regional development.

The fourth industrial revolution and its new technologies are going to be the guiding light on our path to a better future.



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Luxembourg to Albania

But industrial and economic innovation can't be achieved without the needed legislation and government support. Just as Luxembourg has become the first country in the world with laws regulating the mining for resources in space, and Estonia was the first country that introduced electronic citizenship, we have to think about the right legislation to support the digital development of CEE. One possible example comes from Albania, where startups have the opportunity to launch with zero taxes until a certain amount of revenue has been established.

We also need clear specialization from early the early school years to prepare our children for the needs of the future labor market.

Nowadays very few people benefit from their knowledge of physics and chemistry. And teaching our children to code (as is becoming mainstream) is the same as training them to drive a cab – it is a skill that will not help them find a job after automation reaches its full potential.

We need to rebuild our education systems so as to inspire critical thinking, creativity and teamwork, because this will be the skill that the future industry will demand the most.

Achieving economic transformation of this magnitude will require not only legislative initiatives, but also state support in the form of subsidies and reduction of the administrative burden on the new businesses.

Advanced technology startups in Europe are on the rise and now more than ever we need to support and invest in them, because this will be an investment in our common future. It can happen through new platforms for public-private partnership and targeted acceleration with government's support.

In many aspects, the industry of Central and Eastern Europe is still stuck in the Soviet age. In recent years governments in the region talk more and more about the re-industrialization of their countries. But instead of pouring money into new manufacturing capacity, states should support their brightest minds with more efficient programs for seed and next-round investments.

Intelligent specialization should be reflected in the region's education systems as well as in its legislative frameworks. I sincerely believe that Central and Eastern Europe can empower a better future for the old continent. I believe in the human potential of this region that remains untapped. For me, our countries have a future that is much brighter than being among the top outsourcing destinations. And with joint efforts of policy makers, academics and business leaders, we can draw this future together.

This opinion was a contribution to the 2017 edition of the World Economic Forum <http://goo.gl/294wY7>

- A serial entrepreneur, investor and philanthropist, Dr. Plamen Russev is a figure of the Bulgarian tech scene. He is Executive Chairman at Webit Foundation and the Global Webit Series. He also founded "Sofia – Digital Capital of the New Markets," a government-supported project which aims to position Sofia as a digital and tech hub for the CEE region and beyond. Mr. Russev has been awarded by Financial Times, Google, Respublica and Vishegrad Fund among the 100 New Europe Innovators. www.russev.com



ANDREJ KISKA OF CREDO VENTURES: “CEE STARTUPS TEND TO BE MORE VULNERABLE THAN THEIR WESTERN PEERS, BUT THE REGION MAY SEE ITS NEXT SUPERSTARS EMERGE SOON”



Credo Ventures is one of the oldest and largest venture capital funds focusing on seed and series A investments across Central and South-Eastern Europe. Initially based in Prague, the fund opened a second office in San Francisco in the summer of 2017. In this interview, Credo Ventures General Partner and Menlo Park representative Andrej Kiska shares his vision of the CEE startup and venture scene in an international perspective.

Why does your fund focus on Central Europe – 10 countries as diversified as Czechia, Poland, Bulgaria, or Bosnia-Herzegovina?

What these countries have in common is their strong technology talent and the fact that access to local, early stage venture capital is very limited. We saw in this an opportunity to be one of the first, if not the first, institutional early stage venture capital funds in each of those countries. Since our inception in 2010 we have made over 30 investments in seven countries of the region.

We live in a world today where startups can be started from literally anywhere, as long as that place has a good Internet connection. If you combine the low costs of starting a new company with the wonderful tech talent our region has to offer, you get a potent value proposition from VC point of view.

What about the risks and challenges of operating in these markets?

The local startup ecosystem remain immature – which means that there are few individuals with first-hand experience of how to build a global company. Therefore most founders from the region are first-time founders, and the number of potential local employees or mentors with relevant operating skills is very limited.

What's more, in most CEE countries startups initially operate on small domestic markets. Thus, they are pushed to test international waters from the earliest stages, which makes them more vulnerable than, say, startups from France, Germany or the UK. These have a chance to consolidate themselves first on their large local markets.

What has been the impact of foreign investors on the regional scene?

International VCs from the West – mainly from Germany, the UK and the USA – are increasingly looking at Central European startups. Most of the time they get involved in late Series A or Series B as follow-on investors. This being said, we have co-invested even at the seed stage with some great funds such as Index, Earlybird or Baseline.

What about international public support programs?

The EIF as a fund of funds is a very significant contributor, because it provides capital to teams with experience from just one or two funds. Very few institutions are willing to talk to such teams, especially in Central Europe. Therefore EIF has been a great boost to the local venture ecosystem.

The EBRD has been less active as a fund of funds in the region's VC landscape, they do some direct investments in startups. Credo Ventures has co-invested with them in at least one deal.



ANDREJ KISKA OF CREDO VENTURES: “CEE STARTUPS TEND TO BE MORE VULNERABLE THAN THEIR WESTERN PEERS, BUT THE REGION MAY SEE ITS NEXT SUPERSTARS EMERGE SOON”



How do you envision the evolutions of the CEE startup scene?

Due to the local and international investment activity, the local startup ecosystems has benefited from significant rise in available capital. This has already had a considerable impact. There have also been notable exits, just in the Czech Republic startup acquisitions over the past five years have amounted to almost \$2 billion. This shows that CEE can indeed build major global players.

I hope that a large number of startups that received their seed and Series A investments in the past few years will go on to receive further backing. Thus the region may see its next superstars emerge soon.

There will, however, also be some disillusion for those who hope for quick success and short-term gains: playing in the startup field is a long-term game, and this will remain true for decades to come. Those who expect CEE to quickly become “the next Silicon Valley” with immediate gain for themselves are set to be disappointed.

(September 2017)

- A figure of the CEE venture scene, Andrej Kiska joined Credo Ventures in 2011 and became a General Partner in 2015. Previously he was with Benson Oak, an early growth fund and the first backer of AVG Technologies, which is the only Czech company to IPO at the New York Stock Exchange. Mr. Kiska graduated from University of Virginia's McIntire School of Commerce with concentrations in finance and management.



STARTUPYARD CEO CÉDRIC MALOUX: “WE STILL SEE VERY FEW WESTERN INVESTORS, BUT INTERNATIONAL CORPORATIONS ARE MORE AND MORE ACTIVE ON THE CEE STARTUP SCENE”



French entrepreneur Cédric Maloux has been active in Czechia since 2009 through several startup ventures and StartupYard, a major Prague-based regional accelerator. He recalls the evolutions of the Central European startup scene in the past decade.

How did the Czech innovation scene look like back in 2009, and how has it evolved since then?

Like in other countries of the former Eastern bloc, the scene has evolved a lot in the past decade. We've had success stories, role models have appeared. Founders have become more educated about how to build businesses. Early successful entrepreneurs are now reinvesting in their local ecosystem. More VC funds have appeared for seed stage investment while a few crowd-equity platforms emerged. The CEE scene is thriving now.

Do you feel that international investors, corporations and other players pay sufficient attention to startups from Central Europe?

We still see very few investors from Western Europe or beyond, which is a pity. On the other hand, local subsidiaries of corporations are more and more active and engaging with startups more easily and more often than before. Some of our local startups are now working with large corporations outside of Czechia, having been brought in initially from the local teams.

Artificial intelligence is among the key focuses of Startup Yard. Do you believe Central Europe has a chance to assert itself as an important spot on the global AI tech map?

Indeed, we very much like AI at StartupYard (I am myself an engineer in AI) and we have a few very interesting startups in this field, such as NeuronSW.com or Rossum.ai or Sentisquare.com for example. Each of these startups are very unique in what they do. They are made of extremely smart AI specialists whose researches led to the creation of the startups.

The region is technically and mathematically very strong so there's no reason why they could not compete with other countries, should they have the ambition to do so.

(August 2017)



STARTUP WISE GUYS CEO CRISTOBAL ALONSO: “I EXPECT TO SEE THE EMERGENCE OF ‘ACCELERATORS 3.0’ WHICH WILL ACCELERATE UP TO 50 COMPANIES PER YEAR”



Why accelerate B2B startups in a Baltic state?

Since our inception in Estonia years ago, we have run nine accelerator programs from Tallinn and Riga. We have focused on attracting startups from CEE both because we believe in the technical talent of the region and also because Baltics makes a lot of sense for CEE startups to accelerate. Living and business costs are relatively low, yet there is a truly international mindset and a great geographical location.

In addition to our three-month program, we do regular roadshows to more than 20 cities in CEE, providing pro bono mentoring for B2B startups and taking an active part in pitch battles and tech conferences.

We are actively working on expanding further across the CEE region. Our program is usually filled with startups from all over Europe and beyond, reaching as far as India or Armenia. We have alumni from more than 30 countries.

Which have been the most notable trends in the CEE startup ecosystems over the past years?

I guess it is a bit hard to talk about CEE as a unified ecosystem. The main “generic” trend across the whole region is probably that angel groups and communities have started emerging with a capacity to provide startups with initial seed investment.

We’ve also witnessed the emergence of VC funds, many of them leveraging EU money. It seems that investors and players from more advanced ecosystems now consider the region more seriously, although they still don’t invest a lot (four or five foreign players maximum per country), with a few exceptions.

I’ve also noticed more links and more cooperation between CEE countries. A great example was the CEE All Stars Event hosted by Google Campus Warsaw, co-organized by us and other leading accelerators and hubs from the region. Only working together, we can conquer bigger markets.

If we look closer at the Baltics, the biggest impact still is from successful founders who keep on investing their time and money back in the ecosystem after an exit or large investment rounds. The most famous examples are Skype or Transferwise, but there are many more great startup founders giving back to the ecosystems they came from.

Support mechanisms like e-residency in Estonia, the startup law in Latvia, and the startup visa programs are important tools to attract talent from elsewhere and to motivate local potential founders to start their business.

If we look at the downside, I think the region is still missing strategic and win-win synergy between startups and corporations. Most corporates in the region are still far from being active in the ecosystem; and when they show themselves it has usually been more of a PR exercise than a strategic move so far.

The large injections of public money through EU funding has had an ambivalent effect. Surely it has played a positive role in the emergence of the local or regional venture industry; however, most of these EU-backed funds have not been fully able to leverage this help to attract follow-ups from the private side. In addition, big amounts of “public money” may change founders’ mindset, turning them away from the entrepreneurial approach which consists in building businesses for customers and for the long term.



STARTUP WISE GUYS CEO CRISTOBAL ALONSO: “I EXPECT TO SEE THE EMERGENCE OF ‘ACCELERATORS 3.0’ WHICH WILL ACCELERATE UP TO 50 COMPANIES PER YEAR”



How do you expect the regional scene to evolve in the next years?

On the startup side, I hope there will be some new unicorns from CEE. However, perhaps even more importantly than unicorns, I hope to see way more mature growth-stage startups focusing on creating sustainable cash flow through sales. This would probably imply changes in the existing support mechanisms, which are still focused more on early-stage founders.

We expect to see also many more cross-country syndicated deals involving business angels with the capacity to fund rounds up to \$500,000 for startups. These will develop a footprint across the region, not just operate locally.

If talking about accelerators, we expect to see many of the current players disappear or becoming just niche players. Only a handful of players will develop at the required scale, develop innovative products and formulas to thrive — let’s call them “Accelerators 3.0.” I only see space for two or three such players in the region, capable to accelerate up to 50 companies per year and managing a funding capacity of \$5 million or more.

We definitely need to keep an international mindset. This is what I love about all small Baltic countries — any startup founder knows that they are building something for the world, not for the local market. So that is my wish to all the CEE ecosystem — keep looking globally!



- Cristobal Alonso leads Startup Wise Guys, a leading, B2B accelerator in Europe based in Tallinn, with more than 80 investments in early stage SaaS B2B companies. Mr. Alonso regularly tours Central and Eastern Europe and the Nordics, looking for promising startups and mentoring aspiring entrepreneurs. A co-founder of two startups in the past, he now sits on the board of more than 10 startups he has invested in since 2010. Mr. Alonso also has a rich corporate background: he served Telenor as Chief Transformation Officer, worked for several other mobile operators, and spent over 10 years as a consultant on a variety of strategic and operational projects in the TMT space.



IGOR OVCHARENKO OF SEEDSTARS: “CEE COUNTRIES ARE VERY DIVERSE, BUT ONE THING CAN BE SEEN ALMOST EVERYWHERE: ENTREPRENEURIAL STRENGTH”



As a Regional Manager for CEE & MENA at Seedstars, I spent the past two years traveling around more than 30 countries of these two regions in search of tech talents and gifted entrepreneurs. I met the most active players in these ecosystems; they gave me insights about their tech scenes in general and, more specifically, the local startups, incubators, accelerators, venture funds, angel groups, event organizers, coworking spaces, government programs, etc.

There are some 300 million inhabitants in Central and Eastern Europe – and 450 million if including Russia. The countries are very diverse by size and maturity of the entrepreneurship scenes, but one thing can be seen almost everywhere: entrepreneurial strength.

The region also boasts strong assets in terms of human resources. According to OECD rankings, Poland, Slovenia, Czech Republic and Latvia are all in the top 30 countries with the best scores in mathematics. Every year, CEE produces 1.2 million graduates, many of them with tech specialties and ready-to-work skills sets. Levering these human assets, countries like Ukraine, Poland and Serbia are becoming outsourcing centers for many North American and European companies: these open R&D centers in the region at significantly lower costs while maintaining high quality standards. For instance Boeing, Samsung, Intel started their R&D centers in CEE many years ago.

My colleague Tiffany Obser and myself would like to underline some little-known facts from the tech scenes of some countries as follows, where we traveled extensively in the last two years.

- **Armenia** has one of the strongest ties with diaspora. Its TUMO center is something that we always provide as an example of diversifying the fossil dependent economies. It's a free of charge digital media learning center for 12-18 year olds in Yerevan to learn from media professionals, and explore the intersection of technology and art.

- **Azerbaijan** has one of the most advanced IT infrastructures in the region. Every single village there has fiber optics Internet!
- After the worldwide success of SocialBakers, GoodData and Avast, there was a boom of tech startups in the **Czech Republic**, which shifted the mindset of young entrepreneurs to go global from day 1. Entrepreneurs from Czech Republic are arguably one of the most ambitious in the region.
- **Georgia** impressed us with its progressive policies. Their government jumped from the lowest on the list to one of the best performers for ease of doing business and eradicated corruption just within a couple of years.
- **Kazakhstan** is a place with the biggest influence of the government in the development of the entrepreneurship. The president is personally involved in pushing the country towards a new type of economy, with a broad use of IT solutions and digitalization of most of the country industries.
- **Moldova** is using its small size as an advantage, with companies using it as a testing ground for their technologies. For instance, 4G technology was implemented in Moldova as early as 2012.
- **Poland** is topping the list of the most aggressively growing startup scenes. Its huge talent base is a result of strong tech education in universities, which started in the beginning of 2000s.
- **Russia** is by far the most diverse startup ecosystem, filled to the brim with serial entrepreneurs building globally competing startups, and coming not only from Moscow.
- **Ukraine** is a paradise for hardware projects. This country has a strong tech educational system and very affordable prices to build, test and produce prototypes.



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WHY STARTUPS FROM EASTERN EUROPE ARE SO STRONG IN COMPUTER VISION

BY VLADIMIR KOZLOV, EAST-WEST DIGITAL NEWS



Russian-speaking engineers seem to have some special skills, or secret sauce, to develop face recognition and related AR technologies, if judging by the number of startups with roots in Eastern Europe that have made the news over the past few years. Emerging from Russia, Belarus and Ukraine in particular, they have topped international contests, received sizable investments, struck up partnerships or even been acquired by international tech giants. EWDN writer Vladimir Kozlov review some of the most important cases, and offer possible explanations for this local technological trend.

In September 2015, the Ukrainian startup community and technology media went into a frenzy after the announcement of Snapchat acquiring Lookery, an Odessa-based image processing startup. The deal, which reportedly cost the US company \$150 million, marked the most spectacular startup success story in the country so far.

Lookery had created an app to change your face in real time, while having a video chat with someone (1). The company was founded by Victor Shaburov, a serial entrepreneur and active supporter of all kinds of programming contests for talented youth.

In 2013, Shaburov met Yuri Monastyrshyn, a fourth-year student in Odessa, Southern Ukraine, who became the COO of his new project, Lookery. The product team was hired in Sochi, Russia, as the two countries still had peaceful relations. After the acquisition by Snapchat, the Lookery team relocated to Silicon Valley to work together with their new colleagues.



How the Banuba technology maps and analyzes a smiling face

Eastern European tech for Silicon Valley giants

Lookery was just the first of a series of success stories involving face recognition startups from Eastern Europe.

Six months later, in early 2016, Facebook bought Masquerade, a Minsk-based developer of another video filter app, MSQRD, which at one point was one of the most popular apps in the App Store. The US giant characterized it as “a fantastic app with world-class imaging technology for video.”



WHY STARTUPS FROM EASTERN EUROPE ARE SO STRONG IN COMPUTER VISION

BY VLADIMIR KOZLOV, EAST-WEST DIGITAL NEWS



In the summer of 2017, another Belarusian company, AIMatter, was acquired by Google, just months after raising \$2 million from local investors. Its SDK for real-time photo and video editing on mobile, dubbed Fabby, was claimed to operate faster than other available solutions. Fabby allows users, for instance, to separate an object from its original background. It was built upon a neural network-based AI platform.

Russian teams are in the running, too. Last year in an unexpected surge, an app made by Alexey Moiseenkov, an employee of the Mail.Ru Group, became a hit in the regional and then global rankings. Dubbed 'Prisma,' the app – also based on neural networks – invites its users to add stunning artistic effects to their photos by combining them with works of art.

A photo of your cat can look like a Picasso painting, with the cat as the source for content and Picasso artwork as the source for style.

The approach was not new (see DeepArt.io, based in Germany, and Ostagram, a Russian project created by Sergey Morugin), but Prisma's distinctive advantage was in its speed and availability in mobile format.

In 2017, Prisma launched Sticky, a new app that turns selfies into stickers for sharing in your social feeds. The company is still independent, but recent rumors had it that Facebook and Snapchat had it in their sights for a potential acquisition.



Prisma can transform your photos into artworks modelled on iconic paintings such as Edvard Munch's 'The Scream'



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The roots of excellence

Mobile computer vision problems, which developers face when developing such technologies, are not just complicated mathematics, it is also a matter of performance as the computing power of most current mobile devices is limited.

“Nobody needs an AR app which will work only on iPhone X. There are billions of devices in the world and very small percentage of them are expensive devices. If you want to make a mass market mobile application it should work on an iPhone 5s and give 30 frames per second, which is a challenge in its own right,” notes Viktor Prokopenya, a serial entrepreneur with Belarusian roots who recently launched, jointly with a Russian billionaire, a \$100 million investment programme for AI startups.

The talent of East European engineers in solving such an array of technological challenges has something to do with the education traditions that go back to the Soviet past. After all, for all its moral and economic failures, communism did demonstrate a rare capacity to raise generations of brilliant scientists and engineers in several domains.

“In the field of machine intelligence, the Markov chains, Markov random field and Markov models, are the very basis of deep learning, while the Hidden Markov Model (by Ruslan Stratonovich) is the main model for speech recognition. Alexey Ivakhnenko, who was a prominent a Soviet and Ukrainian mathematician, is still referred to as the father of Deep Learning,” notes Alexander (Sasha) Galitsky, a prominent Russo-Ukrainian investor who invests globally through the Almaz Capital fund.

While the Soviet regime collapsed, the local mathematics education system was preserved to a large extent. “The transformation went gradually, in an evolutionary way,” says Alexander Kurbatsky, professor of the computer programming department of the Belarusian State University in Minsk.

“Thus, good math education created a nurturing environment for today’s digital transformation, which goes beyond the territory of the former Soviet Union,” he adds, in reference to the dozens of thousands IT engineers and entrepreneurs who have moved to Silicon Valley, Berlin, Israel or even Asia over the past 20 years.

Next-gen startups with “empathic cameras”

A, launched AR Squad, a startup dedicated to “next-gen AR coconsiderable number of talents still live and work in the region, however, with new players still springing up in the fields of face recognition and related AR technologies.

After the acquisition by Facebook, two former MSQRD team members, Andrey Yanchurevich and Dmitriy Dorin, launched AR Squad, a startup dedicated to “next-gen AR content.”

“Funny masks were a part of MSQRD’s viral strategy. Today we are developing a new level of interaction between users and augmented reality,” they say. The young company has hired MSQRD’s whole art team as well as additional strong experts from this field. It serves clients from the USA, Russia and Belarus.



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Banuba, a startup born in Belarus but operating worldwide from its Hong Kong and Cyprus offices, recently developed an AR mobile software development kit for app developers and publishers worldwide. To a large extent, this technology relies on AI algorithms to recognise people's faces and bodies, understand their emotions, facial expressions, postures and gestures, and estimate race, age and gender.

The solution can be used in a variety of apps — from content suggestions to improve your mood, to very practical recommendations, for example, which hairstyle suits you best, or how you will look like in future. According to its CEO Vadim Nekhai, Banuba's advantages lie in its "capability of mixing technologies on the same device, and optimising them for ground-breaking performance results."

In early 2017, Banuba secured \$5 million from Prokopenya and his investment partners. Following this, the startup launched a "technology-for-equity" program to enroll app developers and publishers across the world.

The first such agreement was signed with Inventain, another startup from Belarus, to develop AR-based mobile games. A special purpose vehicle (SPV), dubbed 'Camera First,' was created with a €1 million capital injection from Banuba to develop the games.

The implications of mobile AI and AR technologies are much deeper, though, than making entertaining picture and video features. "Such technologies can be leveraged by virtually every kind of app," believes Prokopenya, who invested in Banuba.



Grigory Bakunov, the Yandex engineer who developed an "anti-facial recognition" solution

Prokopenya envisions a world where "any app can characterise its user through the camera: male or female, age, ethnicity, level of stress, etc. Then content can be optimised for maximum performance, based on such parameters."



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Thus, fitness apps can see how much you've gained or lost by your face, while games can adapt their pricing models to the type of user. Rather than an intrusion into privacy, the investor sees something "empathic" in such applications: "They will understand the kind of emotions your face is showing, and adjust their content correspondingly."

In the commercial field, a face recognition software has been developed by Russian startup VisionLabs. The solution, dubbed 'Face_IS,' allows retailers to make personalised offers to customers whose faces have been recognised. The technology may also be applied to ad personalisation, user identification in Internet-of-Things projects, medicine, transportation, virtual and augmented reality.

Another VisionLabs solution, 'Luna', allows businesses to "verify and identify customers instantly" based on photo or video images, thanks to a "unique quality and performance pattern recognition technology."

This award-winning technology has attracted the attention of Google and Facebook. These companies have supported VisionLabs' efforts to develop professional communities in the fields of computer vision and neural networks.

The good and the bad

Another promising, but controversial technology from the region is FindFace. It was launched in 2015 by Moscow startup NTechLab, which presented it as "the world's most accurate facial recognition technology for face detection, verification and identification."

FindFace is built on deep learning and a neural network-based architecture. In November 2015, NTechLab won the MegaFace Benchmark, a world championship in face recognition held in the US. The challenge was to recognise the largest number of people in a database of more than a million photos. The Russian startup bypassed more than 100 competitors, including Google with its programme FaceNet.

The app has made the news in Russia, where social media users use it to put names to faces using only a picture. FindFace will match the picture with people's pages on Vkontakte, the leading local social network. The app is mainly being used for dating purposes, but it has also allowed police to identify criminals, and ill-intentioned users to harass young women. Nevertheless, the startup recently raised \$1.5 million in a round led by Impulse VC, a venture fund that is reportedly affiliated with Russian billionaire Roman Abramovich.

Grigory Bakunov, director of technology distribution at Yandex, thought of an antidote to such intrusive technologies. Taking some time out from his day job, he developed an "anti-facial recognition algorithm" to conceal people's identities with the help of makeup.

"The service was able to offer futuristic makeup that could trick smart cameras with just a few facial lines," he said in a media interview. The project proved short lived, however, because Bakunov realised that it would now be possible to deceive banks and police.

"That's why we decided we shouldn't launch it on the market. The chance that someone might use it for nefarious purposes was too high," Bakunov said.

(November 2017)

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FROM RECENT EUPHORIA TO BRAIN DRAIN CHALLENGES: THE TECH FUTURE OF CENTRAL AND EASTERN EUROPE

BY ADRIEN HENNI, CHIEF EDITOR AT EAST-WEST DIGITAL NEWS



In most CEE countries, startup innovation is a very recent phenomenon. Some of these countries traditionally did have strong scientific, technological and industrial assets, but usually innovation did not translate into Silicon Valley-style startups and VCs.

Illustrating this difference, when in 2009 then-Russian president Medvedev decided to build a state-of-the-art innovation center, he decided to launch the Skolkovo project from scratch instead of building on the numerous existing Russian scientific centers.

True, a first generation of Internet companies had emerged in the country the late 1990s and early 2000s (Yandex, Mail.ru, Ozon, Parallels...) – but this had not led to the emergence of any startup or VC industry. In 2008, there was just one startup incubator and a handful of venture funds in the Russian capital (see the interview of Pavel Terentiev of AddVenture: http://ewdn.com/files/cee_russia.pdf).

Thus, a massive startup wave hit the region around 2010 (some ten years after Western Europe). Countries like Czechia, Hungary, Poland or Russia saw the emergence of local startup and venture ecosystems, which are currently in the process of maturation.

In the past couple years, another series countries were hit by a second wave. Thus Armenia, Bulgaria, Georgia, Latvia, Lithuania and a few others saw their local startup ecosystem emerge and mature in a spectacular way.

For example, sizable infrastructure projects were implemented in Lithuania's capital Vilnius in 2015 and 2016. Linkmenu Factory, a 1,100 sq. m. creativity and innovation area, was launched by a local university, quickly followed by Vilnius Tech Park, which claims to be the largest ICT hub in the region with more than 9,000 square meters and 750 working places. It has become a new home for Startup Lithuania, VC funds, Startup Highway and a variety of startups.

Even some little-developed areas of the former Soviet Union or Yugoslavia have not stayed completely aside. From Baku, to Chisinau, to Sarajevo, to Tirana, the startup scene is far from being empty, even though startup infrastructure and VC investment are still weak or inexistent in these cities.

Will the euphoria continue?

Such expansion cannot continue endlessly in its current forms. There is an effect of maturation or even saturation in the most developed areas – as well as natural selection: obviously, not all the new funds and accelerators which have been springing up over the past years will survive.

Strong government support is not granted forever either. For example, after having invested massively in infrastructure (the cost of the Skolkovo project has reached several billions of US dollars) the Russian authorities are now more inclined to check the efficiency and optimize existing programs than to launch new ones.

However, there are reasons to believe that we have seen only the beginning of the emergence of startup ecosystems in the region.

First, because the infrastructure is far from being built everywhere and the ecosystems are still at the intermediate stage of development. There is still a lot to do in most countries; in some of them, (typically Montenegro, Serbia, Slovakia and Ukraine), the burgeoning startup activity might benefit from increased support from governments which so far had not realized the importance of developing startup innovations – or not been able to support it effectively.



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Corporate support could play an important role in the next stage of development of startup ecosystems, believes Janet Todorova of Founder Institute (*see interview in the Bulgaria section in Part 4 of this report http://ewdn.com/files/cee_countries.pdf*). According to her, a city like Sofia, for example, is on the verge of switching to the next stage, with corporates joining little by little to support the ecosystem – following a pattern Todorova already saw in Berlin years before.

Todorova's assertions are supported by the growing number of corporate initiatives on the startup scenes across the region. In certain countries, this corporate involvement seems to have been even more impactful than that of venture investors or local government programs (http://ewdn.com/files/cee_countries.pdf).

As a consequence of such factors, Todorova expects that, in the next five years, “every large city (not only the capital) in virtually all countries of the region will have established such an infrastructure. This means co-working spaces, mentor networks, regular startup events.”

“Then, some cities will become larger hubs with an industry focus, where startups will be able to grow to the next level – by entering a startup accelerator program, opening an office to access a larger market, receiving wider access to talent and capital, etc.”

Human capital, the key asset

To support further progress, many CEE countries have a key asset: a highly qualified and relatively abundant IT workforce.

This is the case not only in Belarus, Bulgaria, Poland, Romania, Russia and Ukraine, which are well-known powerhouses in the global IT outsourcing and software development market. (With more than 70,000 IT specialists, Bulgaria has been ranked third in the world for the number of IT professionals per capita.)

Even smaller countries like Armenia, Lithuania, Macedonia and Moldova have armies of talented programmers. In Macedonia, the IT sector is growing with over 5,000 new IT graduates each year and foreign companies opening software development and outsourcing centers.

To a substantial extent, this strength is a legacy of the past. As noted by Sasha Galitsky of Almaz Capital: “Under communism, these countries were busy developing copies of IBM computers. This activity involved Bulgaria and Hungary (computer disks, disk drives, printers and etc.), East Germany (memory chips, processors), and Czechoslovakia as well as the Soviet republics of Estonia (cybernetics in Tartu), Latvia (microelectronics), and Lithuania (monitors manufactured in Kaunas). Based on these specializations, engineering schools, R&D and production capacities emerged – and they have continued to develop until now.” (*see interview*)

Most of these countries have started the process of switching from essentially outsourcing activities to more product-oriented, value-added models of development, thus generating even more startup activity.

But, simultaneously, the human factor comes as one of the region's biggest challenges.

Over the last decade, many countries in Eastern Europe have been facing substantial brain drain. Some countries have even seen their population decline (– 8% in Latvia between 2010 and 2017; – 13% between 2004 and 2014 in Moldova), which is sometimes perceived as an existential threat.



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Tech professionals are among those who can easily find better-paying jobs in the West, and their proportion among those leaving their home countries is high. As for startup entrepreneurs, they tend massively to establish their company abroad as soon as they reach a certain level of development.

Thus, according to unverified but unsurprising estimates, more than 1,000 Russian startup entrepreneurs left their country in 2015.

Brain drain is also reflected by what may be mildly called the internationalization of venture deals.

The largest part – by far – of post-seed funding raised by Armenian, Estonian, Slovenian or Ukrainian startup entrepreneurs, to take just the most notable examples, has been secured from international funds injecting money in companies registered outside the region.

Such evolutions are probably inevitable due to the appeal Silicon Valley, Berlin, London, Singapore or even Chile (*see the case of PromoRepublic, one of the most globalized Eastern European startup* http://ewdn.com/files/cee_featured.pdf).

Most CEE countries are not helped by their size: their domestic markets are generally too small to support the development of startups after a certain stage (the only exceptions here being Russia and perhaps Poland).

What's more, in many CEE countries, the scarcity of locally available capital leaves entrepreneurs no choice but seeking agreements with foreign funds.

As their startup grows, successful CEE startup entrepreneurs also tend to build their sales and marketing skills in the USA or Western Europe, where these skills are more available than in their native region.

This being said, the internationalization of the CEE startup activity does not only have negative consequences. Even when establishing themselves in another country, raising money from international funds and developing on the global markets, the startups founded by Eastern-European entrepreneurs tend to keep ties with their countries of origin.

Most Armenian, Romanian, Russian or Ukrainian-founded startups incorporated abroad have kept R&D teams in their countries of origin, taking advantage of valuable human assets and contributing to raise and retain them locally.

This makes financial sense since salaries of developers and engineers are much lower in CEE than in Western Europe or US.

What's more, many tech entrepreneurs invest back in their country or origin after reaching success abroad. Among the most spectacular examples are those of Estonian Skype founders and Hungarian Prezi founders, who not only funded a range of local startups, but contributed in various other ways to develop their country's startup ecosystems (http://ewdn.com/files/cee_countries.pdf).

The very existence of such success stories has also played an invaluable social role, attracting the attention of the young generation to startup opportunities, setting a positive example to entrepreneurs and, in certain cases, pushing the authorities to take the startup industry more seriously.

Thus, in spite of brain drain challenges, CEE countries seem to have no other choice than continuing to develop highly qualified IT professional communities. But the region's tech future lies in highly-developed startup ecosystems and their smart integration into the global markets, which appear as the only way for these countries to become more than a modest HR appendix of large global tech hubs and corporations.

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Section 2:

HOW THE EUROPEAN INVESTMENT FUND SUPPORTS VENTURE ACTIVITY ACROSS CENTRAL & EASTERN EUROPE



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EIF CHIEF EXECUTIVE PIER LUIGI GILIBERT: “CEE VENTURE CAPITAL ECOSYSTEMS HAVE A LOT OF POTENTIAL WITH THE RIGHT POLICY-DRIVEN SUPPORT”



In this exclusive interview, EIF Chief Executive Pier Luigi Gilibert shares his vision of entrepreneurship and innovation in Central and Eastern Europe¹ and offers a detailed overview of his organization's activity to support their development.

When it comes to supporting technology investment and startups, do you see a substantial difference between the Western and the Central/Eastern parts of the continent?

EIF's central mission is to support Europe's SMEs by helping them to access finance. To this end, we aim to satisfy existing and future market needs by designing innovative financial products addressed to our partners (banks, guarantee, leasing and microfinance institutions, private equity and venture capital funds) acting as our financial intermediaries.

It is difficult to generalize about such a large region as Central and Eastern Europe, which covers some 25 countries. Each has its own specificities of course. One general comment, however, is that the banking system is perhaps not as developed as it is in Western Europe, and risk-aversion is often higher. This affects the pace of the take-up of our products.

This is particularly evident in venture capital. We believe that the CEE markets are generally less developed in this field, and have less of an institutional investor base to call upon. This creates a greater need for policy-driven support to develop a well-functioning ecosystem, but also a lot of potential.

1. In this interview and further description of EIF's financial instruments, “Central and Eastern Europe” (CEE) refers to the following countries (or one or several of them): Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Greece, Hungary, Kazakhstan, Kosovo, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia and Ukraine.

Western European markets, on the other hand, typically have a history of public sector support and greater institutional readiness for investment.

How does EIF contribute to provide such support in the region?

EIF has more than 70 mandates under management with total assets under management² exceeding €22 billion.³ The mandates from the EU and the EIB are generally for the benefit of all EU member states. Some of them – such as COSME and InnovFin – even include a broader geographical coverage.⁴

EIF's co-operation with national and regional mandators represents an important part of our overall activities as we jointly seek to achieve key policy objectives and tackle strategic investment gaps.

In some of our initiatives, the regional focus derives from the fact that the concerned instrument has been set up to serve an EU policy dedicated to a particular region, such as the Western Balkans (WB EDIF – <http://goo.gl/MzX8JQ>) or the Eastern Neighbourhood (DCFTA – <http://goo.gl/6ae8U7>).

2. Total assets under management is defined as the initial resources and contributions allocated to each mandate.

3. These mandates are originated from the European Union, the European Investment Bank (EIB), EU member states, EU accession candidate countries, potential candidate countries, and other mandators at the regional level.

4. In 2016, a significant milestone was reached when the financial instruments under the European Fund for Strategic Investments (EFSI) SME Window of the Investment Plan for Europe (<http://goo.gl/5K7Sy3>) were successfully implemented in all 28 EU member states. The rollout of EFSI remains one of EIF's primary objectives and next steps will entail a broadening of EFSI's impact through the funding of additional products.



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Equity financing often has a very local character, even though we are witnessing a greater number of multi-country funds within the European Single Market. However, it is not unusual for us to rely on actors that are close to the ground in order to maximize the impact of our interventions. This is why we have recently intensified our cooperation with national promotional institutions (NPIs) through a platform we call the EIF/NPI Equity Platform (<http://goo.gl/U4h9W9>).

As for the forms of our intervention, debt and equity are equally relevant in CEE, though at lesser volumes. For private equity in CEE, there is more of a need to introduce or educate on best practice. In CEE, microfinance institutions (MFIs) have a commercial business model whereas in Western Europe, MFIs have a donation-based business model.

In quantitative terms, which volumes and proportions of the EIF's financing go to CEE?

Putting aside dedicated local or regional instruments, the proportion greatly varies among our different programs. Thus, EIF's commitments in technology-focused VC funds in the region account for about 3.3% of the entire EIF portfolio. But on a per capita basis, this represents as much as 25% of what is invested on average in the EIF portfolio (€2.7 per capita in the concerned CEE countries).

The proportion jumps to some 15% in the case of the guarantee transactions under the Risk Sharing Instrument (RSI) and its successor program the InnovFin SME Guarantee Facility (InnovFin SMEG), which support innovative SMEs and small mid-caps. On a per capita basis, these 15 percent represent 50% and 30%, respectively, of what is invested on average in the EIF portfolio.

When dealing with EIF, do financial intermediaries and other partners from EU candidate and potential candidate countries benefit from the same rules as those from EU member states?

Each program / mandate has its set of eligibility criteria, including geographic ones, which are transparent. Thus, EIF has financial intermediaries in several countries outside the current EU member states, including (as far as CEE is concerned) Albania, Bosnia and Herzegovina, Kosovo, the Former Yugoslav Republic of Macedonia (FYROM), Moldova, Montenegro, Serbia, and Ukraine (<http://goo.gl/DAFG25>).

Another example of this enlarged coverage is offered by EU Finance for Innovators (InnovFin), a joint initiative by EIB Group and the European Commission (EC) under Horizon 2020. Albania, Armenia, Bosnia and Herzegovina, FYROM, Georgia, Moldova, Montenegro, Serbia and Ukraine (along with EU member states and some other non-member states) are eligible to benefit from this program as Horizon 2020 associated countries.

Can you provide examples of substantial impact from EIF intervention?

A case in point would be Bulgaria, where, in partnership with the Bulgarian government, we made investments worth €100 million into five private equity funds in a geographic area where the private equity ecosystem is in development. Our intervention attracted a further €110 million worth of investments from business angels and other private sector investors. As a result, regional venture capital funds are looking at the Bulgarian market with much greater interest.



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We have had a similar impact in Lithuania, where our JEREMIE intervention kick-started the equity ecosystem. Also, more recently, the Baltic Innovation Fund has attracted a total of €97 million, which is more than the combined contributions from private independent institutional investors to all VC and private equity funds set up since the three Baltic states regained independence [in 1991].

An example of a catalytic effect of investment in tech and innovation can be drawn from 2012, when EIF committed into two accelerator funds focusing on high-tech SMEs in their start-up phases: Eleven and LAUNCHub, which manage a €21 million Entrepreneurship Acceleration and Seed Financing Instrument under JEREMIE.

Eleven has attracted Google as a technological partner and Springboard, the London-based mentorship-led accelerator, as a strategic partner. LAUNCHub cooperates with Seedcamp, the largest early-stage micro-seed investment fund and mentoring program in Europe, and with the Cisco Entrepreneurship Institute. The team includes one of the most successful Bulgarian entrepreneurs in the ICT area, Lyuben Belov.

Which programs have been less successful, and why?

We constantly evaluate our work and assess our impact. This is something we have been dedicating increasing resources to recently. It would be difficult to single out one or another program and label it as “less successful,” but there are various factors that contribute to maximizing a program’s impact.

One factor is definitely the underlying economic conditions. EIF has a counter-cyclical role, and we are more likely to target particularly difficult economic times for our interventions. This is also a challenge however, when it comes to our effort to achieve the greatest possible leverage.

At the same time, many programs that depend on blending various resources require a certain political will in order to flourish. Political instability and changes in government are factors that could hold up our work or slow us down.

This political support is equally relevant during the lifecycle of any given financial instrument. In a similar way, complex legislation and multiple rule-books can hamper our work.

(January 2018)



*In January 2017, EIF and UniCredit signed an InnovFin SME guarantee agreement to provide €160 million to innovative SMEs. Eight countries were concerned: Bosnia and Herzegovina, Bulgaria, Croatia, Czechia, Slovakia, Hungary, Romania and Serbia.
(Photo credit: EIF)*

EIF PARTICIPATION IN FINANCIAL INSTRUMENTS COVERING CENTRAL AND EASTERN EUROPE



Private equity and venture capital¹ funds focused on early-stage SMEs:

- EIF has committed approximately €350 million to 27 CEE-based² venture capital funds focused on early-stage SMEs and aimed at raising approximately €635 million in risk financing for SMEs.
- EIF commitments in CEE account for some 4.5% of its portfolio, which includes 28 EU member states, the USA and some additional countries outside of the EU.
- In the CEE countries where EIF has commitments, €3.1 has been invested per capita, which represents approximately 25% of what is invested on average per capita in EIF's portfolio.

Venture capital funds focused on technology startups:

- EIF committed approximately €260 million to 21 CEE-based² technology-focused venture capital funds supporting early-stage SMEs, aiming to generate approximately €500 million of new financing for innovative SMEs.
- EIF commitments in technology-focused venture capital funds in CEE account for about 3.3% of its portfolio.
- In the CEE countries where EIF has commitments, €2.7 has been invested per capita, which represents approximately 25% of what is invested on average per capita in EIF's portfolio.

Debt financing of early-stage SMEs:

- Under the EU's Competitiveness of Enterprises and SMEs (COSME) program, EIF has committed approximately €16 million in five guarantee transactions with CEE-based financial intermediaries aimed at leveraging approximately €400 million worth of financing for early-stage SMEs.
- EIF commitments to debt financing to early-stage SME transactions in CEE account for 9% of its portfolio.
- In the CEE countries where EIF has commitments, €0.30 has been invested per capita, which represents about 30% of what is invested on average per capita in EIF's portfolio.

Innovation finance:

Since 2012, EIF has been financing innovative SMEs and small mid-caps through the EU's Risk Sharing Instrument (RSI – <http://goo.gl/FvH2eq>) and its successor program, the InnovFin SME Guarantee Facility (InnovFin SMEG – <http://goo.gl/KsoQah>), under Horizon 2020, which EIF is implementing jointly with the EIB.

- Under RSI, EIF committed approximately €170 million in 11 guarantee transactions that resulted in €340 million worth of financing for innovative SMEs in CEE countries.

- EIF commitments in innovative SME transactions in CEE account for about 15% of its portfolio.
- In the CEE countries where EIF has commitments, €2.40 has been invested per capita, which represents about 50% of what is invested on average per capita in EIF's portfolio.
- Under the InnovFin SME Guarantee Facility, EIF has committed approximately €775 million in 34 guarantee transactions, which is expected to leverage around €1.55 billion in risk financing for innovative SMEs and small mid-caps. These commitments account for about 15% of EIF's portfolio.
- In the CEE countries where EIF has commitments, €4.30 has been invested per capita, which represents about 30% of what is invested on average per capita in EIF's portfolio.

Employment and Social Innovation (EaSI):

- Under the Employment and Social Innovation (EaSI) programme, EIF has committed approximately €20 million in 17 guarantee transactions aimed at generating approximately €260 million of new financing for micro-borrowers and social enterprises.
- EIF commitments in SMEs transactions in the CEE account for about 40% of its portfolio.
- In the CEE countries where EIF has commitments, €0.20 has been invested per capita, which represents about 65% of what is invested on average per capita in EIF's portfolio.

1. For private equity and venture capital, multi-country funds are excluded, even though some of these multi-country funds may invest in CEE. – 2. These figures are based on the team location of the fund. The legal country of the actual SME investment may be different from the team location.

EIF MANDATES COVERING CENTRAL AND EASTERN EUROPE: EC MANDATES



The following are the main¹ EC mandates that benefit to CEE countries:

- **Competitiveness of Enterprises and SMEs (COSME)**

This program was set up in 2014 by the EC² to promote competitiveness and entrepreneurship in Europe, improve access to finance for European businesses and provide higher-risk SME loans and finance leases. COSME is deployed through two financial instruments managed by EIF: the Loan Guarantee Facility (LGF) and the Equity Facility for Growth (EFG).

These financial instruments are foreseen to run in the 2014-2020 period with an indicative aggregate budget of €1.4 billion. In addition to the EU member states, the candidate countries Albania, FYROM, Montenegro, Serbia (as well as Iceland and Turkey) are eligible for COSME. Additional countries may join at a later stage.

- **EU Finance for Innovators (InnovFin)**

A joint EIB Group and EC³ initiative under the EU research program Horizon 2020, InnovFin consists of a range of tailored products – from guarantees to financial intermediaries and direct loans to enterprises, to equity and advisory services.

These products are intended to support research and development projects. Albania, Armenia, Bosnia and Herzegovina, FYROM, Georgia, Moldova, Montenegro, Serbia and Ukraine (along with EU

member states and some other non-member states) are eligible to benefit from this program as Horizon 2020 associated countries.

- **Employment and Social Innovation (EaSI)**

The financial instruments under this EU program are being set up by the EC⁴ in co-operation with EIF.

The EU has indicatively allocated €193 million to the EaSI financial instrument for the 2014-2020 programming period.

These financial instruments aim to increase the availability of financial resources for disadvantaged groups of entrepreneurs as well as social enterprises, and especially for the benefit of those who are typically excluded from the commercial credit markets.

In addition to the EU-28 member states, the EaSI instruments are also available in Albania, FYROM, Montenegro and Serbia (as well as Iceland and Turkey). Additional countries may join at a later stage.



In December 2015, in Brussels, the Minister of Economy of the Republic of Armenia Karen Chshmaritian and European Commissioner for Internal Market, Industry, Entrepreneurship and SMEs Elżbieta Bieńkowska signed the Agreement on Armenia's participation in COSME as of January 2016. Armenia had already been participating in the Enterprise Europe Network, a key component of COSME, since its inception

1. There are other, smaller mandates (like the Cultural & Creative Sectors and Erasmus+, and new ones may emerge from day to day. – 2. Directorate-General for Enterprise and Industry; now Internal Market, Industry, Entrepreneurship and SMEs, or DG GROW – 3. Directorate-General for Research and Innovation – 4. Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL)

EIF MANDATES COVERING CENTRAL AND EASTERN EUROPE: NATIONAL, MULTI-REGIONAL AND REGIONAL MANDATES



• JEREMIE¹ Bulgaria

EIF had implemented the instrument Bulgaria since 2009 and as such, this program served as a predecessor instrument of the current ESIF-backed mandates including the new SME Initiative Bulgaria.

• EstFund

In March 2016, EIF, KredEx and the Estonian government established EstFund, a €60 million fund-of-funds designed to invest in several risk-capital funds focusing primarily on Estonian enterprises. This initiative targets smaller and earlier stage investments, complementing the existing Baltic Innovation Fund's focus on larger and later stage deals (<http://goo.gl/7B9nBX>, <http://goo.gl/jq76H8>).

• Baltic Innovation Fund 1 (BIF1)

BIF 1 was launched in 2012 to boost equity investments made in Baltic enterprises with high growth potential. It was the first transnational fund-of-funds managed by EIF (which contributed €60 million) in association with the national development finance agencies in Latvia, Estonia and Lithuania (€20 million each).²

• Central Europe Fund of Funds (CEFoF)

Scheduled for launch in late 2017, the CEFoF has a target size of around €100 million (EIF committing 40% of the total).

This fund of funds involves the national promotional institutions of Austria, Czechia, Slovakia, Hungary and Slovenia, together with the International Investment Bank. It will target equity funds with emerging managers, with the possibility to support some first-time teams and/or well-established managers. Investee companies will be SMEs and lower mid-market companies at the growth stage with capital injection needs of capital in the range of €1.5 million-€8 million.

• Czech ESIF Fund of Funds (CZFoF)

Launched in January 2017 and managed by EIF, this €40 million fund of funds is accompanied by a €10 million co-investment from the resources of the EIB Group. It aims to boost entrepreneurship and innovations, targeting funds and accelerators which support enterprises at their early stage (<http://goo.gl/uAaSGf>).

• Polish Growth Fund of Funds (PGFF)

Launched in 2013, this €90 million fund of funds combines €30 million from EIF and €60 million from Bank Gospodarstwa Krajowego (BGK). It aims to catalyze €715 million in equity investments in growth-focused SMEs and small mid-caps in Poland. EIF considers the PGFF as a very important initiative for the development of the Polish PE/VC market, considering the lack of local and Poland-focused risk capital funds and domestic investors. PGFF has generated a strong interest a solid pipeline from the fund managers.³

• SME Initiative Bulgaria and SME Initiative Romania

The SME Initiative is a joint EIB Group/EC financial instrument, which was launched to address the financial constraints faced by European SMEs as national economies slowly recover from the recent economic turmoil. EIF manages and implements the SME Initiative within the EIB Group.⁴

• The Western Balkans Enterprise Development & Innovation Facility

WB EDIF is a joint initiative of the EU, international financial institutions (IFIs), bilateral donors and the governments of the Western Balkans. Coordinated by EIF, the initiative aims at improving access to finance for small and medium-sized enterprises (SMEs) in Albania, Bosnia and Herzegovina, Croatia, Kosovo, FYROM, Montenegro and Serbia. WB EDIF's initial capital amounts to €145 million, which may translate into around €300 million of direct financing available for SMEs in the region. The WB EDIF instruments include, in particular, the Enterprise Innovation Fund (ENIF), the Enterprise Expansion Fund (ENEF), the Western Balkans EDIF Guarantee Facility, and the Support Services Facility, as well as SME lending instruments. Thus, ENIF has backed South Central Ventures, which has asserted itself as a prominent player on the Western Balkans startup scene since early 2016 (<http://goo.gl/A5Ya9a>).

1. Joint European Resources for Micro to Medium Enterprises. – 2. This €100m fund of funds immediately attracted interest from new and existing management teams. In mid-2015, the initiative was increased to €130m. As of mid 2017, EIF had selected five fund managers on behalf of BIF, with four funds already successfully fundraised invested about €96m in 20 companies. – 3. The PGFF's added value has been further strengthened by various soft activities EIF has conducted in Poland, focused on market development, market awareness, LP awareness, knowledge transfer and networking. 4 – In 2016, EIF signed SME Initiative mandates with Bulgaria and Romania under an uncapped guarantee pillar. In Bulgaria, the SME Initiative was signed in March 2016 with a target fund size of €102m that is expected to generate an overall portfolio of €608m. In Romania, the agreement was signed in October 2016 with a contribution of €100m from the country's ESIF and additional EIB Group and EU budget (H2020) resources, which are expected to create around €540m of new financing. The SME Initiative builds on the JEREMIE experience in both countries, where nearly 15,000 enterprises were supported through debt financing and equity products.

Section 3:

VENTURE DEALS, VC & BA MARKET DATA



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CEE VC MARKET DATA: METHODOLOGICAL NOTE



Identifying startup investment deals and quantifying the VC markets in CEE at a satisfactory level of comprehensiveness and precision is not a daunting task: it is simply impossible. Anyone investigating this market will encounter the following difficulties:

- **A substantial part of the deals are kept confidential** – the deals themselves are not disclosed, not only their amount. This is partly due to the fact that many individual investors in CEE have neither the habit, nor any particular interest in publicizing their deals – which they fear might draw attention from competing groups... or the tax authorities.
- **Even when not confidential, deals are not always recorded.** In countries where the ecosystem is underdeveloped, there may be no business association, government body or researchers specifically studying these little significant market segments. What's more, only a fraction of CEE investors and entrepreneurs think of providing information to industry databases. Even CrunchBase, the most famous database in the region, records just a fraction of CEE companies and deals.
- **When the deals are properly recorded, they are not always attributed, or attributable, to the region.** Many startups created by CEE entrepreneurs in a CEE country further establish themselves, at least formally, in another jurisdiction. When these companies raise funds, should the deal be considered as taking place in the country of origin or in the country of company registration? Local expert communities tend to include all deals as long as the company was founded by a local and has kept substantial activity in the country – which is understandable, but subjective (what does “substantial activity” mean?) and potentially

overestimates the actual size of the local venture markets. On the other side, InvestEurope attributes to a country only the deals related to the companies formally registered there. This restriction makes their statistics blind to considerable investment flows generated in certain CEE countries, whenever the concerned startups are formally registered elsewhere. The difference between the two approaches is huge in a range of CEE countries, like these ones:

DIVERGING ESTIMATES OF VC MARKET SIZE IN 2016

COUNTRY	INVESTEUROPE DATA	MAX. ALTERNATIVE ESTIMATE
Croatia	€3.8m	€14.8m
Estonia	€6.5m	€104m
Latvia	€7.9m	€44m
Lithuania	€3.21m	€13m
Romania	€2.3m	€30m-€40m
Slovenia	€2.96m	€80m

For all these reasons, this research presents neutrally, for each country (Part 4: http://ewdn.com/files/cee_countries.pdf), different and often diverging estimates. These estimates may legitimately be questioned; we consider them as providing orders of magnitude, rather than being exact science, and invite our readers to use them with all reservations.

THE CEE VENTURE MARKET COMPARED WITH OTHER REGIONS OF THE WORLD (ORDERS OF MAGNITUDE IN 2016)



USA: Around
\$70bn



China:
Around
\$30bn



EU: Around **\$15bn**



Russia:
Around **\$0.9bn**

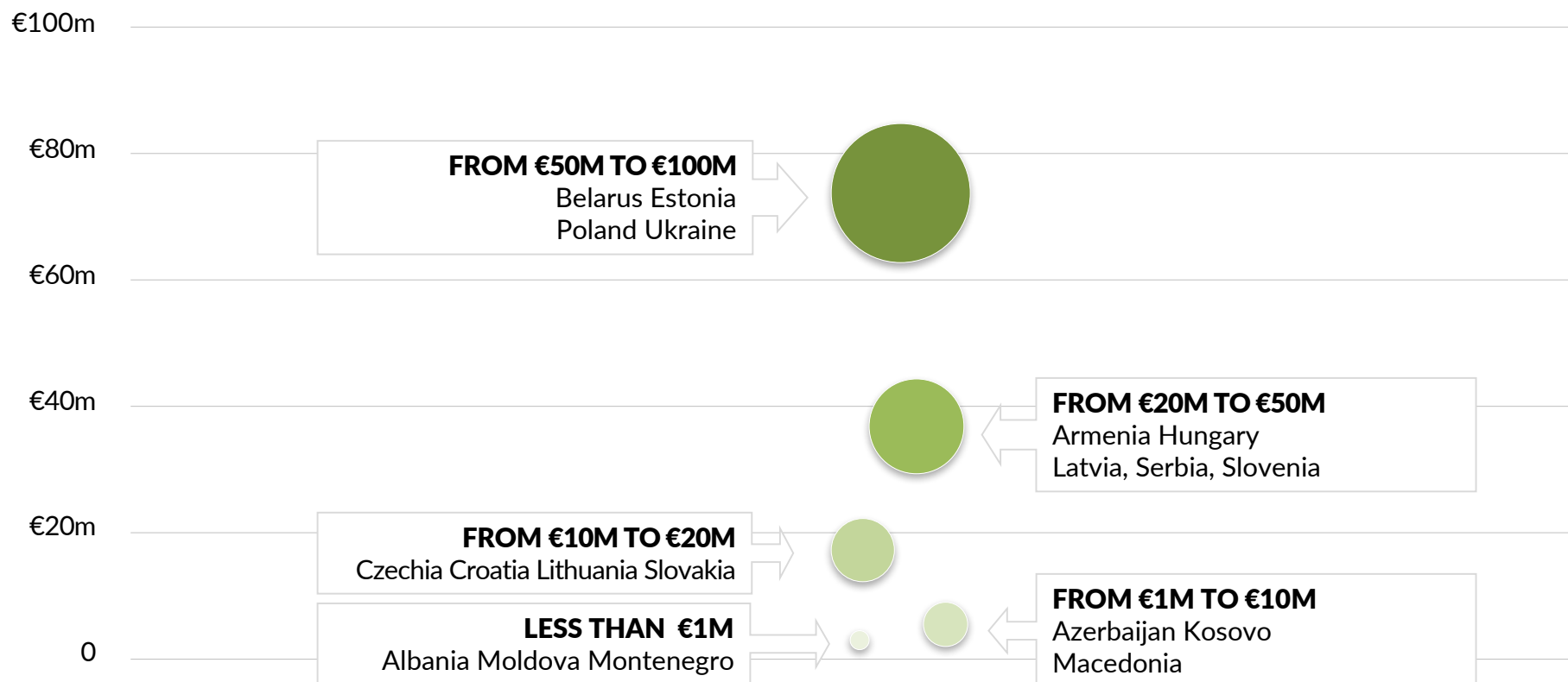


CEE (excl. Russia):
around **\$0.6bn**

These orders of magnitude are based on the compilation and comparison of various sources. For CEE, we have aggregated the country estimates provided by local experts and communities – which usually take into account deals with an international dimension and, in certain cases, undisclosed deals. The Russia figure is taken from the RG Partners-EY research, the most reliable of available ones (*read more in Part 5 of this report* http://ewdn.com/files/cee_russia.pdf).

VENTURE INVESTMENT IN CEE COUNTRIES

(ORDERS OF MAGNITUDE IN 2016)



This graph presents orders of magnitude, not exact data. The estimates are based on one or several local sources, which usually take into account deals with an international dimension and, in certain cases, undisclosed deals – far above InvestEurope’s data (see *Methodological Note* above). No data was found for Bosnia-Herzegovina and Georgia.

TOP 50 INVESTMENT & ACQUISITION DEALS IN CEE (2014-2017)

WITH SUPPORT FROM **crunchbase**

COMPANY	COUNTRY OF ORIGIN	ACTIVITY	ANNOUNCED IN	INVESTMENT TYPE	DEAL AMOUNT
Avito.ru	Russia	Classifieds platform	Oct-15	Acquisition	\$1,200,000,000
Outfit7 (Talking Tom)	Slovenia (now UK)	Gaming apps	Jan-17	Acquisition	\$1,000,000,000
Transferwise	Estonia (now UK)	Online money transfer	Nov-17	Series E	\$280,000,000
Lookseriy	Ukraine (now US)	AR technology	Sep-15	Acquisition	\$150,000,000
Ozon Holdings	Russia	E-commerce	April-14	Private Equity	\$150,000,000
HeadHunter	Russia	Online recruitment	February-16	Acquisition	\$140,000,000
Delivery Club	Russia	Food delivery service	November-16	Acquisition	\$100,000,000
Netrisk	Hungary	Insuretech	Dec-17	Acquisition	\$67,000,000
Transferwise	Estonia (now UK)	Online money transfer	Jan-15	Series C	\$58,000,000
MobileGo (Games Credits)	Russia-Serbia-India-USA	Competitive gaming	May-17	ICO	\$53,000,000
Russian Miner Coin (RMC)	Russia	Cryptocurrency generation	September-17	ICO	\$43,000,000
SONM	Russia	Decentralized computing	June-17	ICO	\$42,000,000
2GIS	Russia	Mapping software	November-15	Growth	\$40,000,000
CarPrice.ru	Russia	Online broker of used cars	July-15	Series B	\$40,000,000
R-Style Softlab	Russia	Bank software	July-16	Acquisition	\$40,000,000
Softline	Russia	Software publisher	August-16	Venture	\$40,000,000
TouchBank	Russia	Online bank	May-15	Series A	\$40,000,000
WikiMart.ru	Russia	E-commerce	September-14	Series D	\$40,000,000
Monetha.io	Lithuania	Fintech	August-17	ICO	\$37,000,000
Agrello	Estonia	Legal tech	August-17	ICO	\$35,000,000
Polybius	Estonia	Fintech	June-17	ICO	\$31,000,000
Blackmoon Crypto	Russia-USA	Fintech on blockchain	September-17	ICO	\$30,000,000
Pixonix	Russia	Mobile games developer and publisher	October-16	Acquisition	\$30,000,000
UiPath	Romania	Robotic software	April-17	Series A	\$30,000,000
Etherecash	Estonia	Fintech	Dec-17	ICO	\$30,000,000

THIS LIST IS NOT EXHAUSTIVE. NUMBERS ARE ACCURATE AS OF DEC. 2017 TO THE EXTENT THEY HAVE BEEN DECLARED TO CRUNCHBASE AND OTHER SOURCES VOLUNTARILY
SOURCES: CRUNCHBASE (VC DEALS), ICOBENCH (ICOs), EWDN, RG/EY.

TOP 50 INVESTMENT & ACQUISITION DEALS IN CEE (2014-2017)

WITH SUPPORT FROM **crunchbase**

COMPANY	COUNTRY OF ORIGIN	ACTIVITY	ANNOUNCED IN	INVESTMENT TYPE	DEAL AMOUNT
Mobiltek (Dotpay)	Poland	Online and mobile payments	December-15	Venture	\$28,909,841
Universa	Russia	Fintech / cryptocurrencies	December-17	ICO	\$28,800,060
Vinted	Lithuania	Social fashion marketplace	December-15	Series C	\$27,000,000
Socialbakers	Czechia	E-marketing solution provider	February-14	Series C	\$26,000,000
Transferwise	Estonia (now UK)	Online money transfer	Nov-17	Series E	\$26,000,000
Vinted	Lithuania	Social fashion marketplace	January-14	Series B	\$25,732,000
Transferwise	Estonia (now UK)	Online money transfer	Jun-14	Series B	\$25,000,000
DMarket	Ukraine	Cross-game marketplace	Dec-17	ICO	\$25,000,000
Aeternity	Bulgaria	Blockchain	June-17	ICO	\$24,426,689
Adcash	Estonia	Ad network	January-15	Series A	\$23,646,625
Creamfinance	Latvia (now Poland)	Consumer finance products	March-17	Series B	\$22,745,160
FinShi	Russia	Venture investment	Sept-17	ICO	\$21,420,275
LAtoken	Russia	Fintech / asset tokenization	Oct-17	ICO	\$20,000,000
KickICO	Russia	ICO platform	Sept-17	ICO	\$20,000,000
Busfor (GillBus)	Russia	Bus ticketing and distribution platform	October-16	Series B	\$20,000,000
DocPlanner	Poland	Online medical appointments platform	June-16	Series C	\$20,000,000
Group IB	Russia	Cybersecurity	August-16	Growth	\$20,000,000
Netology Group	Russia	Education technology	August-17	Venture	\$20,000,000
Zvooq	Russia	Online music platform	August-14	Series A	\$20,000,000
iMotion	Russia	VR motion control device	March-14	Venture	\$18,500,000
LAtoken	Russian team	Fintech on blockchain	October-17	ICO	\$18,500,000
Change Bank	Estonia	Fintech	October-17	ICO	\$17,500,000
AskGamblers	Serbia	Online resource on gambling	April-16	Acquisition	\$17,100,000
Avito.ru	Russia	Classifieds platform	February-14	Venture	\$17,000,000
Pipedrive	Estonia (now US)	CRM software	January-17	Series B	\$17,000,000

THIS LIST IS NOT EXHAUSTIVE. NUMBERS ARE ACCURATE AS OF DEC. 2017 TO THE EXTENT THEY HAVE BEEN DECLARED TO CRUNCHBASE AND OTHER SOURCES VOLUNTARILY
SOURCES: CRUNCHBASE (VC DEALS), ICOBENCH (ICOs), EWDN, RG/EY.

TOP 50 FUNDED TECH COMPANIES IN CEE (2014-2017)

WITH SUPPORT FROM **crunchbase**

COMPANY	COUNTRY OF ORIGIN	ACTIVITY	TOTAL FUNDING
Transferwise	Estonia (now UK)	Online money transfer	\$396,371,338
Ozon Holdings	Russia	E-commerce	\$250,000,000
1C Company	Russia	Enterprise software publisher	\$200,000,000
Lamoda	Russia	E-commerce	\$198,669,107
Avito.ru	Russia	Classifieds platform	\$142,000,000
KupiVIP	Russia	E-commerce	\$108,600,000
B2B-Center	Russia	B2B platform	\$101,000,000
Maykor	Russia	IT services	\$100,000,000
Russian Towers	Russia	Telecom tower operator	\$100,000,000
Wikimart	Russia	E-commerce	\$82,000,000
Vinted	Lithuania	Social fashion marketplace	\$59,592,880
MobileGo (Games Credits)	Russia-Serbia-India-USA	Competitive gaming	\$53,000,000
DocPlanner	Poland	Online medical appointments	\$50,832,687
Sotmarket	Russia	E-commerce	\$50,000,000
CarPrice.ru	Russia	Online broker of used cars	\$48,000,000
ivi.ru	Russia	Online video	\$43,500,000
Russian Miner Coin	Russia	Cryptocurrency generation	\$43,000,000
SONM	Russia	Decentralized computing	\$42,000,000
2GIS	Russia	Mapping software	\$40,000,000
Softline	Russia	Enterprise software publisher	\$40,000,000
TouchBank	Russia	Online bank	\$40,000,000
Monetha.io	Lithuania	Fintech	\$37,000,000
Dream Industries	Russia	Digital content platforms	\$36,500,000
Socialbakers	Czechia	E-marketing solution provider	\$34,000,000
Agrello	Estonia	Legal tech	\$35,000,000

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SOURCES: CRUNCHBASE (VC DEALS), ICOBENCH (ICOs), EWDN, RG/EY.

TOP 50 FUNDED TECH COMPANIES IN CEE (2014-2017)

WITH SUPPORT FROM **crunchbase**

COMPANY	COUNTRY OF ORIGIN	ACTIVITY	TOTAL FUNDING
Skeleton Technologies	Estonia	Energy storage solution	\$33,489,017
Pipedrive	Estonia (now US)	CRM software	\$31,203,107
Polybius	Estonia	Fintech	\$31,000,000
Creamfinance	Latvia (now Poland)	Consumer finance products	\$30,055,160
Begel Systems	Russia	IT services	\$30,000,000
Blackmoon Crypto	Russia-USA	Fintech on blockchain	\$30,000,000
E96	Russia	E-commerce	\$30,000,000
UiPath	Romania	Robotic software	\$30,000,000
Blackmoon Crypto	Russian team	Fintech on blockchain	\$30,000,000
Mobiltek (Dotpay)	Poland	Telecom operator	\$28,909,841
Univera	Russia	Fintech / cryptocurrencies	\$28,800,060
Netology Group	Russia	Education technology	\$25,600,000
Biglion	Russia	E-commerce	\$25,000,000
Cash Credit	Bulgaria	Fintech	\$25,000,000
Game Insight	Russia (now Lithuania)	Gaming	\$25,000,000
Zvooq	Russia	Online music platform	\$25,000,000
DMarket	Ukraine	Cross-game marketplace	\$25,000,000
Brainly	Poland	Education technology	\$24,500,000
Aeternity	Bulgaria	Blockchain	\$24,426,689
Busfor (GillBus)	Russia	Bus ticketing	\$24,000,000
Adcash	Estonia	Ad network	\$23,646,625
Gazohim Techno	Russia	Gas processing technology	\$22,000,000
Waves	Russia	Blockchain for digital assets	\$22,000,000
FinShi	Russia	Venture investment	\$21,420,275
Group IB	Russia	Cybersecurity	\$20,938,000

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SOURCES: CRUNCHBASE (VC DEALS), ICOBENCH (ICOs), EWDN, RG/EY.

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Track quickly moving companies.



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BUSINESS ANGEL INVESTMENT IN CEE (2016)

WITH SUPPORT FROM  eban

COUNTRY	NB OF BUSINESS ANGEL NETWORKS	NB OF BUSINESS ANGELS	NB OF DEALS	BA INVESTMENT AMOUNT ESTIMATE (2016)	SOURCE
Albania	No substantial BA activity				EWDN expert network
Armenia	Embryonic BA activity				EWDN expert network
Azerbaijan	No substantial BA activity				EWDN expert network
Belarus	n.a.	10-20 active BAs	n.a.	n.a.	EWDN expert network
Bosnia & Herzegovina	n.a.	10-20 active BAs	n.a.	n.a.	EWDN expert network
Bulgaria	4	100	50	€5m	Local BA network(s) via EBAN
Croatia	1	30	10	€1m	Local BA network(s) via EBAN
Czechia	1	200	35	€5m	Local BA network(s) via EBAN
Estonia	1	119	145	€8.8m	Local BA network(s) via EBAN
Georgia	n.a.	n.a.	n.a.	n.a.	Local BA network(s) via EBAN
Hungary	2	200	80	€5.5m	Local BA network(s) via EBAN
Kosovo	1	16	12	€0.5m	Local BA network(s) via EBAN
Latvia	1	76	34	€2.4m	Local BA network(s) via EBAN
Lithuania	1	122	7	€1.1m	Local BA network(s) via EBAN
Macedonia	3	35	11	€1.4m	Local BA network(s) via EBAN
Moldova	n.a.	Up to 12	n.a.	n.a.	EWDN expert network
Montenegro	No BA activity				EWDN expert network
Poland	5	431	37	€12.6m	Local BA network(s) via EBAN
Romania	4	31	18	€1.3m	Local BA network(s) via EBAN
Russia	22	170	148	€34.2m	Local BA network(s) via EBAN
Serbia	1	52	21	€2.3m	Local BA network(s) via EBAN
Slovakia	3	85	21	€2.1m	Local BA network(s) via EBAN
Slovenia	1	60	36	€3.3m	Local BA network(s) via EBAN
Ukraine	1	50	80	€5.1m	Local BA network(s) via EBAN

THE NUMBER OF BUSINESS ANGELS, THE NUMBER OF DEALS AND THE INVESTMENT AMOUNT ESTIMATES MIGHT BE FAR FROM REALITY: NOT ALL INDIVIDUAL STARTUP INVESTORS PARTICIPATE IN BA NETWORKS OR ASSOCIATIONS; NOT ALL MEMBERS ARE ACTIVE INVESTORS, AND NOT ALL DEALS ARE MADE PUBLIC AND RECORDED – EBAN REFERENCE: ANNUAL STATISTICS COMPENDIUM [HTTP://GOO.GL/X9YVHF](http://goo.gl/X9YVHF)

Section 4:

HOW GLOBAL COMPANIES ARE GETTING INVOLVED IN THE CEE STARTUP SCENE

A SELECTION OF INTERVIEWS AND RECENT CASES



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WHAT CORPORATES SAY ABOUT CEE STARTUPS OPPORTUNITIES



Lisa Peyton of Intel:

"My work over the last few years has allowed me to survey VR/AR/MR/XR startups from within the US and Europe. I have continually been surprised by the high levels of innovation coming out of Eastern European countries. I have met with companies in the region who are integrating VR and AR along with AI to create truly unique and valuable business case uses. I'm extremely excited about the potential in the region to help shape the future of commercial MR or XR. I do however feel these startups have some inherent challenges in making a global impact and hope that my work can help shine a light on these areas of innovation and potential."



Hannes Cizek of Raiffeisen Bank International:

"The heterogonous and dynamic CEE region presents unique opportunities for cooperation projects with startups and we are excited to be an active and truly committed player in CEE. With our new Elevator Lab, a fintech accelerator program, we want to support startups to further develop their ideas and products!"



Igor Douplitzky of Orange:

"In the last few years, we started setting up startup accelerators and spurring collaborations with with labs, universities, incubators, hubs and other accelerators across CEE. We're now even more attentive to CEE innovators, hopefully our startup scouting activities will help us develop more business relations."



Lukasz Leoniewski of Facebook:

"When we look at Central and Eastern Europe, we see a unique and diverse region with many countries and languages, rich history, culture and strong identity. A group of countries with strong economic potential. And the place where our mission to give people the power to build community and bring the world closer together receives a strong meaning."

Arèche Alamir of Auchan Retail:

"We're conducting several experimental projects in such countries as Russia, Romania, Hungary, Poland, Ukraine. Some of these experiments have revealed a latent cooperation potential, created new data, and led to consider new approaches."





ARÈCHE ALAMIR OF AUCHAN RETAIL: "RUSSIA, ALONG WITH FRANCE AND CHINA, IS A KEY COUNTRY IN OUR OPEN INNOVATION STRATEGY"



Arèche Alamir is Chief Customers and Innovations Officer at Auchan Retail Russia. In this interview, he outlines the key points of his group's open innovation strategy and how it applies to Russia and Eastern Europe.

Tell us a bit about Auchan's open innovation strategy

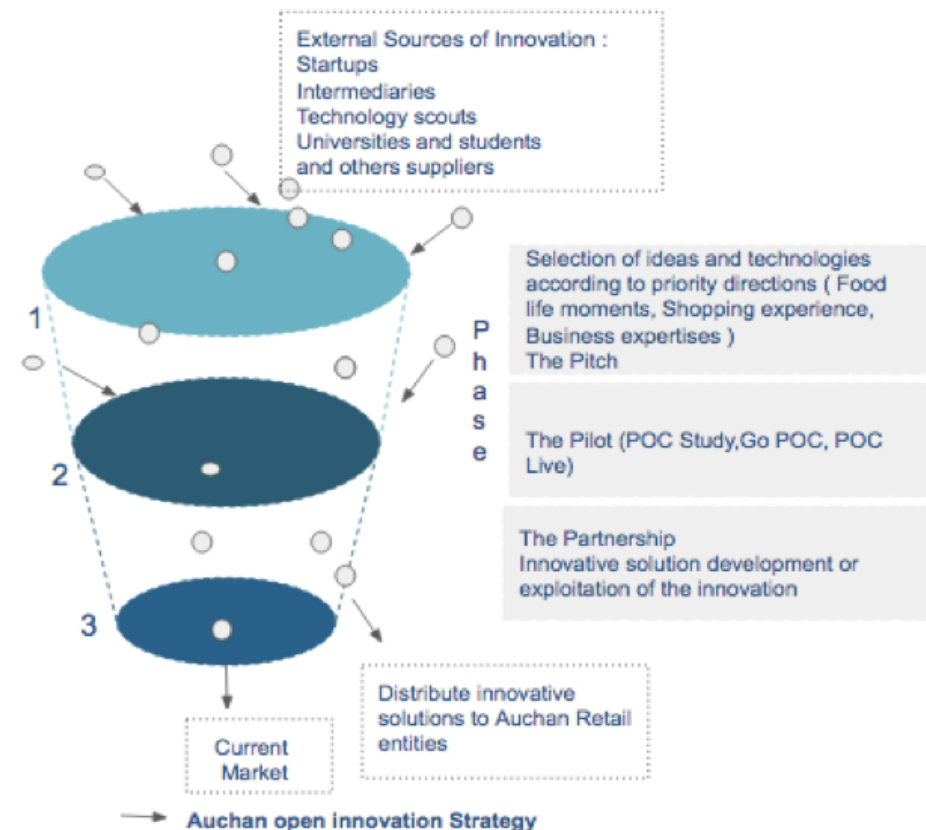
Auchan Retail's open innovation strategy aims to address the internal needs, and corresponds to our Global Strategic Vision. Two core processes are being used. The "outside-in" process allows the company to leverage external sources of innovation through collaboration with startups and other innovation actors. Through the "inside-in" process, the company's own innovative solutions are spread across Auchan Retail entities. There is no aim to build an "inside-out" process and sell license knowledge and technology.

The strategy focuses on three main strategic fields: what we call "food life moments" (before and after purchases); the shopping experience (in-store and on-line); and business expertise (innovations aiming at improving our processes).

Currently, the company collaborates with startups through two key open innovation mechanisms: Open Call Startup Program and Open Startup Platform. Five key tech areas are being scouted outside the company: recognition tools, indoor geolocation, bots and artificial intelligence, augmented and virtual reality, APIs. We are starting to look at Blockchain, too.

Are things organized locally or centrally?

A global platform in France, currently under a pilot study, will provide a single entry-point for innovative start-ups seeking to partner with Auchan Retail. The platform will also enable the company's units to experiment with new technologies more efficiently and rapidly, and facilitate communication and coordination between different Auchan entities.





ARÈCHE ALAMIR OF AUCHAN RETAIL: "RUSSIA, ALONG WITH FRANCE AND CHINA, IS A KEY COUNTRY IN OUR OPEN INNOVATION STRATEGY"



We have set up an open innovation team with representatives from the global office as well as France, Russia and China — reflecting the importance of Auchan Retail's activity in these countries. This team must screen, identify, work with, and monitor large numbers of startups. They are also responsible for experimentation and effectuation processes, as well as the development of innovation capabilities.

Thus, Russia is among the key countries of our open innovation strategy. Auchan Retail Russia launched an outside-in startup program in December 2016, in partnership with French Tech Moscow, Skolkovo and the IIDF [FRII in Russian, the country's largest startup investment fund]. Potentially interesting startups were identified through private meetings; then they got the chance for conducting a pilot study. Out of 43 applicants, 21 startups had individual meetings with us, 15 seemed interesting to us and we're now conducting pilots with a couple of them.

What about other countries Central and Eastern Europe?

Several pilot projects are currently being conducted at the experimental stage in such countries as Romania, Hungary, Poland and Ukraine. I would cite, in particular, Brandquad (content management platform), Chargecart (shopping trolley with charger for consumer), Chatbots in Recruitment, "A2IA" (Scan Shopping List mob app), Tellspec (food scanner), PassDrive and others. Some of these experiments have revealed a latent cooperation potential, created new data, and led to consider new approaches.

(November 2017)



*Arèche Alamir speaks to Russia startups at international tech hub Skolkovo
(December 2016)*

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HANNES CIZEK OF RAIFFEISEN BANK INTERNATIONAL: “OUR GOAL IS TO BE THE PARTNER OF CHOICE FOR INNOVATIONS ON THE CEE FINTECH SCENE”



Raiffeisen Bank International operates in 14 CEE markets, serving 16.5 million local customers. Hannes Cizek, Head of Group Digital Banking, shares his views of the CEE startup innovation potential and his group's intention to assert itself a leading player in the fintech segment.

What is your bank's strategy in the field of open innovation?

At Raiffeisen Bank International (RBI), we believe that both entrepreneurship and intrapreneurship will be the decisive success factors in the future. “What is impossible for the individual, can be achieved by many” – was the main principle of Raiffeisen's founder Friedrich Wilhelm Raiffeisen (1818-1888), which is still the cornerstone of our approach towards innovation. His vision and ideas are timeless and can be transmitted to an open innovation strategy.

The goal is to not only achieve economic growth, but to also have a positive impact on our society. Tech innovations are one of the main driving forces in the near future, particularly in the banking sector. Cooperation, to us, is more than just taking on the role of an investor. We want to form strategic alliances and revolutionize the industry from within. Therefore, RBI initiated a corporate accelerator program, the Elevator Lab..

Which are your main fields of interest beyond fintech?

There are many exciting topics, such as biometrics, blockchain, cybersecurity and AI, just to name a few. While we do identify certain fields to be of special interest for the future of the banking industry, we always try to keep an open mind for any new ideas.

Are your bank's cooperations with start-ups organized centrally or at a country level?

We always try to be as close to the relevant market as possible, which is why we believe in a strong regional engagement of our 14 CEE network banks. Our colleagues in the CEE region are close to the local customers and there are many initiatives with various start-ups ecosystems across the region, but also internationally.

Out of our head office in Vienna we are now planning to better leverage our group's synergies. Our goal is to function as an innovation database and enabler for all of our regional banks.

Which types of cooperation have you undertaken, or are you planning to undertake, with start-ups from this region?

The heterogenous and dynamic CEE region presents unique opportunities for cooperation projects with startups, and we are excited to be an active and truly committed player in CEE.

Elevator Lab (www.elevator-lab.com) is a fintech accelerator program launched by RBI in 2017 to foster the development of startups – in a structured and effective way. After a very successful first batch, which was completed in early 2018, RBI is about to launch the second season of Elevator Lab in May 2018.

Similar to last year, RBI is looking for innovative financial technologies that are interested in exploring CEE and to closely work with RBI's experts to bring their products and solutions to the bank's millions of customers in the region.

(January 2018)



IGOR DOUPLITZKY OF ORANGE: “AFTER A LONG-LASTING PRESENCE IN CEE AS AN OPERATOR, WE ARE WILLING TO DEVELOP STRONG TIES WITH INNOVATORS FROM THE REGION”



In charge of business development with startups at Orange headquarters in France, Igor Douplitzky speaks about his group's strategy in terms of open innovation and his interest in tech innovation from Eastern Europe.

In which countries of Central and Eastern Europe does Orange operate?

As an international company, Orange is active on every continent. We have consumer customers in 29 countries and business customers in 220 countries. We 202 million mobile customers and 18 million high-broadband customers in the world. Half of the group's revenues are generated outside France. Correspondingly, our innovation strategy is global.

Orange, as a provider of both consumer and business services, is present in Central and Eastern Europe. We are a large player with a sizeable market share in Poland. We are also very active in Slovakia, Moldova and Romania – previously, Armenia too. In some other countries of the region, we only offer business services. For instance, Orange Business Services has significant operations in Russia.

Do you conduct R&D or cooperate with startups from CEE?

We opened our first R&D center in France as early as in 1944¹ – several decades before the telecom liberalization and the subsequent creation of France Telecom, the national operator which then became Orange. Today, Orange has more than 7,900 employees working on research and innovation with a €705 million investment in 2015.

We maintain labs in 12 countries in Europe, the US, Asia, the Middle-East and Africa. In Eastern Europe, there is an Orange Lab in Poland, which conducts a local R&D effort and works with startups from Poland and neighboring countries. Our R&D organization has also forged ties with the Israeli innovation community.

1. Under the name of Centre national d'études des télécommunications (CNET)

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In terms of technology supply, I must say that the majority of Orange's suppliers are currently from Europe, Israel, USA and Asia. However, since rather recently, we have been developing partnerships with Eastern-European players, for instance both Orange Poland and Orange Romania are sourcing technologies from local players. They have also launched an Orange Fab accelerator to boost business with startups. Orange also has a reselling agreement with Russia's Kaspersky Lab, whose anti-virus solutions are distributed in France in particular.



IGOR DOUPLITZKY OF ORANGE: “AFTER A LONG-LASTING PRESENCE IN CEE AS AN OPERATOR, WE ARE WILLING TO DEVELOP STRONG TIES WITH INNOVATORS FROM THE REGION”



Why did your interest in technologies from CEE start only recently?

In terms of startup IT innovation, CEE used to look less advanced and less open than what could be found in Asia, Israel or the USA. The region emerged on the global high-tech map more recently – for example, the St. Petersburg business incubator Ingria was launched in 2008 as a pilot project, while Skolkovo, the Russian tech park near Moscow, was announced two years later and is still under completion. Russia looked to us more credible in such fields as aerospace and nuclear energy than IT or telecom startups.

Another reason for the shyness of many international corporations against CEE startups lied in the business and legal environment in these countries. This environment was perceived as too risky or unstable compared with western and certain Asian countries.

Perhaps there were also cultural reasons. Our culture is much “americanized”, from education and language practice, to movies, to brands and the way of life they’re bringing... By comparison, people in France know much less about Russia, Poland or Romania, be in in cultural or business terms! It is a shame, of course, because the cultures and histories of Eastern European countries are so unbelievably rich and fascinating. And it is true that, when a western executive comes to Russia to sign a deal, some level of familiarity with the local culture and habits is appreciated...

Nevertheless, we’ve always had exchanges with CEE. Our earliest operations in the region started in Russia a long time ago. Then we invested in local operators in Poland, Slovakia, Romania, Moldova and Armenia.



We developed R&D operations and it is only in the last few years that we started setting up startup accelerators and spurring collaborations with labs, universities, incubators, hubs and other accelerators across the region.

Our exchanges with this CEE innovators might also have been indirect, since many talents and startups from this region expand to the USA and Israel.



IGOR DOUPLITZKY OF ORANGE: “AFTER A LONG-LASTING PRESENCE IN CEE AS AN OPERATOR, WE ARE WILLING TO DEVELOP STRONG TIES WITH INNOVATORS FROM THE REGION”



How do you intend to develop further your ties with CEE innovators?

We're already much more attentive to CEE innovators than in the past. Through our R&D labs and Orange Fab accelerators, we have started scouting startups, which hopefully will help us develop business relations with more entrepreneurs. We're interested in technologies covering such fields as digital health, cybersecurity, networks, consumer and industrial IoT, smart cities, smart home, fintech (for Orange Bank), B2B applications, B2C multimedia content.

The Orange Fab Poland accelerator is open to startups from such neighboring countries as Belarus, Russia, Ukraine and the Baltic states.

Earlier this year, Orange Business Services Russia even started a scouting and business development activity with startups, leveraging the ties we had been developing in the past few years with local incubators, accelerators and VCs.

Moreover, we have already introduced some startups from Russia and Poland to Orange Digital Ventures (ODV), our Paris-based corporate venture fund. Aside from our 14 Orange Fab accelerators and scouting teams, this fund is another essential component of our global strategy to support and work with startups. We have set up an intrapreneurship program and a worldwide open ideation platform, “Imagine with Orange,” to assimilate the startup culture and benefit from external ideas and talents.

There are other regions to look at than Europe, USA, Israel and Asia. Orange already enjoys an important presence as a telco throughout Africa and the Middle East, and we are expanding our footprint further in this region. We have set up labs and startup accelerators in some of these countries, and ODV has just launched a new fund endowed with €50 million to invest in African startups.

(November 2017)

- *Igor Douplitzky is Director of Business Development with Startups at Orange, managing some of the group's international operations in this field. He is based in Paris.*



LUKASZ LEONIEWSKI, MANAGER FOR PARTNERSHIPS AT FACEBOOK: “IN CEE, OUR MISSION TO GIVE PEOPLE THE POWER TO BUILD COMMUNITY AND BRING THE WORLD CLOSER TOGETHER RECEIVES A STRONG MEANING”



The CEE startup boom is driven by strong tech talent, aspiration for innovation, and an entrepreneurial spirit with far-reaching goals, believes Lukasz Leoniewski, Manager for Partnerships at Facebook. In this exclusive contribution, he shares his vision of the regional startup scene and gives insights about the social network's programs across CEE.

When we look at Central and Eastern Europe, we see a unique and diverse region with many nations and languages, rich history, culture and strong identity. A group of countries with considerable economic potential. And the place where our mission to give people the power to build community and bring the world closer together receives a strong meaning.

The role of small and medium businesses

Most of countries in Central and Eastern Europe has one major characteristic in common – their economic growth is driven by SMBs. Thus, our approach is focused on boosting those companies by giving them the best fitted tools, thanks to which they can expand and develop business on their own, taking advantage of Facebook and Instagram.

Those two platforms are of utmost popularity in the region across all our family of apps and services. Facebook is the top social app in Poland with 15 million people using it each month. Instagram in Russia crossed 22 million monthly users in 2017. Both apps are accessed in the CEE predominantly via mobile.

A good example of our supporting efforts to help small and medium businesses succeed on our platforms is the FbStart program (<http://goo.gl/dVg5Ly>). This global initiative, which we run across the CEE region, is designed to empower startups to build amazing products and scale them. We provide members of the program with free tools and services, support, training and year-round opportunities to connect directly with the Facebook team for technical and professional support. Members of the program also receive a custom package of exclusive discounts from dozens of Facebook partners, including companies such as Amazon, Dropbox, Stripe and MailChimp.

To help organizations scale culture in a new digital and mobile economy we built a solution called Workplace. The app provides employees of innovative companies better access to the right information, ensures stronger alignment with teams and increased efficiency. To help more companies get started with Workplace, we announced the Workplace Partner Program (<http://goo.gl/P6hTaj>), a group of technology and professional service organizations who work with us to bring Workplace to even more businesses across the globe.

Successful export startups

Central and Eastern Europe is home to many world-renowned companies, who built their success with Facebook. ROI Hunter, Displate, Apalon or IQ Option – just to name a few – achieved their worldwide success exporting their idea to the world. All of them leveraged our platforms to bring their product to a global consumer.

Small businesses are the backbone of our economy, driving economic growth and new jobs. Only in Poland more than 1.9 million small-to-medium businesses, provide more than 69% of all jobs in the country.



LUKASZ LEONIEWSKI, MANAGER FOR PARTNERSHIPS AT FACEBOOK: “IN CEE, OUR MISSION TO GIVE PEOPLE THE POWER TO BUILD COMMUNITY AND BRING THE WORLD CLOSER TOGETHER RECEIVES A STRONG MEANING”



As digital strategies – mobile in particular – help businesses grow, it's important that more than 70 million small businesses around the world actively use Facebook pages and 8 million profiles on Instagram, because they're free, easy to use, and they work well on mobile. This can have a tremendous impact on the global economy.

A region of well-educated developers

There's almost 1 million of engineers and developers graduating from technical universities in Central and Eastern Europe each year. It's more than in the US, or in any other country in Western Europe. They win programming contests, hacking competitions and are well-recognized for their skills.

Thinking about this group we launched the Facebook Marketing Partner program (<http://goo.gl/RP7C5A>) in CEE. The goal of the initiative is to help companies with developer talent on board become part of our Facebook ecosystem. We look for tech-savvy agencies, business-to-business startups and SaaS companies who are eager to work on our API.

As part of the program we accept startups and developers from such areas as ad-tech, creative, e-commerce platforms, marketing technology, or Messenger. In the program we offer access to Facebook API, trainings for developers and consultancy on product/market fit. Our partners who went through the certification process have access to Facebook experts who help them scale their business.

Booming communities

We're building additional programs to help people with the skills and resources they need to get jobs or put their own ideas into action. One of them aims at improving digital skills. This year we committed to launch Facebook Community Boost program in Europe. As a part of the initiative we will open our first skills hub in CEE, that will be localized in Poland. It will run in partnership with local organizations, offering training in digital skills, media literacy and online safety to underrepresented groups. Within the program we plan to have trained 1 million people and business owners across the European Union by 2020.

With the purpose of supporting communities and advancing science, in 2016 we launched Facebook AI Research Partnership Program in Russia. The goal of the initiative is to accelerate research on artificial intelligence. As a part of the program we donated state-of-the-art servers to several research institutions, one of them being Moscow Institute of Physics and Technology.

We're committed to further expansion of our programs in Central and Eastern Europe with a goal to bring more value to people and businesses in this thriving region.

(January 2018)

○ *Lukasz Leoniewski is Manager for Partnerships at Facebook*



HOW RUSSIA ATTRACTED 11,000 STARTUP PROJECTS TO A CORPORATE-ORIENTED ACCELERATOR

AN INTERVIEW WITH RVC DEPUTY CEO MIKHAIL ANTONOV



RVC, Russia's state-owned fund of funds for innovation, supports a variety of initiatives and programs aimed at developing the country's innovation ecosystem. Among its major initiatives over the past few years has been GenerationS, a giant acceleration program aimed at matching innovation ideas and startups with corporate needs. In this interview Mikhail Antonov, RVC's Deputy CEO and Innovation Infrastructure Development Director, provides details about this program and its achievements to date.

How does the Russian market look in terms of open innovation?

In spite of some notable moves over the past couple of years, major Russian companies, unfortunately, do not yet work with tech entrepreneurs and startups as actively as foreign corporations. International giants – General Electric, Google, Procter & Gamble and others – are constantly searching and introducing breakthrough technologies as a part of their open innovation strategies. Russian big business is lagging behind for a number of reasons.

These reasons include a lack of understanding of how to start such collaborations, how to develop entrepreneurship culture within the corporation, and how to build connections with the innovation ecosystem. What's more, Russian corporations, generally speaking, are conservative and reluctant to any changes.

At RVC, we launched GenerationS (<http://en.generation-startup.ru>) as a platform to involve Russian corporations in startup innovation through customized acceleration programs. Year after year, we see the number of corporate partners increase, along with their interest in startups.¹

Besides RVC, the organizer of GenerationS, other government-backed organizations support the initiative. These include Skolkovo Foundation, the Foundation for Assistance to Small Innovative Enterprises (FASIE, also known as Bortnik Fund), which provide grants and other non-monetary support to our finalists.

Is GenerationS equally open to Russian and foreign companies?

GenerationS is equally open to Russian and foreign companies. Over 150 government organizations and private companies have been involved in the accelerator's operations since 2013. Many major international corporations – SAP, Visa, Microsoft, Raiffeisenbank and others – have been partners of GenerationS.

We expect these numbers to grow with even more foreign startups applying and more international corporations searching for strong Russian technology teams.

Can you provide examples of particularly fruitful cooperation with foreign corps?

We strive to develop cooperation with all partners, be they Russian or foreign. For us, the ideal partners are those which are committed to working with startups as part of their business strategy, not as a one-time exercise.

1. GenerationS was launched in 2013. In 2016, the initiative attracted as many as 4,237 teams (up 65% from 2015) from 30 countries, with up to 15 million rubles (around \$266,000) in prizes. Another 100 million rubles (almost \$1.8 million) was offered by both Russian and international corporate partners.



HOW RUSSIA ATTRACTED 11,000 STARTUP PROJECTS TO A CORPORATE-ORIENTED ACCELERATOR

AN INTERVIEW WITH RVC DEPUTY CEO MIKHAIL ANTONOV



This is the case SAP, for example, which has been a partner of GenerationS since the very start, and continues to select projects each year to introduce them into their corporate ecosystem. By the way, beyond GenerationS, we do many joint events with SAP, where they share their best corporate venturing and open innovation practices.

Another example – among many! – is Microsoft, which has been a partner for several years, providing expertise and infrastructure to the most promising startup teams.

Does GenerationS cooperate with foreign organizations, putting aside corporations?

Among the recent examples is our partnership with the Lithuanian tech park Sapiegos (Vilnius Tech Park), with support from city authorities and the venture fund IMI.VC. A special nomination, the 'Vilnius Tech Park Award,' has been established, providing winners with grant certificates and a residence permit in Lithuania, as well workspace in the tech park, legal, mentoring, and marketing support. These mechanisms aim to support the expansion of these startups to the EU and US markets (<http://goo.gl/zaUWsB>).

After more than four years of operations, what have been the main achievements of GenerationS, and its main issues?

In 2013, GenerationS was the first accelerator introduced in Russia in such a format. In early 2017, we achieved a total of 20 acceleration programs. Each one gathered a unique pool of partners, investors, experts and, most importantly, startups. The total volume of investments in startups which went through GenerationS has exceeded 1.1 billion rubles [some \$16.5 million at the 2016 exchange rate], and their valuation reached some 2.2 billion rubles [\$33 million].

Since 2013, a few dozens of accelerators have appeared in Russia. As a market leader, we play an important role in establishing a startup acceleration culture in Russia with the proper performance standards. Over these years, we have built a community of nearly 11,000 Russian startups or startup projects, getting access to a variety opportunities for growth and sustainability.

We help universities, corporations, regional business incubators to build their own acceleration programs, providing them with project expertise, mentors network, IT infrastructure across the country. At the regional level, GenerationS provides methodological and financial support for people and organizations dealing with startup generation and incubation. In turn, this generates new pipelines to fuel our own accelerators.

GenerationS is now active beyond Russian borders, with a total of 240 cities and 30 countries, including Belarus, Armenia, Kazakhstan, Ukraine, France and the United States. Every year we observe increasing number of applications for participation in GenerationS.

Though we have grown older and more experienced, we are still startup-minded. We are open, agile and totally cooperative. We believe that, together with our partners, we can change our world and make our lives more comfortable and more efficient.

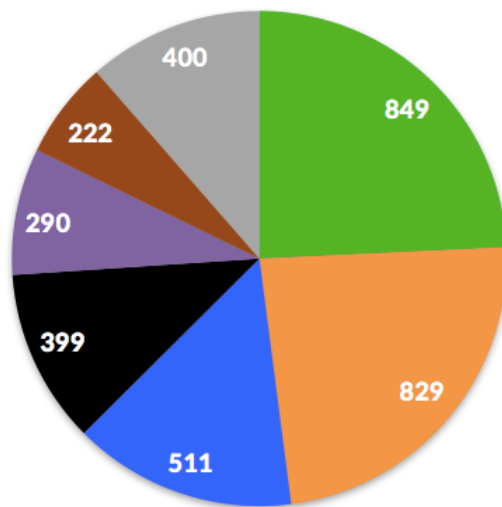
(July 2017)

HOW RUSSIA ATTRACTED 11,000 STARTUP PROJECTS TO A CORPORATE-ORIENTED ACCELERATOR



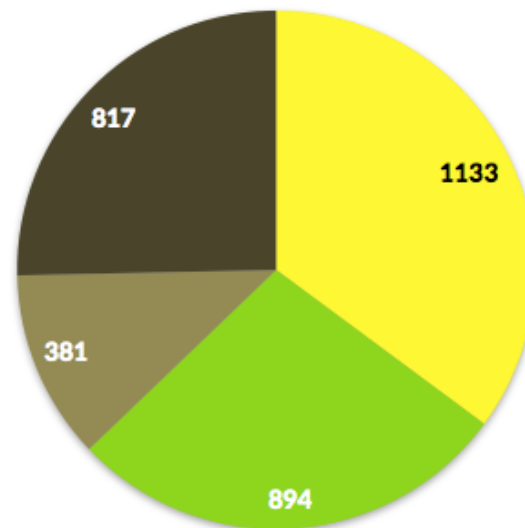
GENERATION S PROJECT ANALYSIS IN 2017:

BY INDUSTRY:



- Agro&Medtech
- Creative
- Power&Energy
- TechNet
- Fintech
- Mining&Metals
- Other technologies *

BY MATURITY STAGE:

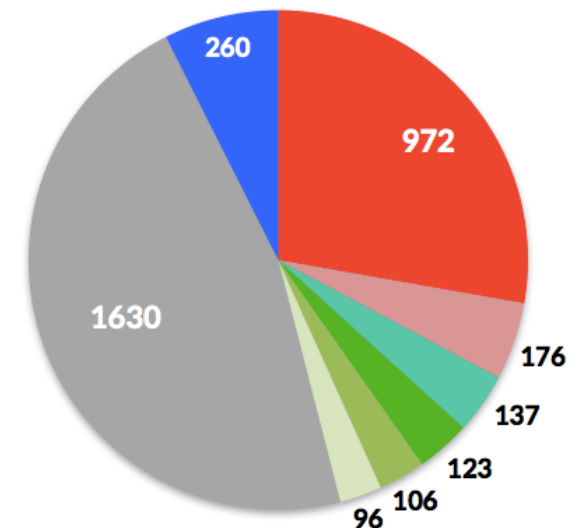


- Idea stage
- Prototype
- Pilot product and other intermediary stages
- Commercial/industrial production phase

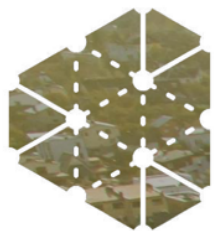
*Approximation

SOURCES: GENERATION S, EWDN

BY GEOGRAPHIC ORIGIN:



- Moscow
- St. Petersburg
- Yekaterinburg
- Tomsk
- Irkutsk
- Omsk
- Applications from other Russia cities *
- Applications from outside Russia *



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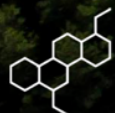


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implemented

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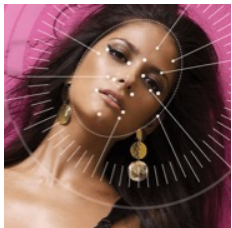
Investments attracted
for the Park project
activities



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AFTER PARTNERING WITH FACEBOOK AND GOOGLE, RUSSIAN STARTUP VISIONLABS RAISES \$5.5 MILLION FROM SISTEMA'S CORPORATE FUND

EAST-WEST DIGITAL NEWS, JULY 7, 2016



VisionLabs, a Russian startup specializing in facial recognition, data analysis and robotics, announced today that it has secured 350 million rubles (\$5.5 million at the current exchange rate) from Sistema Venture Capital. The fund received a 25% stake, valuing the startup at 1.4 billion rubles (\$21.5 million).

Founded in 2012, VisionLabs has developed a software package, named 'Luna,' which allows businesses to "verify and identify customers instantly" based on photo or video images, thanks to Luna's "unique quality and performance pattern recognition technology" (see demo).

Although Luna was intended primarily for banks and retail chains, it may also be applied to ad personalization, user identification in Internet-of-Things projects, medicine, transportation, virtual and augmented reality, according to Sistema Venture Capital President Alexey Katkov.

Another VisionLabs solution, "Face_IS," allows retailers to make personalized offers to customers whose faces have been recognized.

"VisionLabs is a rare example of a company that has not only developed an innovative, internationally recognized solution, but also delivered competitive commercial products based on its technology," Katkov stated, seeing in the startup "a huge potential."

R&D with Facebook and Google

Last year, VisionLabs created an open-source computer vision platform in partnership with Facebook and Google, which contributed modest funding to the project. The platform integrates OpenCV and Torch, two popular libraries for developers studying neural networks and artificial intelligence.

This cooperation has no commercial purpose. The aim is rather to make developers' life easier by reducing dramatically the time needed by startups to launch projects in the field of computer vision and neural networks, according to VisionLabs General Manager Alexander Khanin.

The Russian startup was also selected earlier this year from among more than 300 companies to become one of 12 participants in ChallengeUp!, an international startup accelerator run by Intel, Cisco and Deutsche Telekom.

VisionLabs is a resident company of Skolkovo, the international tech hub under completion on the outskirts of Moscow. It was supported at the seed stage by the Internet Initiatives Development Fund (IIDF, or FRII in Russian), a giant startup fund launched in 2013.

Four corporate venture funds in a row

Sistema Venture Capital — of which Vision Labs is the first portfolio company — was launched in April this year by AFK Sistema, a Russian, LSE-listed conglomerate.

Targeting internationally-oriented early-stage startups from Russia and neighboring countries, the fund raised no less than 10 billion rubles (approximately \$156 million at the current exchange rate). Its shareholders — apart from AFK Sistema — have remained unnamed.



AFTER PARTNERING WITH FACEBOOK AND GOOGLE, RUSSIAN STARTUP VISIONLABS RAISES \$5.5 MILLION FROM SISTEMA'S CORPORATE FUND

EAST-WEST DIGITAL NEWS, JULY 7, 2016



"Now is the right time to invest in Internet companies. Despite the crisis, there are still many strong teams offering products with global potential in Russia and CIS countries," said Katkov when announcing the fund to the Russian media.

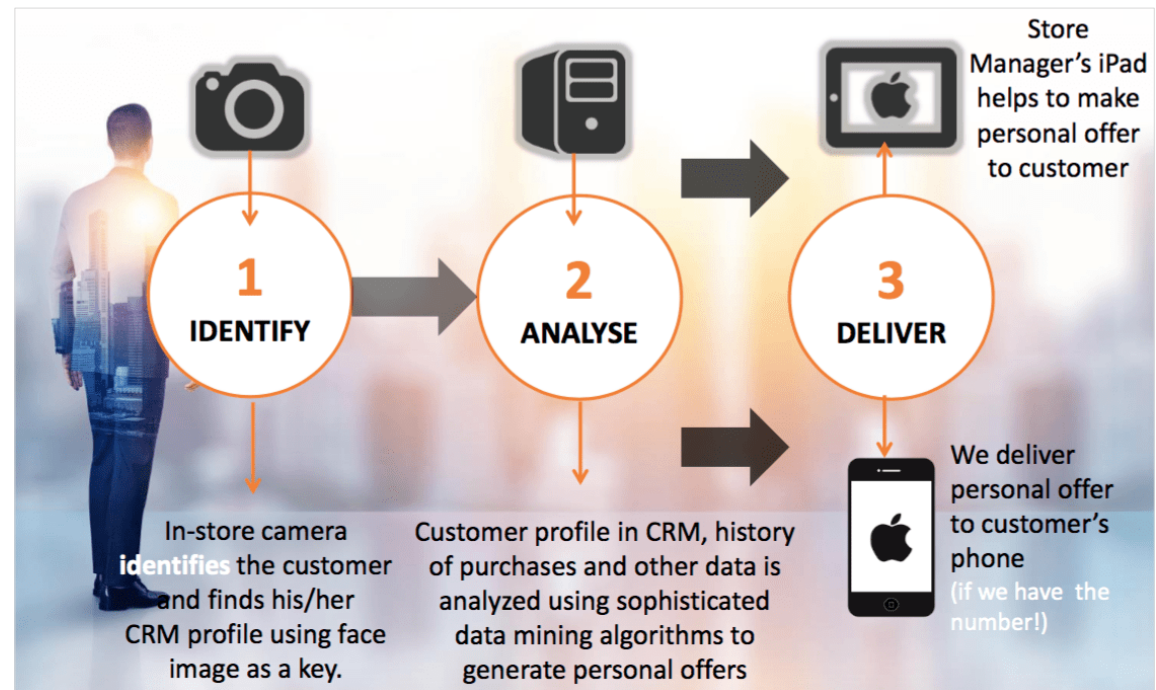
"Meanwhile, following the ruble's depreciation, the price for development services has fallen," Russian business daily Kommersant quoted him as saying.

Almost simultaneously, AFK Sistema announced another corporate venture initiative in association with Rusnano, Russia's national nanotech investment corporation. The joint fund will amount to at least \$80 million to support high-tech projects, as reported by RBC Daily.

Just weeks before, AFK Sistema had launched a \$50-million Asia fund to support Indian startups operating in the technology and niche consumer retail segments.

The Russian conglomerate was also reported to be in the process of creating a venture fund in partnership with China's TUS Holdings. This fund's capital will not exceed \$100 million at start, with the Chinese side contributing 70% of this amount.

Read the original story in East-West Digital News:
<https://goo.gl/PBXtqk>



VisionLabs claims that its facial recognition technology can make CRM more efficient.



SOUTH AFRICAN CAPITEC BANK INVESTS IN CREAMFINANCE

GLOBAL CORPORATE VENTURING, MARCH 29, 2017



By Thierry Heles, reporter

Latvian-Polish consumer loans platform Creamfinance closed a €21 million (\$22.9 million) series B round led by Capitec Bank, a major South-African retail bank and financial services firm.

Founded in 2012, Creamfinance has built an online platform that offers loans to individual borrowers, relying on machine learning technology and smart data algorithms to evaluate and score a user's creditworthiness.

The cash will support accelerated international expansion efforts and the introduction of a fully-fledged product suite in Creamfinance's existing markets. The company is currently operating in Poland, Latvia, the Czech Republic, Georgia, Denmark and Austria.

Capitec will name up to two directors for Creamfinance's board. The funding follows €5 million in series A capital provided by Flint Capital, a VC firm with Russian roots, in 2014.

Gerrie Fourie, chief executive of Capitec, said: "Given their expansion and focus on operational excellence, Creamfinance has emerged as a leading personal finance provider in Europe."

"We are impressed by Creamfinance's focus on smart data scoring and its business model which was developed in such a way that new countries can be entered swiftly and efficiently, requiring limited investment in local infrastructure," he added..

Matiss Ansviesulis, co-founder and CEO of Creamfinance, stated: "We are excited about this investment from a leading bank that, like ourselves, emphasises technology and operational efficiency and the acknowledgements of our ability to scale fast.

"This investment also marks a potential new beginning in fintech and banks' cooperation, especially since so many hold opposing views."

Read other such stories in Global Corporate Venturing
www.globalcorporateventuring.com



SERBIAN STARTUP FRAME SCORES \$16 MILLION INVESTMENT FROM MICROSOFT AND OTHERS

SUPERFOUNDERS, MAY 18, 2017



FRAME

By Gabriela Delova

Serbian-American startup Frame has closed a \$16 million funding round from Bain Capital Ventures, Microsoft Ventures and In-Q-Tel, with participation from previous investor CNTP, the company announced. Reportedly, as part of the investment, Salil Deshpande, managing director at Bain Capital Ventures, joins the Frame board of directors, too.

Founded in 2012 Frame is a revolutionary cloud platform that lets enterprises deliver Windows apps to users on any device, anywhere. The startup will use the investment to enlarge their team and to promote the company in new markets, especially Europe and Asia.

According to their company profile on LinkedIn, they built it from scratch for the cloud age, and there's no legacy code, nor capacity limits. Even the most complex visual applications run smoothly, every time, the company notes.

"Until now, desktop virtualization was a powerful idea that rarely delivered a great user experience. It was too slow, complicated and inflexible," said Nikola Bozinovic, founder and CEO of Frame, EIN News reported. "Frame startup is the first solution that truly delivers on the promise of desktop virtualization in the cloud. We built it from day one to take full advantage of the cloud, so it's faster, simpler and more scalable."

According to Istok Pavlovic, Marketing Executive at Frame, the very fact that Microsoft invests in Frame is the greatest confirmation that their solution is very important.

"We are especially happy that Microsoft is among the newest investors in Frame. This is a company that up to mid-2016 developed a cloud computing solution on their own, but without success", Pavlovic, told Netokracija.



"From the very beginning, while Frame was only an idea, many estimated our idea just as one more Remote Desktop. But the fact that Microsoft invests in Frame is the greatest confirmation that the solution that we develop is very complicated and important".

"Frame startup is the first solution that truly delivers on the promise of desktop virtualization in the cloud. We built it from day one to take full advantage of the cloud, so it's faster, simpler and more scalable than anything that came before it."



SERBIAN STARTUP FRAME SCORES \$16 MILLION INVESTMENT FROM MICROSOFT AND OTHERS

SUPERFOUNDERS, MAY 18, 2017



FRAME

According to Istok Pavlovic, Marketing Executive at Frame, the very fact that Micrinvestsin Frame is the greatest confirmation that their solution is very important.

“We are especially happy that Microsoft is among the newest investors in Frame. This is a company that up to mid-2016 developed a cloud computing solution on their own, but without success”, Pavlovic, told Netokracija.

“From the very beginning, while Frame was only an idea, many estimated our idea just as one more Remote Desktop. But the fact that Microsoft invests in Frame is the greatest confirmation that the solution that we develop is very complicated and important.”

In the article with topic ‘Why Frame Scored \$16M Investment from Microsoft and Bain Capital Venture’, Forbes contributor Patrick Moorhead also ranked as #1 tech industry analyst in US, UK and Europe, writes: “VDI and app streaming is gaining steam based on the increased security need and using the public cloud adds scalability and flexibility. Frame ticks off all of these boxes and allows companies to bring their own identity schema and enables multi-public cloud to improve performance and potentially lower costs. With these factors considered, coupled with the new investment announced today, I think Frame is well-positioned to attract more customers and investment. Competition isn’t standing still, but Frame has a head start with their cloud-native app streaming platform,” the article concludes.

According to Frame’s LinkedIn profile current users of Frame platform include companies such as Siemens, HP, Adobe, and Autodesk transition to the cloud. Frame is head quartered in San Mateo, CA, with additional offices in Washington, DC and Europe.

Read the original story in SuperFounders: <https://goo.gl/3UZMSM>

All you need to know about startup activity in Albania, Bosnia and Herzegovina, Croatia, FYROM, Kosovo, Montenegro, Serbia and Slovenia



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SBERBANK INKS R&D PARTNERSHIP ON DATA ANALYSIS AND ARTIFICIAL INTELLIGENCE WITH TOP MOSCOW UNIVERSITIES

EAST-WEST DIGITAL NEWS, MARCH 20, 2017



By East-West Digital News

Russia's national savings bank Sberbank has announced the launch of a risk theory and data analysis laboratory in partnership with Moscow State University (MSU) earlier this week.

Dubbed "CMC-Sberbank," the new lab will function as an R&D center focusing on statistical methods for big data analysis and machine learning.

The laboratory is intended to become a leading Russian academic center for fundamental and applied research in data science, machine learning and artificial intelligence, says Alexander Vedyakhin, Senior Vice President of Sberbank.

Another university Sberbank has announced an R&D project with is the Moscow Institute of Physics and Technology (MIPT, also known as PhysTech). Dubbed "IPavlov," it will focus on artificial intelligence and neural networks, in particular.

By 2020, the partners expect to develop learning algorithms simulating functional architecture of the human brain. They also aim to design an AI-powered technological platform which will allow supporting a meaningful dialogue with a customer.

"As the outcome of the project, we expect to get new business apps, which will be integrated into Sberbank's operations and put our customer support to a new level. Besides, as part of the project, Sberbank and MIPT will carry out comprehensive interdisciplinary research, which will help create a world-class ecosystem in the field of deep neural networks," said Sberbank's CEO German Gref.

Sberbank's strategy is more and more oriented towards innovation, in which Gref sees a top priority. Thus last year the bank teamed up with the Internet Initiatives Development Fund (IIDF, or FRII in Russian), a government-backed fund for Internet startups, to launch a fintech accelerator. Sberbank also signed a partnership with the Linux Foundation to join an international blockchain R&D project.

Read the original story in East-West Digital News:
<https://goo.gl/cY9sGf>



SBERBANK ACQUIRES MEDICAL APPOINTMENT STARTUP DOCDOC TO BUILD “A FULL-FLEDGED E-HEALTH PLATFORM”

EAST-WEST DIGITAL NEWS, MAY 26, 2017



Sberbank, Russia's national savings bank, has acquired a controlling stake (79.6%) in DocDoc.ru, a startup that helps users find doctors and set up medical appointments across 14 Russian cities.

The details of the deal have not been disclosed, but the bank has specified that the remaining shares belong to the founding and top management teams – which implies that the first investors (Guard Capital and Aurora Capital from previous rounds) made an exit from the startup.

DocDoc claims to have enrolled so far more than 31,000 physicians from 2,023 clinics and to have served more than 778,000 patients, up from 350,000 in March 2016.

With this acquisition, Sberbank is pursuing far-reaching goals. The bank, which aims to “build digital ecosystems to address the largest possible needs of customers,” sees in DocDoc's platform the basis of “a full-fledged e-health platform.

”Such a platform would encompass telemedicine services, a medical card system, ordering of medicine, and other functionalities. It would gather patients, doctors, clinics, insurance companies, pharmacies and other players within “an open system” accessible beyond Sberbank's sole client base.

The bank is also seeking to build a universal e-commerce platform covering Russia and neighboring countries.

Read the original story in East-West Digital News:
<https://goo.gl/PjJppi>

Румянцев
Виталий Григорьевич
Гастроэнтеролог

★★★★★
132 отзыва

Хорошо
Мне всё понравилось, доктор профессиональ-
ный. Мне помогли его рекомендации. Доктор
помог решить мою проблему.
Татьяна, 4 августа 2016

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FRENCH CORPORATE GIANTS HUNT FOR RUSSIAN STARTUPS AT SKOLKOVO

EAST-WEST DIGITAL NEWS, JULY 21, 2017



This past Monday a team of talent scouts from Decathlon, a French chain of sports stores with nearly 50 outlets in Russia, met with a range of Russian startups at Skolkovo, the international tech hub under completion on the outskirts of Moscow.

The meeting was part of a joint initiative of the Skolkovo Foundation, French Tech Moscow, and Business France.

“You represent the future, and the future is really important for us to go where we want to,” the Skolkovo Foundation quoted Fabrice Besch, CEO of Decathlon Russia and the CIS, as saying to the Russian startups.

“We expect to open between 10 and 15 new stores per year out of the new concept, and what’s interesting for us is that every year now we will have a new laboratory, which means that we’ll be starting from scratch. We try to be open to a lot of new experiences,” Besch added.

Russian robots for French retail outlets

Twenty-one Skolkovo resident companies were thus encouraged present to test their products in the Decathlon laboratory, which is scheduled for opening next spring in a new Decathlon store in Odintsovo, just a few kilometers from Skolkovo.

Among the Skolkovo startups presented to Decathlon were:

- CardsMobile, whose contactless payment solution allows consumers to store all their discount, bank and transport cards in their smartphone.
- Inspector Cloud, whose computer-vision based solution allows retailers to detect when shelves are depleted of stock;
- Navitek, an analytics system that can monitor numbers of shoppers and how long they spend looking at individual displays;
- Promobot, a much-hyped Russian startup whose AI-powered robots can be used as consultants in stores, exhibition halls, metro stations, etc.;
- RoboCV, a developer autopilot solutions for vehicles, industrial equipment and warehouses;
- Tardis, which develops computer vision and augmented reality systems for the apparel industry;
- Try Fit, which enables people to try on shoes virtually;
- VisionLabs, which has developed a face recognition technology can be used in retail for marketing, security or other purposes, in partnership with US digital giants;
- 7 seconds, which promises to increase online retailers’ revenues with an online credit solution.



FRENCH CORPORATE GIANTS HUNT FOR RUSSIAN STARTUPS AT SKOLKOVO

EAST-WEST DIGITAL NEWS, JULY 21, 2017



From heart attack prevention, to tire manufacturing, to electricity storage

The next day, on Tuesday, it was the turn of French pharma group Servier and its e-health branch WeHealth to meet Skolkovo startups.

In line with Servier's particular focus on prevention in the field of cardiology, one of the six startups selected to meet with the French company was CardioPlus, which is developing a solution to identify the immediate risk of a heart attack.

"We've already shown about 20-25 companies to Servier since the beginning of this year. Servier has selected a couple of our companies and is already signing non-disclosure agreements with them. We have high hopes that there will be licensing deals before the end of the year," said Ruslan Altaev, development and key partners director at Skolkovo's biomed cluster.

In December last year two other major French corporations, retailer Auchan and tire manufacturer Michelin, also met Skolkovo startups in search of promising technologies.

The meetings were "a big success," according to Vera Bunina, who coordinates such events on Skolkovo's side.

"Of 30 companies that passed the pitching stage with Auchan and Michelin at the first Connect event back in December, about 20 Skolkovo startups made it through to the testing stage, and now they're at various stages of testing. We hope that several companies will soon sign contracts with Auchan," she said.



Initiated in 2010, the Skolkovo tech hub is still under completion on the outskirts of Moscow. It has inked agreements with a number of Russian and international corporations. (Photo credit: Skolkovo Foundation)

In January 2016 Skolkovo and EDF, the French electricity giant, signed a memorandum of understanding as then-French economy minister Emmanuel Macron met his Russian counterpart Alexey Ulyukaev in Moscow. The partnership was intended to cover the fields of energy efficiency as well as smart grids, smart cities, and electricity storage.

RUSSIAN STARTUP CHEFMARKET ATTRACTS \$3.5 MILLION FROM MITSUI

EAST-WEST DIGITAL NEWS, JULY 25, 2017



The Moscow-based food delivery startup Chefmarket.ru has just secured \$3.5 million from Mitsui & Co — just one year after the Japanese corporation led a previous \$1.5 million round.

“Mitsui has designated retail and services, including e-commerce and TV shopping, as one of its key domain, and is expanding its presence through various investments. After a small initial investment in Chefmarket in 2016, we are very pleased with the company’s progress and happy to support again the company for further growth plans,” stated Yuichiro Hanawa, General Manager of Media Business Division, IT & Communication Business Unit of Mitsui & Co.

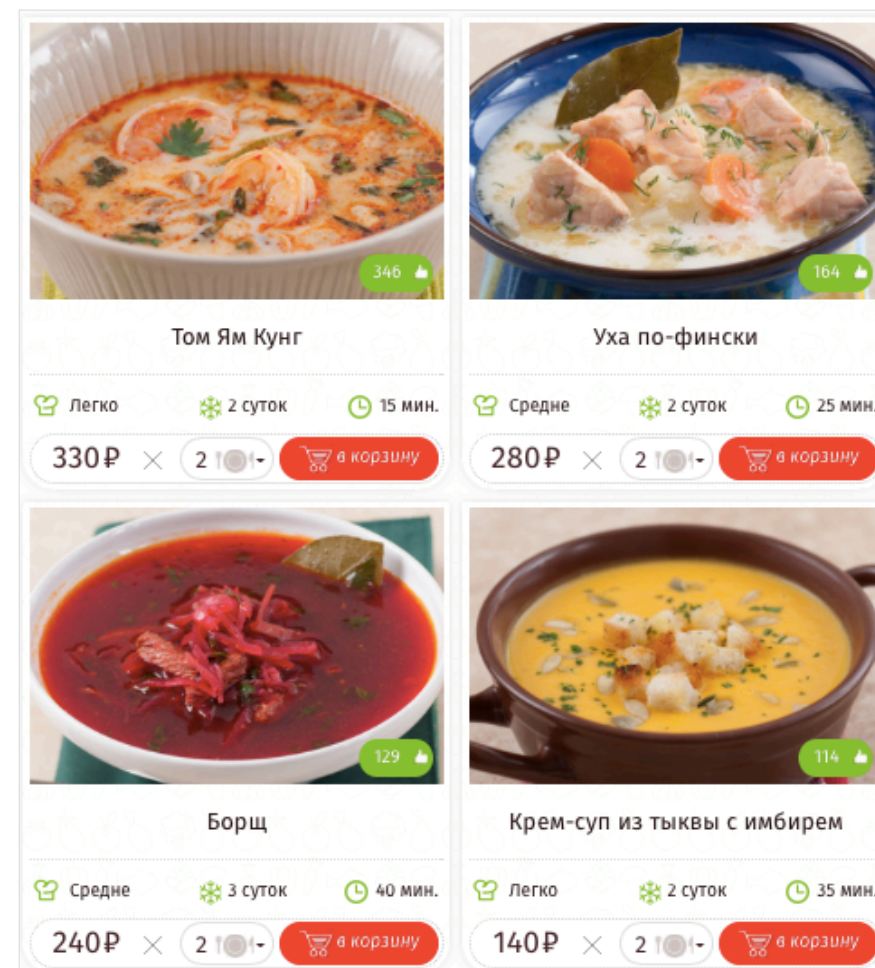
“We will work to enhance the corporate value of Chefmarket with strong prospects for the meal-kit market globally and particularly in Russia,” he added.

Chefmarket offers home delivery of food products based on recipes from renowned Russian and Western European chefs. Along with groceries, Chefmarket customers receive step-by-step photo instructions. A subscription offer allows customers to select three or five meals to be delivered weekly.

Chefmarket’s concept is close to that of Western startups Blue Apron and Hello Fresh — which raised hundreds of millions of US dollars over the past few years.

Meanwhile, Chefmarket claims to be able to manage offer variations even better than its Western peers. “We believe that customization is the key to success in this business and we can do this really well,” claims the startup’s CEO Sergey Ashin.

Ashin is an ex McKinsey consultant and alumni of the London Business School MBA program. He founded Chefmarket in 2012 in a bid to “revolutionize the notion of preparing food at home.”



Russian soup borscht, Thai soup Tom Yum and many other meals are featured in ChefMarket’s menu.



RUSSIAN STARTUP CHEFMARKET ATTRACTS \$3.5 MILLION FROM MITSUI

EAST-WEST DIGITAL NEWS, JULY 25, 2017



More deliveries but lesser market share

The company currently covers three of the largest Russian cities: Moscow, Saint Petersburg and Nizhny Novgorod. It also used to serve Kazan, but left this city of nearly 1.2 million inhabitants since the local market was “not mature enough for such services,” Ashin says.

Chefmarket now claims to deliver over 100,000 meals in total every month, up from 60,000 one year ago. So far such levels have been reached with “almost zero marketing,” but Ashin tells us that the startup is about to shift to a more aggressive marketing approach.

Chefmarket estimates its current market share at approximately 40% – perhaps less than in the past, concedes Ashin, due to a dozen of new players having entered the market recently.

Among Chefmarket’s most established competitors are Domavkusnee.ru, Partiyaedi, and Elementaree.ru.

Hot meals, hot market

Currently valued at some 80 billion rubles (roughly \$1.3 billion at the current exchange rate) annually, according to Delivery Club, the Russian food delivery market has attracted much investor attention recently.

The number one food delivery company in Russia, Delivery Club was acquired by Mail.Ru Group for \$100 million in November 2015.

One month later, the LSE-listed group also invested in Instamart, a Moscow-based startup which organizes food deliveries from offline retail outlets; then it acquired the food delivery startup ZakaZaka.

Last year also saw Foodfox.ru complete a \$1 million funding round. The round was led by Target Global, an international fund with Russian backers which had previously invested in Blue Apron, Delivery Hero and Lemoncat.

Just weeks ago AddVenture, a Moscow-based fund which also invested in Chefmarket and Delivery Club at the early stage, invested \$5 million in Grow Food.

Read the original story in East-West Digital News:
<https://goo.gl/5HDnxk>



RIMAC SECURES \$35 MILLION FROM CHINESE BATTERY PRODUCER

GLOBAL CORPORATE VENTURING, SEPTEMBER 28, 2017



By Sam McCaffrey, reporter

Chinese battery manufacturer Camel Group has agreed to invest €30 million (\$35.3 million) in Croatia-based electric vehicle (EV) developer Rimac Automobili through a share subscription agreement.

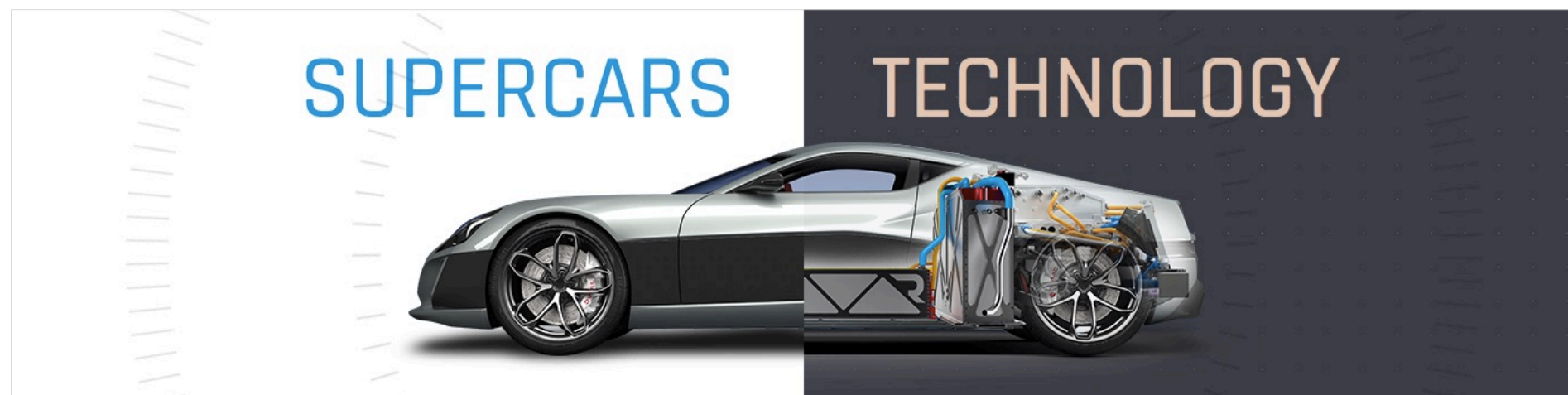
The investment will involve €3 million of the funds going to Rimac's electric bicycle unit, Greyp Bikes. The capital will also be used to fund the launch of new products and to build a new state-of-the-art production facility for Rimac's EVs.

Founded in 2009, Rimac develops and produces electric supercars as well as drivetrain and battery systems. The company raised \$12.5 million in a 2014 series A round led by mine operator and battery and EV producer China Dynamics, which took a 10% stake through its investment. Integrated Asset Management Asia and private investor Frank Kanayet Yepes also contributed to the round.

Liu Changlai, Camel Group's CEO, said: "Our strategy is to move aggressively into the new energy vehicle business – providing advanced battery systems, powertrains and other vehicle components to major commercial and passenger vehicle manufacturers in China.

"After studying the market deeply, searching for a technology partner, Rimac seemed as the perfect match for us – leading the electric vehicle technology development in many areas."

Read other such stories in Global Corporate Venturing
<http://www.globalcorporateventuring.com/>





NASPERS TAKES PART IN BRAINLY'S \$14 MILLION ROUND OF FUNDING

GLOBAL CORPORATE VENTURING, OCTOBER 27, 2017



By Sam McCaffrey, reporter

Poland-based peer-to-peer learning platform Brainly has raised \$14 million of funding in a round led by investment firm Kulczyk Investments that included media and e-commerce group Naspers.

Venture capital firms General Catalyst, Point Nine Capital and Runa Capital also took part in the round, which increased the company's overall funding to \$38.5 million.

Founded in 2009, Brainly has developed a portal where school-aged children can share and help each other with homework problems. It is accessible on the web and through an app, and recently passed 100 million monthly users globally.

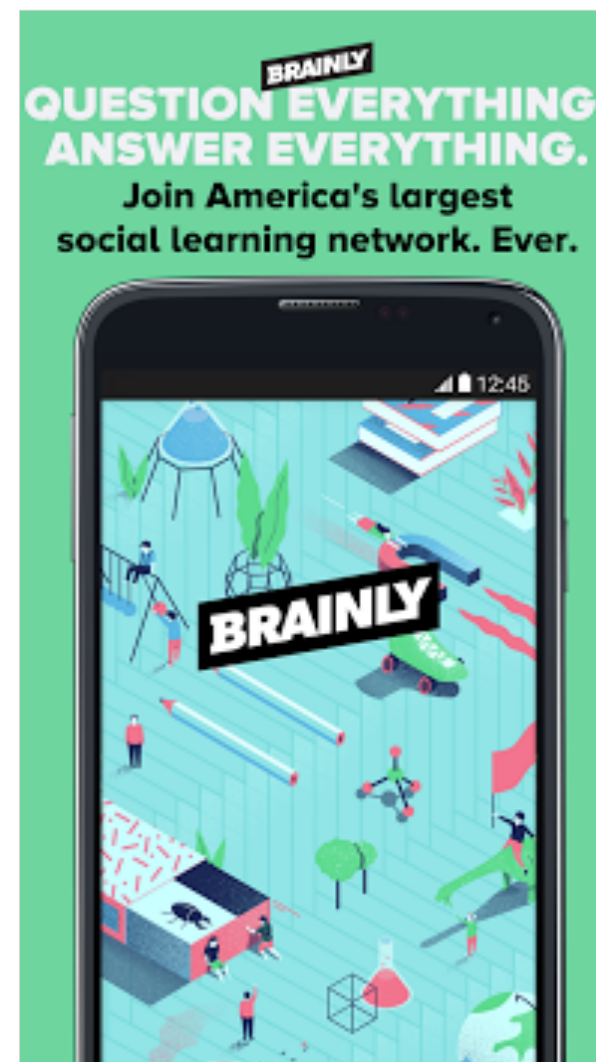
The funding will be used to expand Brainly's product team in order to develop new features for the platform. It comes after the company secured \$15 million in a May 2016 series B round led by Naspers subsidiary Naspers Ventures.

Brainly had previously received \$500,000 in a 2012 seed round backed by Point Nine Capital, which returned for a \$9 million series A in 2014 that also featured General Catalyst and Runa Capital.

Larry Illg, chief executive of Naspers Ventures, said: "Since our initial investment in 2016, we have been impressed with Brainly's growth, particularly in the US.

"Even beyond the staggering size of the Brainly user base, we have been pleased with the depth of user engagement and this is no doubt a result of the continued evolution of their platform to better serve students throughout the learning process."

*Read other such stories in Global Corporate Venturing
www.globalcorporateventuring.com*



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Section 5:

KEY REGIONAL EVENTS & INDUSTRY RESOURCES



Join the discussion:
[#startupsCEE](#)

REGIONAL EVENTS



This list features some of the region's most notable internationally-oriented startup and tech events. Some of them attract several thousands of attendees; others may be more modest in size but still deserve the attention of those who wish to discover the rich innovation scene of the region.



TechChill
www.techchill.co
 Riga, Latvia
 Feb. 8-9, 2018



Crypto Expo
<http://en.cryptoexpo.moscow>
 Moscow, Russia
 May 22, 2018



Wolves Summit
www.wolvessummit.com
 Warsaw, Poland
 April 10-11, 2018



Infoshare
<https://infoshare.pl>
 Gdansk, Poland
 May 22-23, 2018



Seedstars Summit
www.seedstarsworld.com
 Lausanne, Switzerland
 April 12, 2018



Latitude59
www.latitude59.ee
 Tallinn, Estonia
 May 24-25, 2018



Podim
www.podim.org
 Maribor, Slovenia
 May 15-16, 2018



Pioneers18
<https://pioneers.io/events/pioneers18>
 Vienna, Austria
 May 24-25, 2018



Emerge
www.emergeconf.io
 Minsk, Belarus
 May 17-18, 2018



Spark.me
www.spark.me
 Budva, Montenegro
 May 25-27, 2018

REGIONAL EVENTS



This list features some of the region's most notable internationally-oriented startup and tech events. Some of them attract several thousands of attendees; others may be more modest in size but still deserve the attention of those who wish to discover the rich innovation scene of the region.



Digitalk
www.digitalk.bg
 Sofia, Bulgaria
 May 31-June 1, 2018



Digital Freedom Festival
www.digitalfreedomfestival.com
 Riga, Latvia
 Nov. 30-Dec. 1 2018



Startup Village
www.startupvillage.ru
 Moscow, Russia
 May 31-June 1, 2018



Venture Day
<https://venturedayminsk.com>
 Minsk, Belarus
 Usually in April



Login
www.login.lt
 Vilnius, Lithuania
 June 7-8, 2018



Open Innovations Forum
<https://openinnovations.ru/en>
 Moscow, Russia
 Usually in October



Impact18
www.impactcee.com
 Krakow, Poland
 June 13-14, 2018



Central European Startup Awards
www.centraleuropeanstartupawards.com
 Grand finale usually in November in one of the regions's capitals



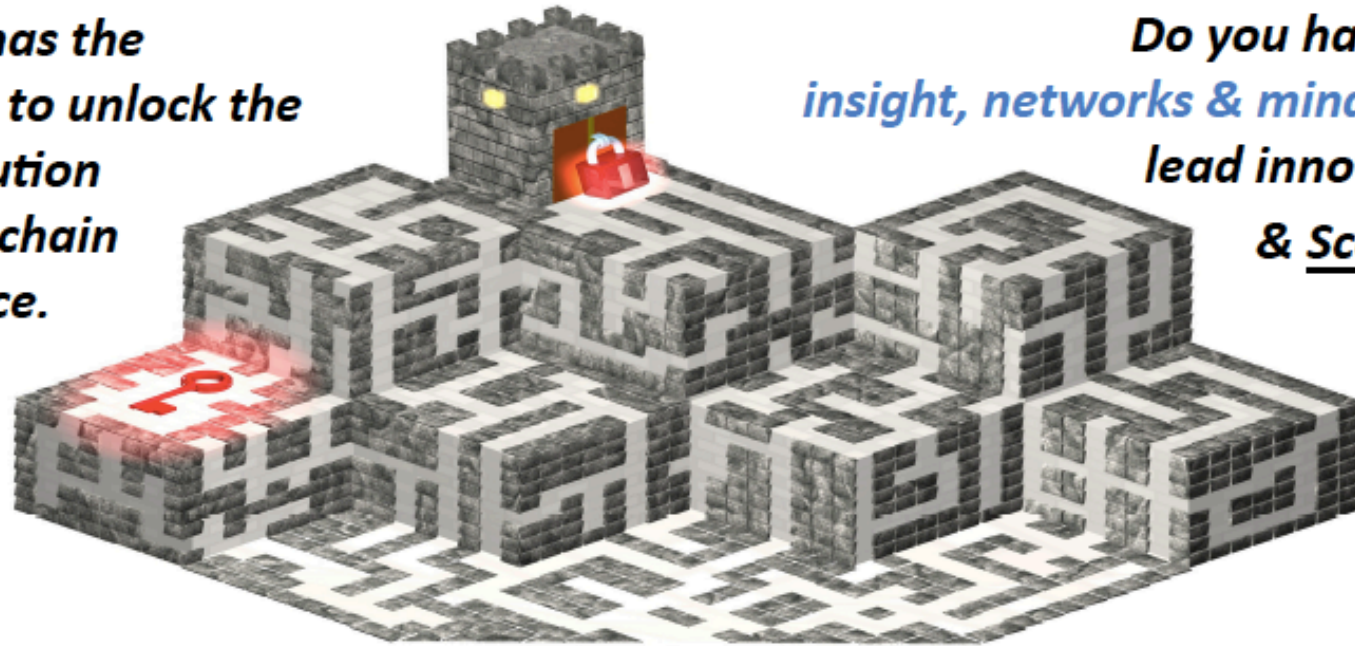
Webit Festival Europe
www.webit.bg
 Sofia, Bulgaria
 June 26-27, 2018



Sarajevo Unlimited
www.weareunlimited.ba
 Sarajevo, Bosnia and Herzegovina
 Usually in November

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-- VP Corporate Innovation, Tivo
@ GVF 2013

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Scaleups & VCs - 'US Expansion & Smart Tech Cluster'
Cities, States & Ministries - 'Regional Gateway'

w roundtables on Robotics/AI at Scale, Cyber Battle from Exec View & Blockchain for Enterprise

* GVF dates/venues should be confirmed directly. Startup Worldcup, IoT World and San Francisco Wine Festival will be the same week. Meet top cross-border industry leaders, investors and scaleups from global Smart Tech ecosystem.

INDUSTRY MEDIA



This non-exhaustive list features internationally-oriented news sources covering CEE countries



150sec.com – Covers the entire region (except Russia) in English
www.150sec.com



Arctic Startup – Covers the Nordics, including the Baltic states
<http://arcticstartup.com>



Digital Spoiler (Digjital) – Tech news from the Western Balkans in English
www.digitalspoiler.com



East-West Digital News – Russian tech news and industry reports in English
www.ewdn.com



EU Startups – Main focus on Western Europe, but the site also offers valuable articles on CEE
www.eu-startups.com



Marchmont News – Bilingual site offering deep coverage of innovation activity across Russia's regions.
www.marchmontnews.com



Netokracija – Covers essentially Croatia, Serbia and Slovenia. Mainly in Serbo-Croatian language, but some articles are offered in English
www.netocratic.com



SuperFounders – Tech news from South-Eastern Europe in English
www.superfounders.com



Slovak Startup – Slovak startups in English
www.slovakstartup.com



Tech.eu – Main focus on Western Europe, but the site also offers valuable articles and reports on CEE
www.tech.eu



Ukraine Digital News – Ukrainian tech news and industry reports in English
www.uadn.net

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