

HitTelecom LTD

Volume of investments required: **\$ 1 880 thousand**

Intended use of investments required:

R&D (EXTERNET)	10%
Fixed assets acquisition	5%
Product upgrade	10%
Marketing	70%
Working capital	5%

Company profile:

1. Date of establishment - March 13, 2003.
2. Stage of development - Early Stage. The development has been completed, the certificates and licenses have been obtained and sales are made at regional offices in Moscow, Novosibirsk, St. Petersburg, and Nizhny Novgorod.
3. Size and source of investment to date - \$ 100 th. owner's capital and \$ 400 th. loans.
4. Industry - Automating billing and management systems for telecommunication equipment.
5. Target market - Telecommunication - Externet. The main market is the corporate sector. We offer small to medium-sized businesses the opportunity to make free long-distance and international calls for. By 2008, our target market will also include mobile phone connections.
6. Sales in 2003 - \$ 30 th.
7. Description and value of assets - Equipment \$ 50 th.; software, non-material assets, licenses, trademarks, and patents are unestimatable
8. Intellectual property rights - The trademarks are registered; the PCT application has been filed.
9. Signs of public recognition - Received gold medals and the Gold Mercury diploma in the Best Small Businesses with Innovation Potential nomination at the Siberian Fair

Owners:

1 natural person	78%
2 and 3 natural person	22%
Share of government property	0%

Management and key personnel:

Andrei Veselov - Director, 30, graduated from Novosibirsk State University, author of the patent. 12-year experience in software development and computer technologies, 7 years in management, 4 years of successful work in international business, managed over 20 projects on development of software for foreign customers, has vast business experience. Business trainings under various programs of EBRD and the USA Ministry of Trade.

Dmitriy Gerasimov - Executive director of the head office, 30, graduated from Novosibirsk State University, 13 years of business experience in creation and promotion of various projects, 5-year experience in financial circuits and asset management optimization, 4 years of administrative experience. Has taken a business training course under the Business Planning Program (EBRD) and a course in training for effective marketing in telecommunications through the Russian School of Marketing.

Igor Ivanov - Executive director of the Moscow office, 29, graduated from Siberian State University of Means of Communication, 9-year management experience in the fields of marketing and sales, including management of sales departments with several hundred employees.

Products characteristics:

Free communication between Externet subscribers (including mobile). Phone calls are free between Externet subscribers - talk an unlimited amount of time to colleagues, suppliers, clients, and partners from other cities and countries absolutely free (except for a monthly fee of USD \$ 5 per Externet line or mobile telephone). It is unnecessary to know if the number called belongs to an Externet subscriber. The system automatically distinguishes Externet subscribers and makes a direct

IP-to-IP connection. Externet is easy to install; so it does not require technical expertise. Therefore anyone from any region can install and use Externet.

Reliability and quality of connection is one of the main advantages of Externet. If a company uses only one carrier, the quality of connection completely depends on that particular carrier. If the network of the given carrier is overloaded, or there are distortions during a phone call, the caller is forced to call back later. Externet provides an opportunity for subscribers to call through several VoIP carriers. For each direction subscribers may change the default VoIP carrier through which the calls will be delivered. Also, two alternative carriers may be set for each direction. The alternative carriers are used when the default carrier is not accessible or overloaded. Currently, Externet has over ten VoIP carriers that provide maximum quality and reliability of telephone conversations. A flexible rate policy is another main advantage of Externet. The rates of the carriers differ, thus some directions for calls are more favorable at one carrier, and different directions are more favorable at other carriers. Externet subscribers decide which carrier to use for each calling direction. Subscribers interested in saving the most money can call under the cheapest rates; while other subscribers may choose a higher quality carrier by using the routing table which is adjusted by Externet technical support experts.

Comparative analysis with existing alternatives:

Characteristics	EXTERNET	VoIP GateWays	VoIP Exchanges	PC2 Phone	GSM CDMA & others	Cards
Year presented	2003	2003	2003	1996	1994	1997
FREE phone calls	+	-	-	-	-/+	-
Easy :						
- to use	+	+/-	-	-	+	-
- to install	+	+/-	-	-	-	+
Savings %	60-70	50	60-70	65-75	-50	40-60
2 Lines installation cost \$	0	100-200	0	0	-	-
Market	Global	Regional	Global	Global	Regional	Regional

HitTelecom is one of the first Russian companies promoting long-distance VoIP communication service for corporate organizations that connects through the Internet. According to expert estimates, HitTelecom's unique technology gives at least two years of competitive advantage on the market.

Markets/Competition:

According to the data provided by J'son and Partners, at the beginning of 2001 the total turnover of all Russian providers of IP-telephony did not exceed \$ 45-55 million. The analysts of J'son and Partners believe that no considerable changes have taken place on the market since then. Today there are no precise statistics in the area of IP-telephony, because IP-operators do not publish the turnover of their capital and the volumes of the traffic. The market is not settled and is volatile. Experts estimate the size of Russia's IP-telephony market at 200-250 million minutes per month and introduction of new products and services grants HitTelecom Company an excellent opportunity to increase its share on the market of corporate subscribers. By the end of 2005, HitTelecom intends to increase monthly traffic up to 3-5 million minutes per month (\$ 50,000-70,000 per month), which accounts for about 7-8% of the IP-telephony Russian market in the corporate sector. By 2008 HitTelecom Company plans to start the mobile Externet technology (using Wi Max transport technology) and will become a competitor with the existing GSM, CDMH, and other mobile carriers. HitTelecom is not only the first company to introduce new technologies of calling through broadband access to the Internet, but it also surpasses other companies with its fast rate of development. HitTelecom has already established offices in Moscow, St. Petersburg, Nizhniy Novgorod, and Novosibirsk.

