

December 2004 Subscriptions Beat Expectations

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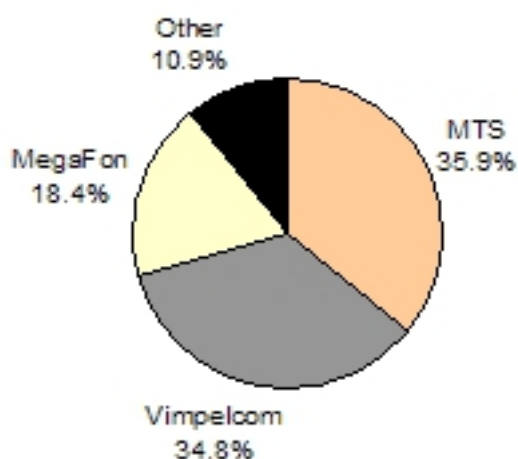
December 2004 brought astonishing results: total cellular subscriber net additions in the country climbed to 8.3 mln - almost 2 times higher than in previous month and 3 times higher compared to December 2003. The cellular penetration in the country passed 50% milestone(!) - more than two times higher compared to 2003 results.

According to our estimates the **total number of cellular subscribers in Russia reached 73.9 mln as of year-end 2004!**

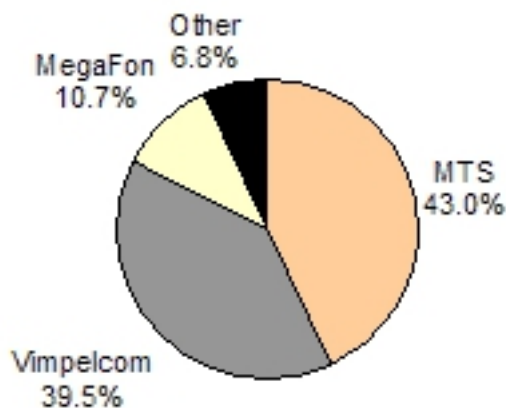
Russian Mobile Subscribers

Mobile Subscribers	December 31, 2004	November 30, 2004	December 31, 2003
Total Russia	73,855,000	65,590,000	36,230,000
Penetration	50.9%	45.2%	25.0%
Moscow	16,854,605	15,105,908	11,487,308
Penetration	99.2%	92.1%	67.6%
St.Petersburg	5,644,334	5,313,694	3,532,859
Penetration	89.0%	83.8%	55.7%
Subscribers outside Moscow and St.Pete	51,356,061	44,641,478	21,209,833
Penetration	42.1%	36.6%	17.4%

Russian Cellular Market Breakdown, December 2004



Russian Net Additions, December 2004



Top 10 Mobile Operators

#	Company	December 31, 2004	November 30, 2004
1	MTS	35,395,000	30,595,000
	Moscow	7,470,000	6,985,000
	Ukraine (UMC)	7,400,000	6,266,000
	Belarus	1,215,000	1,100,000
	Uzbekistan	310,000	287,000
2	Vimpelcom	26,550,000	23,160,000
	Moscow	7,475,000	6,960,000
	Kazakhstan	859,000	745,000
3	MegaFon	13,647,807	12,756,890
	Moscow	1,817,314	1,603,751
	Tajikistan	47,891	38,817
4	Uralsvyazinform	2,058,100	1,937,300
5	SMARTS Group	1,815,000	1,690,640
6	Sibirtelecom	1,001,900	861,600
7	N.Novgorod Cellular	656,441	596,945
8	Ekaterinburg Cellular Communications - MOTIV	405,467	354,572
9	New Telephone Company	262,205	236,800
10	Skylink	190,200	189,000

Note: Although Tele2 has approximately 1.05 mln subscribers in Russia we do not list the

company in the Top-10 table as the company does not provide officially confirmed figures for its Russian branch. Nevertheless, we do account our Tele2 subscriber estimates in Russia total numbers.

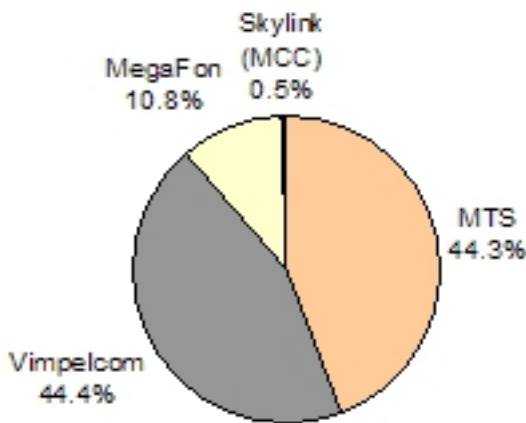
Moscow and St.Petersburg

Moscow License Area

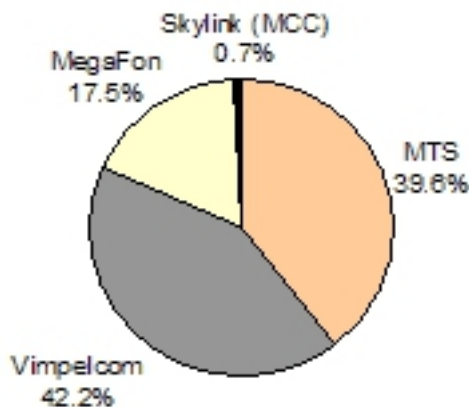
The penetration in the Russian largest market - Moscow - was 99.2% (!) as of 31-Dec-04 (68% in 2003). With both MTS and Vimpelcom signing almost equal number of subscribers, the latter did slightly better and re-gained leadership in the capital. MegaFon's contribution to the Christmas sale campaign in Moscow was 18% or 215 thsd subscribers.

Moscow Market Breakdown

December 31, 2004



**Net Additions in Moscow,
December 2004**

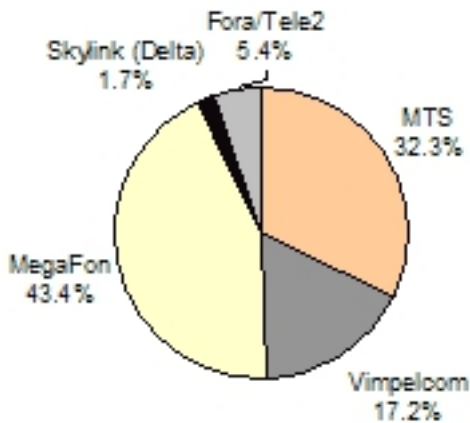


St.Petersburg and Leningrad Region

MTS led in subscriber addition race in St.Petersburg signing up record high 131 thsd users. Vimpelcom came second with 117 thsd which is also a record high net adds for the company in St.Petersburg.

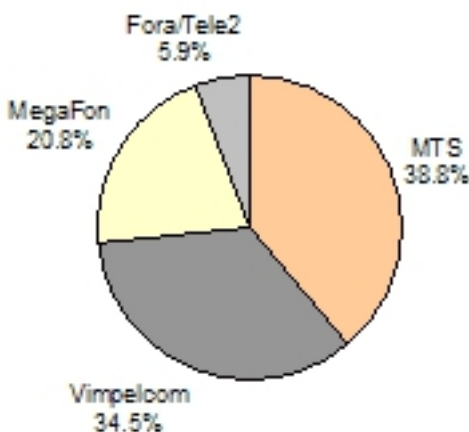
St. Petersburg Market Breakdown

December 31, 2004



Net Additions in St.Petersburg

December 2004

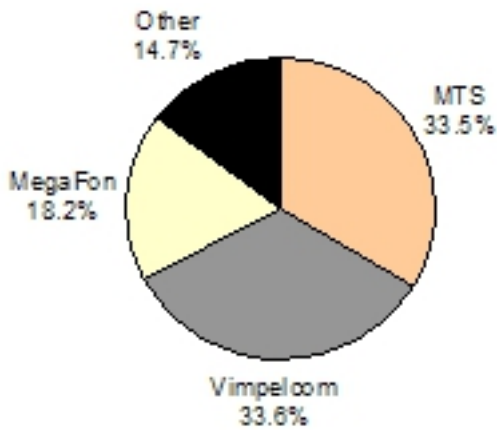


Regions outside Moscow and St.Pete

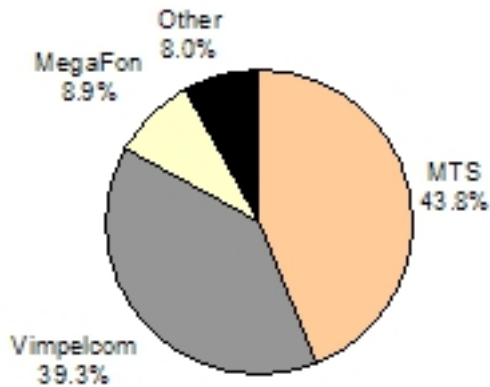
MTS came #1 in regional net sales. Please note that MTS' regional additions also included subscribers of the two regional telcos acquired in December - Horizont RT (~100,000) and Telesot Alaniya (~50,000). In terms of the regional market breakdown Vimpelcom has maintained leadership with 17.2 mln customers with MTS following with just a few dozen thousands less.

Regional Market Breakdown

December 31, 2004



December 2004 Additions



Notice on Subscriber Accounting Policies

As penetration in Moscow approaches 100% there is a growing concern over the widening gap between the human penetration and what is reported based on the churn policy by the operators themselves.

Based on the end user surveys, AC&M believes, that the difference between the actual number of active users and combined subscriber numbers reported by the operators in Moscow license area is about 22%. However, several market observers are even more conservative. They reckon that the gap is between 25% and 35%. This gap is the result of marketing actions (including SIM-card give-aways) by operators.

There is also some discrepancy in the subscriber numbers caused by the difference in the churn policies by the operators. MTS, for example, terminates their pre-paid subscribers after one of the two events occur, whichever comes first: (i) their balance remains \$0 or below for 183 consecutive days or (ii) they demonstrate no chargeable transactions within 183 days.

Vimpelcom follows similar churn policy, but with a minor modification: provided there is no chargeable activity but the balance still remains positive, the customer is first blocked for 180 days and terminated only after the following 180 days. MegaFon has been historically practicing the strictest churn policy among the "Big Three". They unconditionally terminate the user's account if subscriber is blocked for more than 90 days.

Despite the fact that Vimpelcom's and MTS churn policies differ we believe that at the moment the subscriber base of two largest Russian operators are quite comparable:

- Vimpelcom has performed a significant clean-up of subscriber base back in July-August 2004 when the company was short of numbering capacity. In the effort to free unused numbers Vimpelcom decreased inactivity period for subscribers to 3-4 months (depending on the region) from its normal inactivity time of 180 days. All subscribers inactive for the longer period were terminated. After receiving required numbering capacity the company returned to its usual churn policy in August-September 2004. Therefore, the maximum inactivity time for Vimpelcom subscriber with positive account balance was around 7 months in December 2004, which is pretty close to MTS subscribers maximum inactivity period of 183 days.

- According to our information the share of Vimpelcom subscribers who have positive cash balance at the moment when they may be blocked is insignificant. The company states that this number is less than 5% of users which account is blocked or terminated after 180 days of inactivity.

We expect that cellular penetration will be over 100% in Moscow already in January 2005. One should understand that this is effectively a number of user accounts which are active according to operator's churn policy. The correlation between human penetration and number of active user accounts differs from region to region.

Although AC&M have estimations on the subject and conduct regular end-user survey, we do not publish this information as it is always a subject for additional research. If you are interested in more information on any particular region please do not hesitate to contact us at info@acm-consulting.com