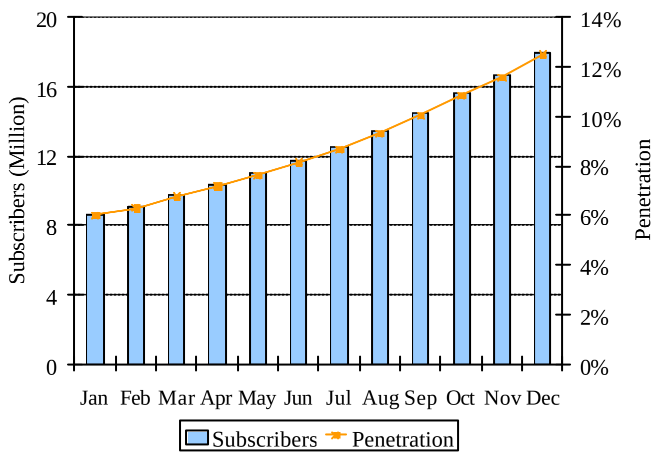
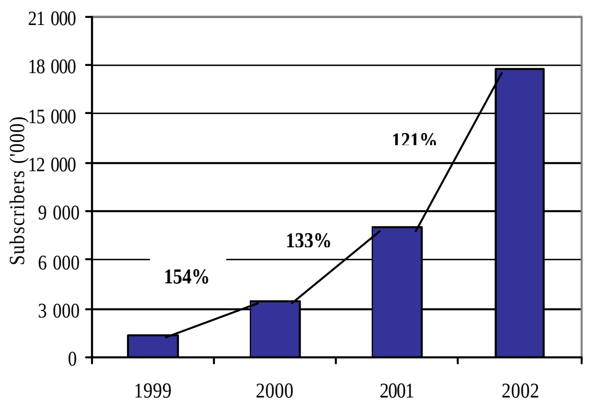
Russian
Cellular Market Watch
December 2002

J'son & Partners Management Consultancy

СОТОВИК

Statistics: The subscriber base in Russia witnessed significant gains in the past year, growing from 8.04 million at year-end 2001 to **17.8** million at year-end 2002. The overall penetration in Russia more than doubled from 5.6% to **12.4%.**

Monthly Subscriber Growth	Annual Subscriber Growth
	

Sources: J'son & Partners; Sotovik

Additions: Gross additions in December were 1.15 million new subscribers. Almost 57% of monthly additions were in the regions, with 30% in the Moscow License Area and 13% in St. Petersburg and Leningrad Oblast.

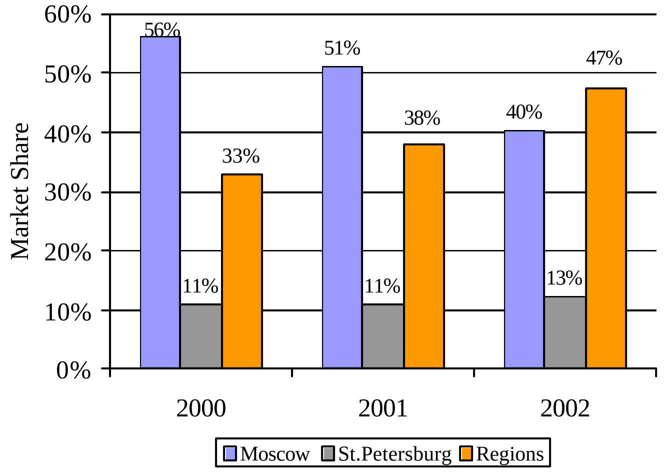
Top 10 Cellular Operators:

Operator	Total Subs as of December 31	YTD Growth (%)	Moscow Subs as of December 30
1. MTS	6,410,000	142%	2,985,000
2. VimpelCom	5,080,000*	141%	3,710,000
3. MegaFon	2,955,600	223%	324,000
4. SMARTS Group	540,000	118%	n/a
5. Uralsvyazinform	462,350**	772%	n/a
6. TAIF-Telcom	267,061	166%	n/a
7. StavTelesot	193,265	178%	n/a
8. N.Novgorod Cellular	172,000	161%	n/a
9. Tatincom	117,333	64%	n/a
10. Tomsk Cellular Communications***	101,050	250%	n/a

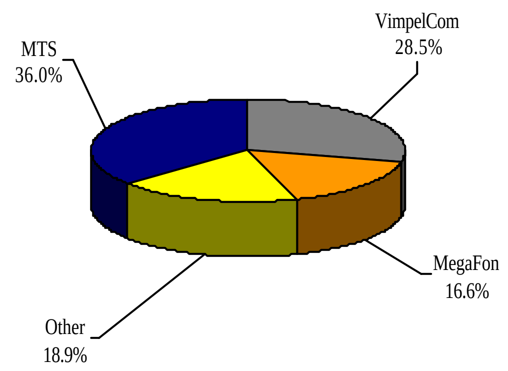
Sources: J'son & Partners; Sotovik
* including Extel
** consolidated all regions and standards
*** new position

Market Breakdown: In 2002, MTS and VimpelCom expanded their subscriber base substantially due to aggressive regional buildout; from 0.57 million and 0.2 million at year-end 2001 to 2.62 million and 1.37 million at year-end 2002. MegaFon demonstrated significant improvement in the Moscow License Area and accelerated sales in the Volga, South and Urals. By the end of 2002, MegaFon served 2,955,600 subscribers in Russia, including over 324,000 subscribers in MLA. The share of independent operators shrank significantly from 29% at year-end 2001 to almost 18.9% at year-end 2002.

Market Breakdown by Region



Market Breakdown by Operator



Sources: J'son & Partners; Sotovik

Regional snapshot: A true cellular boom was observed in the regions. By year-end 2002, the number of regional cellular subscribers more than tripled from 3.06 million at year-end 2001 to over 8.44 million at year-end 2002. The fastest growing macro-regions were the Volga (194%), Urals (169%) and Siberia (168%).

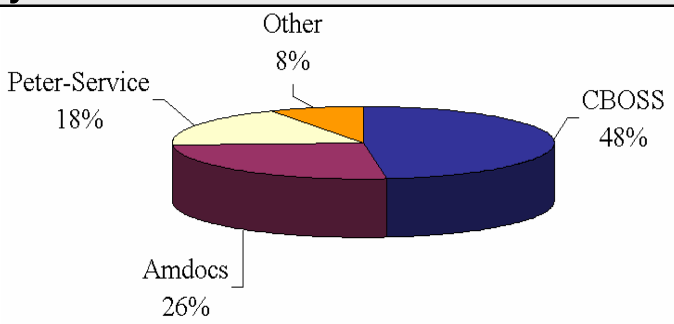
Top-10 Regional Penetration		
1.	Moscow License Area	48%
2.	St.Petersburg License Area	33%
3.	Krasnodar Krai	20%
4.	Kalinigrad Oblast	19%
5.	Samara oblast	16%
6.	Tatarstan Republic	15%
7.	Novosibirsk oblast	14%
8.	Yaroslav Oblast	11%
9.	Tomsk Oblast	11%
10.	Stavropolsky Krai	11%

Sources: J'son & Partners; Sotovik

Billing Systems for Cellular Operators: Billing systems are a promising opportunity in Russia, driven by regional consolidation in the cellular market; the adoption of value-added services (2.5G+, MMS); and buildout of new networks by D-AMPS/NMT-450 operators. The market barriers are low, despite the market being split between three billing providers.

Billing Systems Market

CBOSS is serving MTS subscribers and independent cellular operators. Peter-Service serves MegaFon; Amdocs for VimpelCom. The market share of the largest three providers will grow due to the strategy of the national operators to use a unified billing system for all regional networks.



Note: % of total subscribers as of November 30, 2002
Other includes SNIIP-Softel, EastWind, Protek, Bercut, etc.

Sources: J'son & Partners; Sotovik

J&P Prediction: By year-end 2003, the total number of mobile subscribers will reach approximately **30 million**. This is equivalent to the total number of wireline subscribers in Russia. The number of regional subscribers, including the St. Petersburg License Area, will be twice larger than the Moscow License Area.

J&P predicts that the variance of this forecast could reach 10% (-/+) depending on a number of contributing factors. Continued subscriber growth will hinge on the performance of the Russian economy and rising incomes. The burgeoning middle-class in the two capitals and other large Russian cities will be a driver of growth. If Russian mobile operators promote value-added services with aggressive tariff plans, and regional adoption continues to not slow beyond the Volga, Urals, and Siberia, there is an upside for new subscribers.

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