

## ER-TELECOM CJSC

Volume of investments required: **\$ 48 500 thousand**

Intended use of investments required:

<b>Fixed assets acquisition</b>	<b>63%</b>
<b>Marketing</b>	<b>37%</b>

Company profile:

1. Date of establishment - May 28, 2001
2. Stage of development - Production expansion
3. Size and source of investment to date - \$744,3 th. - bank loans, additional share issue
4. Industry - Telecommunication service (telephony, Internet, cable TV)
5. Target market - Telecommunications
6. Sales in 2003 - \$2,042 th.
7. Description and value of assets - the value of assets as of July 1, 2004 totals \$2,154 th.
8. Intellectual property rights - license for rendering: local and intrazone telephone services (No.21626), telecommunication circuit on lease (No. 20246), telematic services (No.19926), data transmission services (No.19836), broadcasting television and sound programs over cable TV networks (A030248 No.030248), billing system (Complex of programming facilities of automated accounting system for telecommunications services «RIAS» - certificate of conformity «Sviaz» No.OC/1-CT-228).
9. Signs of public recognition - an article about Perm cable TV "Divan-TV" in Telesputnik magazine (www.telesputnik.ru) (No.7(105), 2004 г.). Diploma granted at the 4th Russian Venture Fair

Owners:

CJSC «Group of companies «ER»»	<b>25,01%</b>
NPI «Foundation for Assistance to Venture Investments»	<b>16,67%</b>
LLC «Business Contact»	<b>12,50%</b>
Individuals (12 people)	<b>45,82%</b>
Share of government property	<b>0%</b>

Management and key personnel:

Semerikov, Andrey Nikolaevich - CEO, 37, 15-year work experience in the industry, possesses high qualifications in development and implementation of strategic plans of company development. In 2002 «Komersant'b» magazine included Mr. Semerikov in the list of 200 Best Entrepreneurs of Russia.

Vorobjev, Mikhail Vladimirovich - Commercial director, 32, 8-year work experience in the industry, possesses high skills in commercial and personnel management, high business activity.

Gusev, Sergey Alexandrovich - First deputy CEO, 37, 8-year work experience in the branch, possesses high qualifications in the field of telecommunications and is experienced in building cable television network.

Products characteristics:

Closed JSC "ER-Telecom" has the following range of products: "Traditional telephony" - local, DLD, ILD with breaking-in to public switched telephone network with granting numbering capacity in telephone urban set for the companies operating in the region. Number of subscribers - 1,280. Monthly volume of traffic sold - 260 th. minutes (\$ 64 th. Advantages: high quality of service, individual approach to each client.

"IP-telephony" -DLD, ILD through alternative circuits for Perm companies as well as for individuals using "East-West" calling card. Monthly volume of traffic sold is 66 thou. minutes (\$ 8 th.). Advantages: free breaking-in, low rates, technical assistance, well-known brand ("East-West"), wide distribution network (350 points of sale). "Permanent Internet access" - high speed (10 Mbit/s) Internet access for Perm companies. Monthly volume of traffic sold is 213 Gb (\$30 th.).

Advantages: high quality of service, individual approach, integrated decisions for a company, big amount of additional services. "Dial-up Internet access" - Internet access for organizations (on contract basis) and individuals who use cards

"Internet as 2x2" (a strong and well-targeted trade mark). Monthly volume of traffic sold totals 411 ths minutes (\$ 45 th.). Number of clients - 11,000. Advantages: high quality, wide range of additional services, wide distribution network (350 sales points).

Recently launched new projects include:

Cable TV "Divan-TV - provision of cable TV services to individuals and organizations using own transportation network.

Advantages: high quality (digital television), large amount of channels. As of August 1, 2004 55,000 of households have been covered and 5,200 subscribers have been linked up, which makes up 13.5% of penetration. Monthly sales volume is \$12 th.

Internet 4x4 - permanent Internet access for individuals using own transportation network. Speed from 10Mbit/s.

Advantages: diverse tariff plans, focus on mass market. Monthly volume of traffic totals 19.6 Gb (\$12/4 th.). Number of clients - 950.

Comparative analyses with existing alternatives:

Characteristics	Divan-TV	Other operators	Antennas and Satellite TV
Technica	HFC (hybrid optical coaxial). High carrying capacity, no radio interference.	MMDS (over-the-air/cable television). Technologically outdated network.	Antennas: broadcasting over-the-air channels.
Operational	Optical means of transmitting a signal. Opportunity to broadcast 100 channels.	Signal is transmitted over the air. Limitation - from 18 to 24 channels.	Cable TV, DBS, "NTV-Plus".
Price, \$	43 channels - \$4.77/month.	20 channels - \$2.70/month.	Antennas - 16 over-the-air channels for \$1.17; "NTV Plus" - 42 channels

Markets/Competition:

The main volume of telecommunication services in Perm region is rendered by Uralsvyazinform PTC. The company provides practically the whole range of telecommunication services. The only other company providing multiple telecommunication services in the region is ER-Telecom.

Telephony market: Most profitable activity is provision of DLD and ILD services. The total volume of this market in 2004 is \$ 183.0 million. The market shows steady growth rate of 15-20% a year (over \$ 30 million a year). The market share of ER-Telecom is 1%.

Internet market: Total market capacity in 2004 is \$ 60.0 million. (360 th. Gb of traffic). Annual growth is up to 30% (more than \$ 18 million a year). The market share of ER-Telecom is 5%.

Cable TV market: Potential market capacity is \$ 48 million a year. The market shows steady growth of 5% a year (more than \$ 2 million a year). At the moment ER-Telecom accounts for 2% of the market, other operators control no more than 15% of the market, the remaining market is 83%. Market research shows there is huge effective demand for cable TV services.

	Characteristics	Divan-TV	Other operators	Antennas
2004	Geographic region - the city of Perm, Market volume \$8,0			

	million			
	Company market share \$ ths/%	160 / 2%	1 200 / 15%	6 640 / 83%
2008	Geographic region - Perm, Samara, Ufa, Volgograd, Voronezh, Rostov-on-Don. Market volume \$58,3 million			
	Company market share \$ ths/%	30 900 / 53%	7 000 / 12%	20400/ 35%