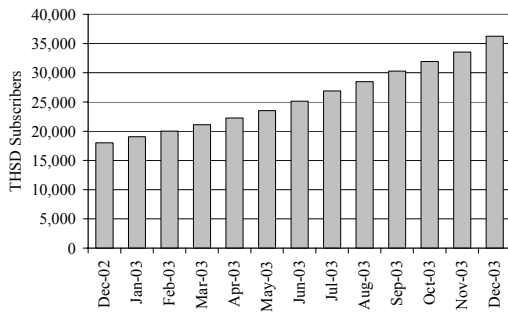


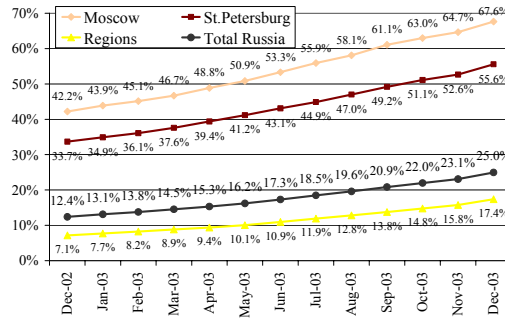
Summary

As of December 31, 2003 total number of cellular subscribers in Russia reached 36.2 mln, bringing penetration in the country to 25%. More than 18 mln new subscribers joined Russian cellular networks securing annual growth of 100%. December 2003 net additions totaled 2.7 mln – 62% increase compared to the same period of the last year. The share of GSM subscribers in Russia continued to grow and stood at 96% as of December 31, 2003.

Subscriber Growth



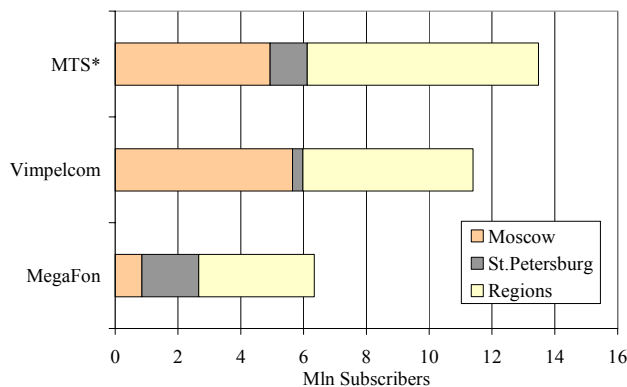
Penetration



Source: ACM-Consulting

The “Big Three” operators (MTS, Vimpelcom and MegaFon) served over 31.2 mln customers altogether in Russia by year-end 2003.

Proliferation of “Big Three” (December 2003)



* Russia only

Source: Company data, ACM-Consulting

Key Developments

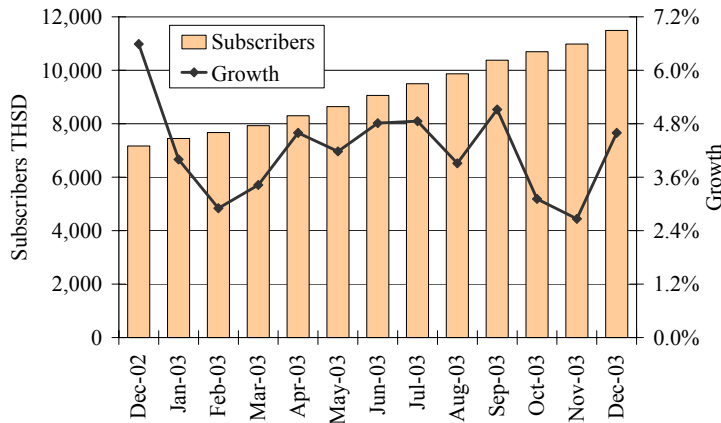
- The “Big Three” regional expansion accelerated in 2003. MTS, Vimpelcom and MegaFon launched 40 green-field networks and acquired 9 regional operators. As of Dec-03 MTS provided services in 60 Russian regions while Vimpelcom and MegaFon had 55 regional operations each.
- Two out of three major GSM players have established presence outside Russia – MTS in the Ukraine and Belarus, MegaFon – in Tadjikistan. MTS, Vimpelcom and MegaFon affirm that they would seek opportunities in the CIS and beyond, yet thus far leaving the top priority of the development for Russia.
- Svyazinvest-controlled GSM companies in Siberia and Urals emerged as strong competitors to the “Big Three”.

Subscriber Watch

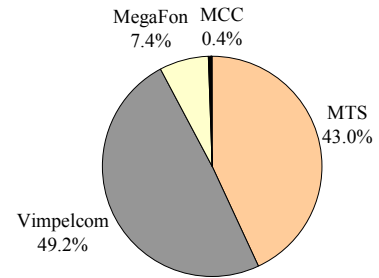
Moscow

While a cellular rally has almost completely spilled over into the regions, Moscow retains the position of the largest and extremely important cellular market. Although the share of Moscow is decreasing, as of 31-Dec-03 the capital accounted for 32% of the total (!!!) customer base in Russia down from 40% in the end of December 2002.

Subscribers & Growth



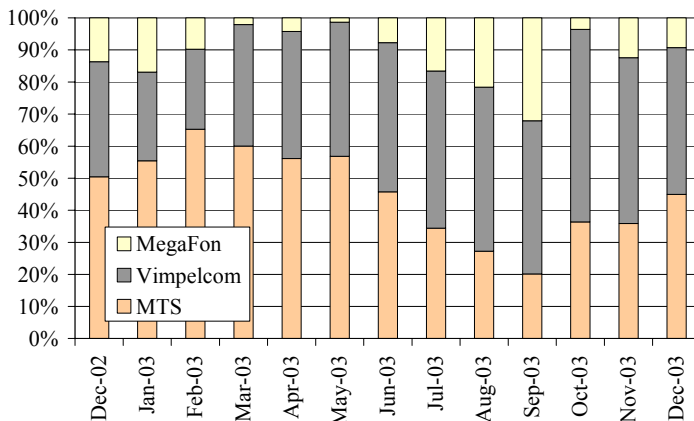
Breakdown (Dec-03)



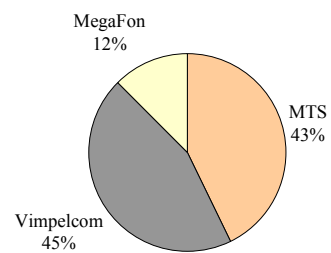
Two dominant players in the Moscow market – MTS and Vimpelcom – continued a cut throat competition in the capital’s net additions race with MTS leading in the first part of the year and Vimpelcom taking over the lead in the second. MegaFon’s development was quite sporadic, driven rather by marketing efforts than by a strong performance. Nevertheless, 12% in 2003 net additions is an appropriate result for the company operating in a fierce competition with market leaders.

The market veteran, Moscow Cellular Communications, launched IMT-MC-450 (CDMA2000) network in November under SkyLink brand. So far, it has only a limited influence on the market breakdown. We expect MCC to receive a stronger development impulse with AFK Sistema getting involved into IMT-MC-450 rollout in the country.

Monthly Net Additions on Moscow Market



2003 Net Additions



Total: 4.3 mln new subs added

Source: ACM-Consulting

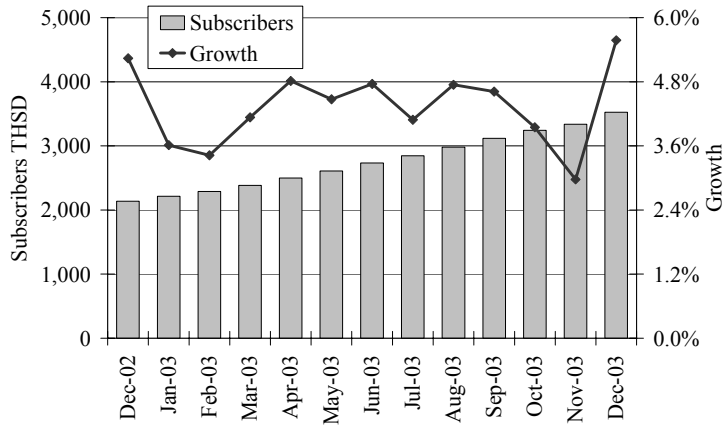
MTS and Vimpelcom sales were on par in December. The Moscow market grew by 505 thousand subscribers in the last month of 2003. MegaFon attracted ~10% of new users during the New Year sales period.



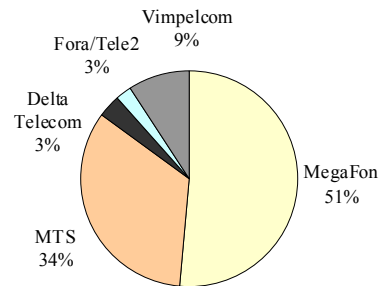
St. Petersburg

St. Petersburg market experienced another round of price wars in 2003 with Vimpelcom's launch in the region in April. The company started active promotions and managed to win 9% of the market by the year-end. St.Petersburg remains second important (after Moscow) and one of the most competitive markets in the country with 5 operators (4 GSM) struggling for the market share.

Subscribers & Growth



Breakdown (Dec-03)



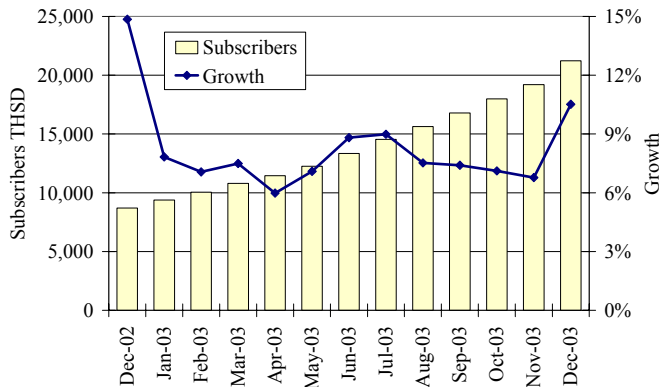
MegaFon demonstrated strong performance in December winning 42% of net additions in its native market. MTS and Vimpelcom altogether attracted 49.4% of new users.

Rest of Country

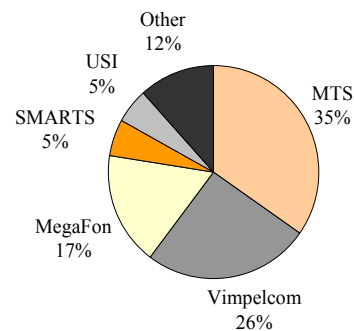
Although regions remain quite immature with average cellular penetration of 17%, the growth of regional networks maintained a steady pace in 2003 and reached 144% y-o-y compared to 60% in Moscow. In 2003 regions added 10% to the penetration (~12.5 mln subscribers) compared to Moscow's 25% (4.3 mln) and St.Pete's 22% (1.4 mln). There are all reasons to believe that the regions will experience an appreciable growth in 2004 both in absolute and relative terms.

MTS' regional operations were the fastest growing in the country with 4.6 mln new subscribers enlisted by the company in 2003 (0.9 mln through acquisitions). Vimpelcom ended 2003 with 4 mln of new regional subs (3.8 mln of organic growth) and MegaFon with 2.3 mln (all organic).

Subscribers & Growth



Breakdown (Dec-03)



Regions will remain 'the name of the game' for largest Russian operators in 2004 as the main subscriber growth is to be generated by regional networks.



TOP 10 Russian Mobile Operators

Operator	HQ	Standard	Subs (Dec-03)	M-o-M Increase	2003 Net Adds
MTS*	Moscow	GSM/AMPS/NMT	17,291,393	9.6%	10,604,099
Vimpelcom	Moscow	GSM/AMPS	11,395,000	8.5%	6,241,912
MegaFon**	Moscow	GSM	6,353,335	9.2%	3,413,727
SMARTS Group	Samara	GSM	1,150,000	6.5%	605,000
Uralsvyazinform	Perm	GSM/NMT/AMPS	1,143,100	7.2%	698,013
Sibirtelecom	Novosibirsk	GSM/NMT	507,000	15.3%	337,000
N.Novgorod Cellular	N.Novgorod	GSM	368,321	10.1%	196,821
Ekaterinburg Cellular	Ekaterinburg	GSM/AMPS	230,112	33.2%	155,612
Dal Telecom Int'l	Khabarovsk	GSM/AMPS	205,199	16.8%	132,669
New Telephone Co	Vladivostok	GSM	150,920	10.5%	85,208

* including Ukraine and Belarus operations

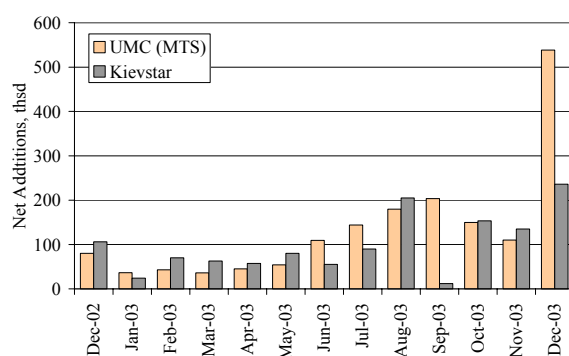
** including TT-Mobile of Tajikistan

Source: Company Data, ACM-Consulting

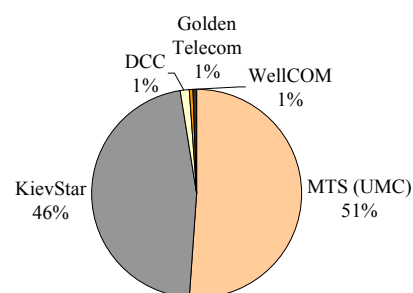
Ukraine

Ukrainian market to some extent reflects the competition of the two largest Russian GSM players in Moscow. In 2003 main operators, UMC (acquired by MTS in late 2002) and Kievstar (owned by Vimpelcom's principal shareholders, Telenor and Alfa Group) continued to maintain equilibrium in sales with almost no significant influence from other operators. UMC spurted and finished with an outstanding result of 539,000 subscribers attracted in December 2003. Ukrainian market currently has mobile services penetration of 13.4%, a significant increase compared to 7.6% a year ago.

UMC (MTS) Vs. Kievstar



Ukrainian Market Breakdown (Dec-03)



Total: 6,550,810 subs

Source: Company Data, ACM-Consulting, MForum.ru

At the moment UMC and Kievstar control 97% of the market. The breakdown may change in 2004 as the largest Turkish operator, Turkcell, recently announced an alliance with DCC, Donetsk-based AMPS operator that holds a nationwide GSM 1800 license. The companies established a JV where Turkcell controls 51% and the current DCC shareholders own the remainder. The newly formed operator will roll-out a GSM 1800 network throughout Ukraine. The launch of its first segment is scheduled for April 2004. Turkcell announced plans to invest \$50 mln into the initial network rollout, while the total investment may be as much as \$400 mln.



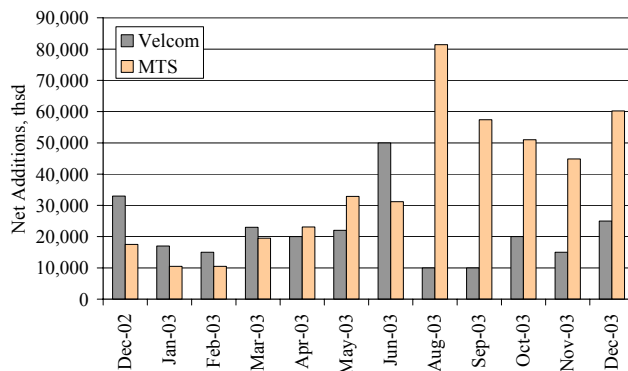
Belarus

Cellular penetration in Belarus reached 11.2% by the year-end of 2003. Although the market grew 2.4 times during the year, it is still in an early stage of development and has a good growth prospects.

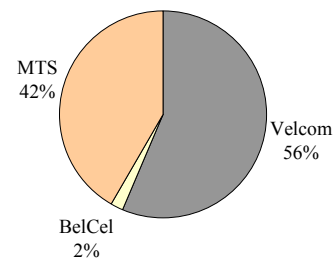
The JV of MTS and the Belarus State authorities (49%-51%) managed to win a significant market share from Velcom thanks to active marketing efforts, fast coverage expansion and well-recognized (from Russian operations) brand-name.

The country's first cellular operator BelCel (NMT-450) launched IMT-MC-450 network in 2002 but its development pace has been constrained by lack of financial resources.

MTS vs. Velcom



Breakdown of Belarus Market (Dec-03)



Total: 1,115,000 subs

Source: Company Data, ACM-Consulting

The country's state officials noted several times during the year that the third GSM license is likely to be issued in the country shortly. There are rumors that MTS is in talks to acquire a controlling stake in its subsidiary, which was indirectly confirmed by Belarus' President in an interview to a Russian TV channel.

Russian cellular operators eye CIS countries as an important market for further expansion. Nevertheless, operations in CIS oftentimes face unpredictable difficulties originating from imperfect legislation influenced by unstable economy and political situation.

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