

News Release

February 18, 2005

XConnect launches first global service and exchange to bridge VoIP islands

**~ the beginning of the end for PSTN as leading European internet telephony
providers join first settlement-free Alliance ~**

On February 21, XConnect launches the first service which comprehensively interconnects VoIP islands* and facilitates commercial relationships between them, by enabling settlement or settlement-free exchanges of traffic.

In addition, next generation voice operators and soon enterprises can join the XConnect Alliance to benefit from the multilateral settlement-free option, a world first. Founder members include leading European IP telephony providers: Gossiptel in the UK, Telio in Scandinavia and VozTelecom in Spain.

IP telephony providers who choose either option bypass the legacy PSTN to enable feature-rich multimedia communications between end users over IP. Those joining the Alliance also avoid the PSTN per-minute settlement model and the need to negotiate multiple bilateral agreements. The XConnect Alliance paradigm thereby realises the promise of IP communications to make the PSTN and its settlement model redundant.

XConnect is carrier-neutral to provide privacy and security for commercially sensitive member data. Its service is the only one on the market to include these five key requirements for bridging islands:

- number directory resource,
- interoperability management
- commercial relationships (including the settlement-free XConnect Alliance)
- VoIP security systems and
- identity services.



The XConnect service utilises innovative interconnection technology from Kayote Networks. It provides members, including VoIP carriers and ASPs with the convenience of a single point of connection to the XConnect network and the most direct route to as many IP endpoints and IP communications services as possible. Its resilient infrastructure also resolves the growing challenge of interconnectivity and security issues between non-homogenous networks.

Founder members have been trialling the service since 2004. Globally, XConnect already provides access to 100,000s of end users and it will be extending its reach to US ITSPs in February 2005.

XConnect founder Eli Katz said: “We’re witnessing the biggest shakeup in the world of communications since Alexander Graham Bell first picked up the receiver. There are today almost 10m residential or business users of IP telephony, provided by over 100 islands of operators globally. These operators have to cope with communicating across the legacy PSTN and thereby losing most of the benefits of IP. In the next five years there will be 120m end users and 1000’s of operators. The faster the industry can bypass the PSTN by connecting operators, the sooner we can all benefit from the feature-richness of new IP services and the ending of per-minute call charges. It’s the beginning of the end for the PSTN.”

James Enck of Daiwa Securities SMBC Europe Ltd said: “One of the criticisms levelled at the industry is the lack of scale, co-ordination and standards in areas like numbering, interconnection and security. XConnect is a global, independent player and is the first real solution, I have seen, to address all of these issues. As a company dedicated to interoperability in a secure and protected environment it achieves this as a one stop shop. Many investor uncertainties about this sector are now answered. Furthermore, XConnect can achieve significant pooling of purchase power for its members. This is a major step forward for the industry.”

Alan Duric, CTO at Telio and member of XConnect Alliance’s advisory board said: “The advisory board worked closely with XConnect, and Kayote Networks for over 12 months to design, develop and implement the technology, systems and infrastructure which underpins the service. XConnect offers members a scalable, secure and reliable interconnection, the resolution of multiprotocol and multivendor interoperability issues, intelligent database services, an open standard (ENUM

protocol-supported) directory resource and uniquely, the means to tackle threats such as SPIT (spam over internet telephony) and caller ID spoofing.”

Xavier Casajoana, CEO at ITSP VozTelecom said: “We are actively marketing our membership of XConnect to our end users. It means we can concentrate on service value and developing innovative applications, instead of managing carriers and dealing with the cost barriers of PSTN termination deals: VozTelecom will offer unlimited calls to any other alliance member user.”

Kim Thesiger, founder at ITSP Gossiptel said: “Gossiptel’s users want the benefits of making free calls to other VoIP networks without needing a PhD in telecoms or by dialling complicated access codes. XConnect allows us to do just that.”

Notes to editors

***VoIP islands**

VoIP is inherently superior to circuit switched telephony: aside from more efficient use of bandwidth and cost savings for end users it provides all the benefits of an enhanced multimedia communications network.

However, the full benefits of VoIP are confined to networks which enable end to end VoIP data transmission. Any calls which have to be routed by gateways through PSTN lose their richness and incur settlement costs per minute.

ITSPs, VoIP carriers, enterprises and soon national communications infrastructures (e.g. that to be created by BT’s 21CN project) form stand-alone IP ‘islands’ which are connected by the PSTNs. But the answer to how to bridge these islands and create a truly global IP communications network involves many technical, security and commercial challenges. For ITSPs and VoIP carriers to negotiate multiple bilateral technical and commercial agreements becomes increasingly unworkable.

About XConnect Global Networks

XConnect connects disparate IP communications entities, including next generation voice operators, enterprises, carriers and application service providers over its global network, which has points of presence in Europe and the USA.

XConnect is dedicated to bridging IP communications islands through the XConnect Alliance, which for the first time offers multilateral settlement-free interconnection. Members include next generation voice operators and soon, enterprises.

It was founded in 2004 by Eli Katz, a co-founder of the Internet Telephony Service Providers’ Association. In early 2004, after working for a decade in senior positions in the telecoms industry, he envisioned how the IP communications industry could move forward and challenge the dominance of the legacy PSTN. He worked with industry leaders and partners in Europe and USA to design, develop and implement the XConnect vision.



XConnect is headquartered in London.

www.xconnect.net

About Kayote Networks

Kayote Networks, Inc. is a privately held Delaware corporation with a wholly owned subsidiary located in Israel. Kayote focuses on the development and implementation of IP communication services that raise VoIP telephony services to new levels of performance, profitability and cost effectiveness.

Kayote was founded by Baruch Sterman, Ph.D., the former CTO and Chief Scientist for deltathree, Inc. and David Schwartz, the former Director of Telephony Research at deltathree.

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