US-Ukraine IT Cooperation Forum

World-class Scientific Institutes Unveil New Technologies

During the Road Show of Ukrainian Innovative Technologies in the U.S.A.

For the first time more than 20 Ukrainian technologies that are ready for commercialization will be brought to the USA for presentations during **the Road Show of Ukrainian innovative technologies.** The road show will also feature the **Ukrainian Technology VC Fund** which will focus on pursuing the most attractive investment opportunities in the Ukrainian technology sector. The event is organized by **AVentures**, a Ukrainian technology venture capital firm, in conjunction with the **Embassy of Ukraine in the U.S.A.** and will be run in **Philadelphia (Pennsylvania), Washington D.C. and Silicon Valley Area in November 2003.**

The road show will provide a unique opportunity for US companies to meet with representatives of the leading R&D institutions and technology companies from Ukraine, as well as to establish business partnerships between U.S. and Ukrainian firms. The cutting-edge innovative technologies, which will be presented at the road show, have evolved from the R&D scientific institutes of Ukraine, which used to be among the leading R&D institutions in the former Soviet Union. These technologies embrace the following areas: Information Technologies, Energy, Nanotechnology, Advanced Materials, Life Science and others.

<u>The road show events will feature:</u>

November 5-6, 2003: "Partnerships for Prosperity & Security" exhibition and conference in Philadelphia, Pennsylvania

Visit presentations of Ukrainian innovation technologies at the "Partnerships for Prosperity & Security" exhibition and conference. For more information about this event, please visit: www.partnershipsforprosperity.net

November 7, 2003: "US-Ukraine IT Cooperation Forum" International Conference in Washington D.C.

Meet leading Ukrainian IT companies and software developers. Learn about tremendous opportunities of cooperating with Ukrainian IT companies and about benefits of Offshore Programming in Ukraine. At the Forum, Market-Visio (Gartner) and AVentures will present their first joint *Ukrainian IT industry market research*. For more information about the Forum, please visit: www.cooperation.org.ua

November 10-14, Silicon Valley Area: Presentation of the Ukrainian Innovative Technologies and Ukrainian Technology VC Fund.

Presentations of Ukrainian innovative technologies and the Ukrainian Technology Fund to potential business partners as well as institutional and private investors. To learn more about the Ukrainian Technology VC Fund (www.aventures.biz/en/fund), please contact Mr. Ihor Semenov, Investment Manager, at e-mail: is@aventures.biz or tel: (+380 44) 461-8882.

Technology partnership provider – Ukrainian Software Consortium

The **Ukrainian Software Consortium (USC)** (www.ukrsoft.biz) offers flexible partnership for companies looking for providers of technologies and innovations or aiming to gain competitive leverage from IT outsourcing. We assist customers in establishing technology partnerships with leading Ukrainian high-tech industry players and finding optimal outsourcing providers or marketable software solutions and development teams. Our customers benefit from innovative approaches and solid cooperation with the best Ukrainian technology companies, carefully evaluated and pre-selected by **AVentures** – the leading Ukrainian high-tech focused investment company.

The open door…

The founders of the Ukrainian Software Consortium have been working in the Ukrainian high-tech and software markets for over 9 years. Our studies of the market (including the first-ever research of the Ukrainian IT-export industry by Market-Visio (Gartner Group), deep understanding of software industry processes on macro- and micro-

The Ukrainian Software Consortium acts as a gateway for a network of pre-selected software development companies with a wide scale of competencies and strong experience in serving international businesses.

levels, personal relations with market leaders, and strong focus on competence and expertise, combined with western management style allow us to effectively navigate the sea of Ukrainian technology opportunities (www.research.aventures.biz/eng).

We are neither a software house nor an international sales agency for Ukrainian software companies. We focus not on core development, but on delivery of efficient software services and marketable products through technology partnerships with Ukrainian developers. We facilitate seamless integration of Ukrainian software vendors with customers' development processes and provide "brain-added outsourcing".

The model

The Ukrainian Software Consortium acts as a gateway for a network of pre-selected software development companies with a wide scale of competencies and strong experience in serving international businesses. As technology partnership provider, we assist our international customers in finding, evaluating, and building secure cooperation with Ukrainian IT companies. We also work to minimize cooperation risks with our risk management model, involving anti-lock-in with vendor, reputation tracking, and legal support and financial guarantees on projects.

Today the Ukrainian Software Consortium involves 19 software development companies with over 500 highly-skilled IT professionals on staff, with certified development and quality assurance processes. Its member companies have accumulated extensive experience in completing mission-critical projects for Soviet military and aerospace in the in the past as well as for respected international global customers including Delta Air Lines, ING Bank, RabaBank, IFC, GAF, LizardTech, Inc. and others.

Competence

To ensure competent advice and the best vendor selection, as well as an optimal cooperation model, we structure business in the form of verticals- and technology-focused competence centres. The competence centres model is intended to best integrate development capacity, expertise, and academic resources by forming marketable clusters of technology vendors. Coordinated by managers with strong industry experience, our competence centres provide a pool of vendors and skills, suiting the majority of corporate IT needs. Currently we've established competence centers in the following areas:

- Corporate solutions and business process automation
- Games and multimedia
- GIS and Remote Sensing
- Information security systems
- Internet-solutions
- Legacy applications services
- System Programming and embedded solutions

Industries

The Ukrainian Software Consortium and its vendor network deliver a wide range of services and custom-tailored products for a variety of customers in such industries as:

- Aerospace
- Banking and finance
- Education
- Machine-building & manufacturing
- Micro-electronics
- Multimedia
- Retail
- Telecommunications
- Transportation

Cooperation models and services

When it comes to outsourcing, the customer wants various forms of cooperation and accurate matching of available technologies and vendors with its priorities and procedures. At Ukrainian Software Consortium, we deliver our exclusive services and combine them with services of our vendors.

Services of Ukrainian Software Consortium

Directly delivered by USC Business Center:

- Vendor evaluation and selection
- Project management offices for complex projects
- Consulting on and creating offshore development centers
- Technology commercialization and consulting
- Access to our database of pre-selected technology opportunities from Ukraine (for investors)
- Legal support for contracts
- Financial guarantees for contracts
- Development clusters set-up for complex project
- Market research and advice

Delivered by our Development Centers:

- Custom software development
- IT systems reengineering and integration
- IT Systems Support
- Quality assurance outsourcing for software development process
- Remote administration
- IT-enabled Business Process Outsourcing (BPO)
- Out-staffing (offshore staff for IT departments).

Benefits from cooperation

Creativity and innovation are at the heart of our business. But we have to offer some more things of the same importance:

Brain-added development – Ukrainian developers think before coding, which results in more efficient software and resource usage optimization.

Affordable cooperation – modest budget with Ukrainian developers creates value, while with many others they generate headaches

Risks management – with a rich pool of developers we can easily maneuver in risky situations and substitute vendors without jeopardizing the project; we can also provide financial guarantees on the projects

Integrity of expertise – we focus on an integral approach, combining understanding of customers business with in-depth technology knowledge.

Ukrtelecom International Internet Connections

The Joint Stock Company "Ukrtelecom" is a dominating operator on the telecommunications market of Ukraine

Ukrtelecom was created at the end of 1993 by merging state telecommunications enterprises that operated in Ukraine since Soviet Union times. After corporatization was completed in January 2000, the state enterprise was transformed into a joint stock company. Today, JSC "Ukrtelecom" incorporates 30 affiliates including 27 regional offices, the Primary Network Department, the Central International and Long-distance Telephone and Telegraph Exchange and the Head Training Centre.

Ukrtelecom possesses the primary (transport) network of Ukraine, trunk and zone telecommunications lines and provides actually all types of basic and modern telecommunication services:

- international, long-distance and local telephone communication;
- data transmission including based on ATM/Frame Relay technologies;
- Internet network access and ISDN;
- video-conference communication;
- satellite communication;
- wire communication;
- maintenance of radio broadcasting and TV networks.

The structure of Ukrtelecom revenues from tele-communication services

international communication - **23%**; long-distance communication - **37%**; local communication (urban and rural) - **37%**; other communication services - **3%**.

Ukrtelecom provides telephone communication services to about **9 million subscribers** throughout the whole territory of Ukraine.

48 automatic exchanges are operating in the public telephone network. Digital automatic exchanges operate in all oblast centres and large cities of Ukraine. In addition, the International Switching Centres (ISCs) operate in Kyiv, Lviv, Kharkiv and Odessa.

In 2002 switching to the international principles of the switched telephony between Ukraine and CIS countries was completed.

Primary network

Ukrtelecom primary (transport) network serves as a basis for the telecommunication infrastructure of Ukraine. Owing to the construction of fibre-optic communications lines and the application of digital transmission systems, the Ukrtelecom primary network provides our country with the access to the telecommunication systems of Europe, Asia, Africa and North America.

Virtually all telecommunication operators of Ukraine and Internet and IP-telephony providers use resources of Ukrtelecom primary network for organizing their own business.

Data transmission

Ukrtelecom has built the most high-capacity national trunk data transmission network in Ukraine with 1Gbit / sec. capacity based on ATM/Frame Relay modern technologies. This allows to provide high-quality information and telecommunication services including Internet services in all regions of Ukraine and to lay the foundation for mobile communication services of the 3-rd generation.

For today, Ukrtelecom data transmission network includes high-capacity trunk ATM-nodes in 17 largest cities of Ukraine interconnected by the circuits with 155 Mbit/ sec. capacities. Communication networks digitisation actively implemented by Ukrtelecom as well as the development and updating of new network technologies form prerequisites for the construction of a universal infrastructure in Ukraine, i.e. the multi-service network that would serve as a basis for the networks of next generation.
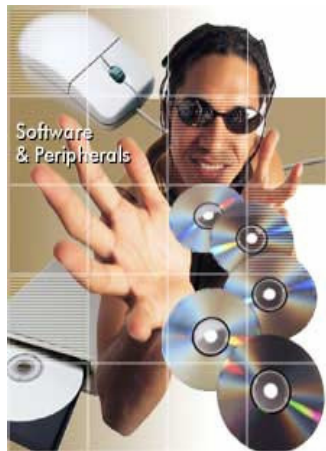
Internet access services

Direct international Internet-

"Ukrtelecom is a leader in the field of telecommunications in Ukraine by scope and range of telecommunication services and covers about 60% of the domestic telecommunications market along with the enterprises created with its participation."

"We are confident about our uniqueness in outsourcing services. Our mission statement drives all of us at Volia Software to highest quality standards and customer satisfaction."

connections with West Europe and CIS countries through Ukrtelecom fibre-optic communication lines ensure high-quality Internet access services provided by the Company to numerous customers. The total capacity of Ukrtelecom external Internet circuits increases every year and today constitutes 380 Mbite/sec.

Ukrtelecom is a leader among Internet providers in Ukraine rendering Global network access at the rate of 64 Kbit / sec up to 34 Mbit/ sec.

Ukrtelecom focuses special attention on building IP-oriented access network for end users. Today it is possible to get connected to Internet in any region of Ukraine by using resources of above 350 nodes that provide services of switched and permanent access to Internet.

Besides, Ukrtelecom implements the largest in Ukraine project of building network for high-speed digital subscriber access (xDSL) to Internet. Over 6 500 xDSL-lines at 150 ATE in all regions of Ukraine enable Ukrtelecom customers to have Internet access and use telephone concurrently.

International activity and participation in international projects

The significance of Ukrtelecom as an international activity entity in the telecommunication field is increasingly growing. The Company cooperates with 42 communication operators from 36 countries of the world and leading telecommunication equipment suppliers.

The cooperation with International Telecommunication Union (ITU) is steadily enhancing. In 2002 Ukrtelecom entered the ITU Development Sector and now takes active part in work of study groups of ITU Standardization Sector. Ukrtelecom holds a leading place in the activity of Regional Commonwealth in the field of Communication (RCC), which coordinates activity of communications administrations and operators from CIS countries. Ukrtelecom has taken up position of the Head of RCC Operators Board for two years running. The cooperation with NATO, EC, CIS and satellite communication organization "Intersputnik" is also developing.

Owing to Ukrtelecom vivid

activity, Ukraine was the first among CIS countries that was connected to GEANT network, which consolidates over 3 thousand scientific and education institutions and 3 million individual users from 31 European countries.

JSC "Ukrtelecom" Privatisation

On **July 13, 2000** the Verkhovna Rada of Ukraine (The Parliament) adopted the Law of Ukraine "On Particularities of Joint-Stock Company "Ukrtelecom" Privatisation".

Peculiarities of JSC "Ukrtelecom" Privatisation:

sale of 42,86% of Ukrtelecom shares by open tenders (only industrial investors may participate in open tenders);

a half of the Company's block of shares assigned to the state ownership shall be also transferred to the industrial investor;

upon privatisation, the industrial investor will receive 67.86%-1share of Ukrtelecom shares for management what will enable it to carry out management-control and business-control over Company activity;

the state-owned blocking share holding constitutes 25% + 1 share.

Volia Software fits to your business

Company profile

Volia Software is IT-projects integrator and outsourcing service provider that specializes in **development, implementation** and **support** of software applications for financial and operational management, HR management, accounting and billing, workflow and document flow, Internet B2B/B2C.

The company **develops** and **integrates** multi-functional financial/accounting systems, ERP systems, workflow and billing systems for large to mid-size enterprises, state/government institutions.

Volia Software leverages its enormous technological skills and uses proven methods to provide high-quality service to its customers worldwide.

Mission of Volia Software

The company creates high-tech software products and solutions that ensure effective functioning of information systems of our clients and provide them an opportunity to use the benefits of the digital world to the full extent.

Corporate core values:

- High quality services commitment;
- Innovative approach and

creativeness;
- Result-orientation;
- Accountability and responsibility;
- Competence and professionalism.

Quality Commitment

Volia Software is committed to providing high-quality services to its customers by harnessing state-of-the-art technologies and proven methodologies. Our high-skilled devoted personnel makes significant efforts to ensure that all the projects are completed on time, within

budget and to the highest standards of the quality.

Volia Software is an **ISO 9001:2000** certified independent IT outsourcing service provider that develops and supports complex software applications for manufacturing and distribution, financial, communication and healthcare markets. We develop software applications for operational and financial management, HR management, billing and accounting, workflow and document flow, Internet B2B/B2C. We also integrate multi-functional financial/accounting systems, ERP systems, workflow and billing systems.

95% of our personnel has graduated from the best Ukrainian national universities (English language studies are compulsory for 80% of Ukrainian universities). All Directors of Business Units and Top Management have graduated from **Technical Universities** and the **International Management Institute** with **MS** and **MBA** Degrees with extensive involvement of English language into the education process.

The top management team is experienced in launching and developing new businesses in Ukraine, and most of top managers have occupied top positions in Western companies' representations before founding Volia Software JSC.

Volia Software has 350 specialists. Our company won first and second places in Ukrainian Software competitions. We are a certified partner of several worldwide known software vendors and a member of European Business Association.

First step toward middle-sized businesses

At the seminar for managers of middle-sized businesses, held on 18.09.2003 in Kiev,

Volia Software presented new versions of its solutions for automation of economical and financial activities of an enterprise.

Yuriy Sivitsky, vice-president sales and marketing, highlighted that the company, which until recently specialized only in software development and deployment, has now become an experienced consulting services provider. He introduced the following lines of company's consulting services:

- management consulting;
- IT consulting;
- deployment, training and support.

Mr. Sivitsky pointed out that for successful automation, the business goals should define the automation process, but not conversely. That is the very principle Volia Software uses to build relations with its customers, he explained.

Information systems based on MegapolisTM technology were also presented at the seminar. The following reports were of a great interest of the listeners:

"MegapolisTM.Human Resource-HR management automation. Software solutions by Volia Software"

"MegapolisTM.Accounting-system for business accounting and tax accounting"

"MegapolisTM.Budgeting as a modern tool for efficient enterprise management"

"MegapolisTM.Business Analysis as a decision support system"

"The organization of the operative administrative account of manufacture on the basis of iRenaissance system "
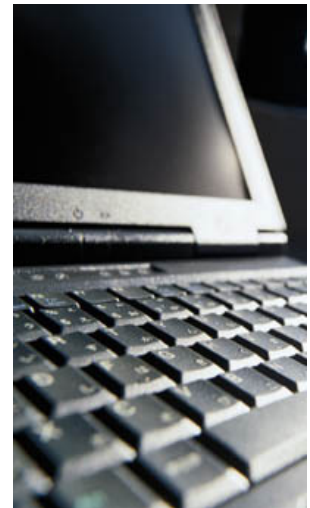
The participation in E-Ukraine program

Last year "Softline/Volia Software" was selected as a general contractor of the E-Government development program and as a supplier of

sophisticated Web solutions. Due to the company's success on this way, it was nominated and won an award "E-Government Technology" at the exhibition.

Besides its E-Government solutions, "Softline/Volia Software" raised public interest by demonstrating its own advanced WebMapServer (GIS), a number of Internet solutions (Enterprise Internet/intranet portals) and the company's product series for enterprises and large organizations: Megapolis™ Open Source, Megapolis™.Document Flow & Workflow, Megapolis™.Budgeting & Controlling and many more.

The exhibition resulted in a seminar for the government institutions called "Modern Information Solutions for the Government". More than 50 representatives of different ministries and committees watched a presentation of The Single Web portal of Ukrainian Government, were informed about working of the Information Analytical System that supports interaction between the Cabinet and the Parliament of Ukraine, and experienced the system of document flow & workflow for Ukrainian Authority, developed by "Softline/Volia Software". The highest interest was caused by planning practical measures to integrate Internet resources of all Ukrainian government institutions into a single Web space, offered by "Softline/Volia Software".

All E-Government solutions of "Softline/Volia Software" as well as its open source RAD tool Megapolis™ are known for full compliance with the highest state requirements for the information security comprised by the national standard "Criteria of assessment of information systems security against unauthorized ac-
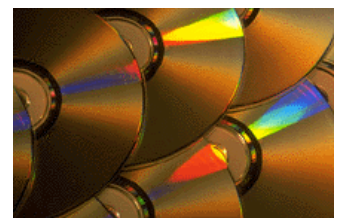

High quality services commitment

Innovative approach and creativeness

Result-orientation

Accountability and responsibility

Competence and professionalism

cess". This is confirmed by a certificate from the Department of Special Communications and Information Security of Ukraine that officially approves the software for use in government applica-

tions with high information security requirements and in the E-Government environment. This fact brings "Softline/Volia Software" to the leading positions and makes it a preferred vendor

for state and government institutions to deliver secure and reliable applications and software solutions.

Ukrainian VC firm AVentures hits the fundraising trail for $50 m high-tech fund in Ukraine

"We have a great start with the support from local investors and we are looking to get commitments from a number of US and European investors"

Ukrainian private technology venture capital firm **AVentures** has hit the fundraising trail for a $50m venture capital fund, with commitments already secured from a number of local investors and one US investor. **AVentures** is co-sponsoring the Fund with the National Space Agency of Ukraine and several other Ukrainian Government agencies.

The Fund will invest in high-tech innovation companies across a diversified spectrum of the high-tech sector in Ukraine, focusing on dynamically growing technology-based companies that have potential to become market leaders in the region and that produce highly innovative products for Western markets.

As part of its fundraising efforts, **AVentures** is going out a road show to the USA in November this year to secure more commitments from US investors. The firm will be bringing about 20 of the Fund's potential investing companies to the USA to present them to potential investors during the road show meetings.

AVentures' President and CEO, Andriy Kolodyuk, told Ukrainian News Agency, 'We have a great start with the support from local investors and we are looking to get commitments from a number of US and European investors. Therefore, after the USA, we will continue our road show in the UK, Germany and other European countries at the beginning of

next year.' According to "The Hi-Tech Navigator. Ukraine 2003" annual market research publication, the robust high-tech sector annual growth of 25% in Ukraine is driven by strong economic performance achieved by the country's economy during the last three years. "The substantial high-tech sector growth provides excellent opportunities for venture capital investments in Ukraine's high-tech companies", Andriy Kolodyuk said.

In 2002, the highest growth within the high-tech sector was achieved in the telecom industry, with its revenues going up 20% year-on-year to $1.8bn. This strong performance by the telecom sector was due mainly to the pressing need to upgrade the generally inadequate telecommunications infrastructure throughout the country, PC hardware segment expansion, and increases in offshore software development. As a result, the Ukrainian high-tech market has not perceptibly been affected by the recent economic slowdown and high-tech downturn in the United States and Western Europe.

It is reasonably believed that low penetration rates of IT and telecom services in Ukraine will continue to drive rapid growth of innovative technology-based companies, making them attractive targets for acquisition by strategic investors, particularly from Russia. Therefore, it is expected that the majority of the Fund's exits will be trade sales to Russian buy-

ers.

Market Visio (Gartner Group) and AVentures will prepare Ukrainian IT market research

Market-Visio (Gartner Group), independent IT and telecommunications research company and AVentures, Ukrainian venture capital firm signed up cooperation agreement to conduct the first comprehensive market research of the IT industry in Ukraine.

The research is aimed to promote the country's inbound and outbound IT and outsourcing capabilities, introduce country's market leaders to the world IT-community and differentiate Ukraine from competitors' countries, such as India and Russia. It is planned that the research will be presented at the Ukraine- American ICT Forum in Washington D.C. on November 7, 2003.

"Offshore software development segment continued to grow faster than the total Ukrainian software market: 21% versus 17% in 2002", says Andriy Kolodyuk, AVentures' President and CEO. "Our data shows that the Ukrainian software market reached nearly $90 million last year. Approximately half of this amount came from offshore software development", pointed Kolodyuk.

Market-Visio was the first research company that conducted similar IT Services and Outsourcing research studies in Russia. "In 2003, according to our research,

Russian software export industry is predicted to grow by more than 30% compare to 2002: from $250 to $330-350 millions", highlighted Sergei Makedonski, General Director of Market-Visio. "In Ukraine now we see Russian tendency of 2000-2001- software industry players consolidate to enter global market", said Makedonski.

The Ukrainian software industry has capabilities and all prerequisites to develop competitive products for the global markets. Ukrainian IT professionals hold the 4th place in skills rating, according to the Global IQ 2002 report by BrainBench and about 50 000 IT specialists annually graduate from Ukrainian universities. At the present time Ukrainian companies engaged in offshore software development are involved in consolidation process that allows them to win tenders for offshore development and serve larger foreign customers. The first steps have been made by UkrSoft Consortium. The consortium consolidates leading Ukrainian software developers, providing customers worldwide with full-cycle custom software development and IT services. All of the above capacities provide Ukraine with ample opportunities for becoming one of the key players in the world's software export market.

Investment strategy

Our investment strategy is to take a proactive approach towards our investee companies and make direct contributions to maximize shareholder value via the implementation of managerial and financial value-added measures. We believe that innovative technologies offer some of the best opportunities for substantial long-term capital gains to those investors who are willing and capable of working closely with investee companies.

We invest in technology related companies in Ukraine at an early stage of their development. Our portfolio companies meet the following investment criteria:

Sustainable competitive advantage with innovative products or services that have a clear market need.

Potential for becoming regional market leaders and expanding into the markets in the adjacent regions.

Potential to generate a high return.

Our primary exit strategy is sale to a strategic investor. We establish business relationships with foreign companies to lay a foundation for future successful exits. In the future, liquidity will also come from IPOs on European stock markets.

We focus on investments in a broad range of technological industries including:

- Wireless and fixed line telephony.
- Internet services.
- Software development and distribution.
- System integration.
- Entertainment production and media.
- Applied technologies.
- Distribution and trade of technology and media products.
- Life sciences.

Investment structure

The size of our investment may range from $25,000 to $1 million. We make equity investments through controlling ownership or a strategic minority stake.

With our focus on technology in Ukraine, we are well positioned to make educated investment decisions and provide greater value to portfolio companies.

Given our extensive and long-term relationships in the technology-related industries and financial sector, we can also add value by brining together a number of investors in a round of financing.

Venture capital analysis

Company Strengths and Weaknesses

- Advantages vs. present and future competitors
- Innovative and distinctive products
- Marketing resources to promote products
- Management training and experience
- Sales Projections
- Most important customer needs
- Potential new products
- Market size and growth rate
- Market share trends
- Capital Requirements
- Current financial position and share ownership
- Expansion capital needs
- Profit and cash flow projections
- Likely sources of cash, including ability to support debt
- Major Potential Risks
- Government regulation/policy
- Tax and exchange rate changes
- Prices may not reflect market conditions
- Accounting may differ from economic reality
- Potential Rewards
- Publicly traded
- Value to strategic corporate buyer
- Value to private investor
- Discounted rate of return (probability estimates)

"With our focus on technology in Ukraine, we are well positioned to make educated investment decisions and provide greater value to portfolio companies."

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