

Russia Reaches 40% Penetration

Thursday, 07 October 2004 17:47

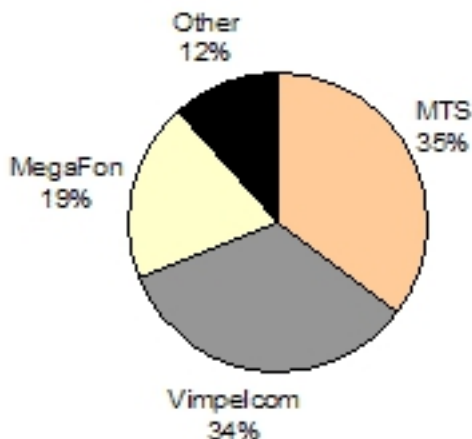
The total number of cellular subscribers in Russia reached 59 mln as of September 30, 2004, which is a record monthly increase of 3.4 mln users. Total of 22.8 mln subscribers joined Russian cellular networks this year. Current mobile services penetration in the country is at 41% while it was only 25% in December 2003 and 21% in September 2003. **Russian Mobile Subscribers**

Mobile Subscribers	September 30, 2004	August 31, 2004
Total Russia	59,040,000	55,630,000
Penetration	40.7%	38.3%
Moscow	14,852,613	14,333,793
Penetration	87.4%	84.4%
St.Petersburg	5,028,259	4,830,395
Penetration	79.3%	76.2%
Subscribers outside Moscow and St.Pete	39,159,128	36,465,812
Penetration	32.1%	29.9%

MTS has the largest market share in Russia, though Vimpelcom is catching up aggressively, mainly thanks to successful sales in regions. Vimpelcom has the largest number of regional networks in operation - 72 compared to 63 of MTS (excluding CIS subsidiaries) and 69 of MegaFon.

Russian Cellular

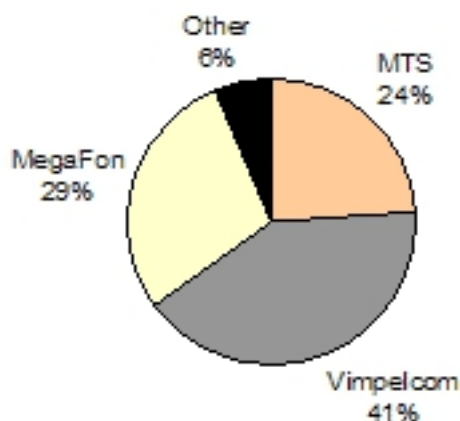
Market Breakdown, September 2004



Russian Net Additions, September 2004

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Top 10 Mobile Operators

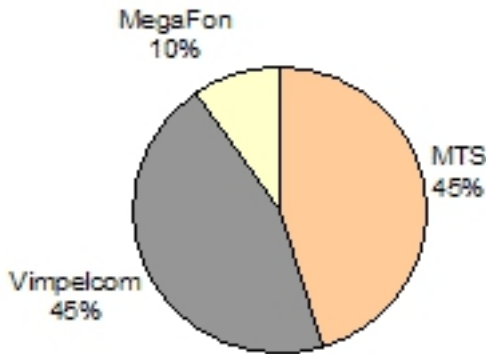
#	Company	September 30, 2004	August 31, 2004
1	MTS	27,600,000	26,440,000
	Moscow	6,700,000	6,535,000
	Ukraine (UMC)	5,530,000	5,267,000
	Belarus	970,000	895,150
	Uzbekistan	260,000	244,200
2	Vimpelcom	20,550,000	18,470,000
	Moscow	6,645,000	6,430,000
	Kazakhstan	676,500	647,000
3	MegaFon	11,487,353	10,508,263
	Moscow	1,448,832	1,312,901
	Tajikistan	28,000	26,593
4	Uralsvyazinform	1,778,000	1,709,000
5	SMARTS Group	1,600,400	1,555,000
6	Sibirtelecom	759,800	735,100
7	N.Novgorod Cellular	523,300	503,720
8	Ekaterinburg Cellular Communications	326,700	315,840
9	New Telephone Company	211,605	180,920
10	Skylink	182,000	180,100

Moscow and St.Petersburg Moscow License Area

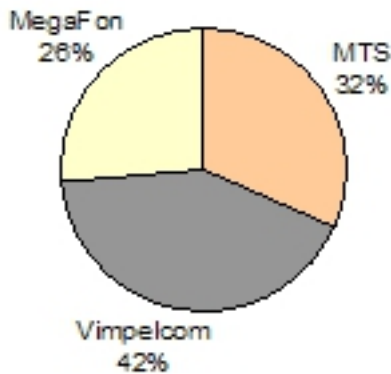
Despite the overall subscriber increase in Russia in September compared to August, net adds in Moscow, the Russia's largest market, decreased slightly. We believe one of the reasons for that is that more and more families purchase mobile phones for their children in August, before the start of the school year, thus accelerating August sales to a more than usual level.

Moscow Market Breakdown

September 30, 2004



Note: Skylink's (MCC) market share is less than 0.5% as of September 2004
September 2004

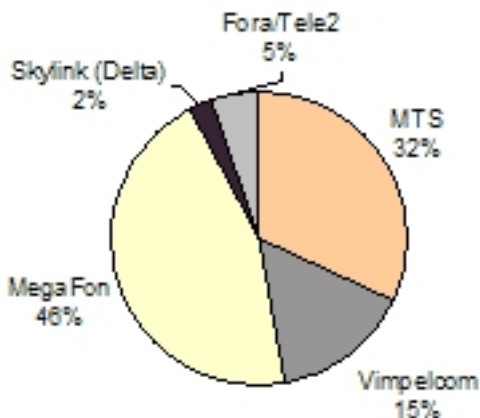


St.Petersburg and Leningrad Region

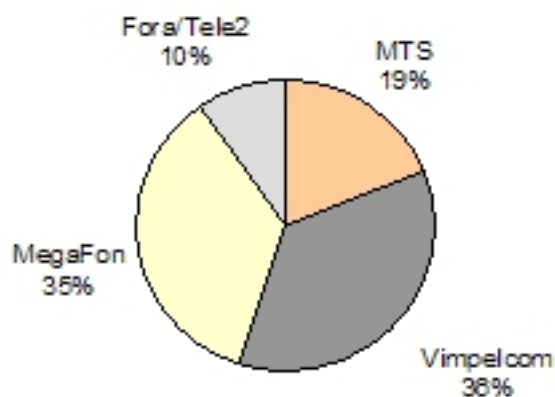
St.Petersburg market demonstrated impressive growth. In our view that was mainly thanks to the resolution of the Vimpelcom's numbering capacity problem which ceased the market development for the company in August. In September Vimpelcom outperformed competitors in St.Pete attracting more than 75 thsd new users.

St. Petersburg Market Breakdown

September 30, 2004



Summary of Market Share in St Petersburg



Beyond Russia

Vimpelcom finalised the acquisition of KaR-Tel (K-mobile), 2nd largest operator in Kazakhstan. That brought 670,000 subscribers in to Vimpelcom portfolio.

MTS' unconsolidated subsidiary in Belarus became the market leader in September. The company started operations in the country in June 2002 while its major rival, GSM operator Velcom, works since April 1999. MTS was a leader in terms of net additions for last 17 months in a row (!) and finally won the largest market share.

Operations of MTS' daughter company in Ukraine (UMC) have also been quite impressive. Monthly net adds were above 200,000 for last 6 months and the company has been outperforming its major competitor, Telenor-controlled, Kyivstar for 9 months in terms of net adds.