

LOOKING OUTSIDE RUSSIA

 Bloomberg:
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CELLULAR SECTOR UPDATE

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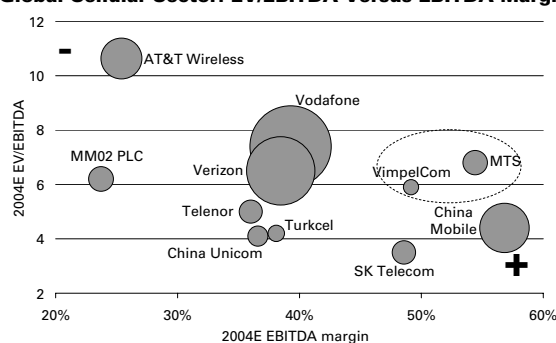
Exhibit 1

MTS and VimpelCom: Current and Previous Rating and Target Price

	VimpelCom	MTS
Market Price	121.49	154.09
Previous Target Price	113.0	127.0
Previous Rating	Buy	Buy
New Target Price	148.00	173.00
Est'd Up-/Downside	22%	12%
New Rating	Buy	Buy

Source: Market data, Metropol estimates

Exhibit 2

Global Cellular Sector: EV/EBITDA Versus EBITDA Margin, 2004E

 Note: Relative size of bubble indicates Mkt Cap.
 E = estimates for Russian companies from Metropol, non-Russian estimates from Bloomberg
 Source: Bloomberg, Metropol research
 Source:

VIP, MTS: raising target prices

We are raising our target prices for VimpelCom and MTS to \$148 and \$173, respectively. The main drivers are higher penetration, higher margins, and expected acquisitions in Russia and the CIS. The stocks have outperformed the MSCI Russia Index by 53% (VIP) and 62% (MBT) in the last 12 months. On our calculations, the Russian mobiles are not cheap compared to their EMEA counterparts. However, we believe Russia offers real, immediate growth.

We expect to see consolidation in Russia and expansion to the CIS

As expansion potential in Russia seems limited, we expect the leading cellular companies to look at acquisitions abroad, especially in the CIS. We believe acquisitions by MTS and VimpelCom in Russia's regions and the CIS could boost their subscriber bases by some 20% on average, generating \$0.5 billion in synergies.

Valuation: reiterate Buy on VIP and MTS

Analysis on a comparable basis suggests to us that VimpelCom and MTS are 8% overvalued and 17% undervalued, respectively, relative to their emerging market peers on 2005E EV/EBITDA. Our DCF analysis indicates 22% upside potential for VIP and 12% upside potential for MTS.

Why we prefer VimpelCom

Both MTS and VimpelCom are excellent companies, and undervalued, in our view. We consider that MTS's advantages in terms of coverage and subscribers will be eroded over time, and that VimpelCom will eventually reap the benefits of a more unified internal structure, and a more innovative product offering.

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METROPOL
INVESTMENT FINANCIAL COMPANY


CELLULAR SECTOR UPDATE

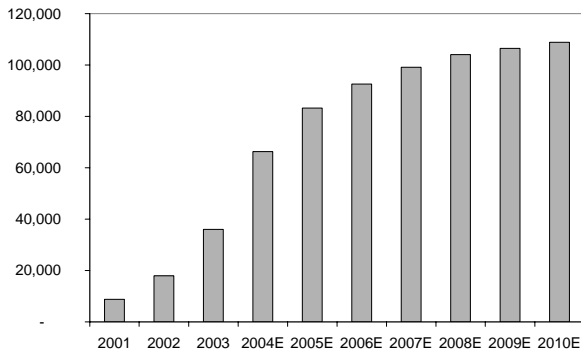
Telecoms

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INVESTMENT SUMMARY

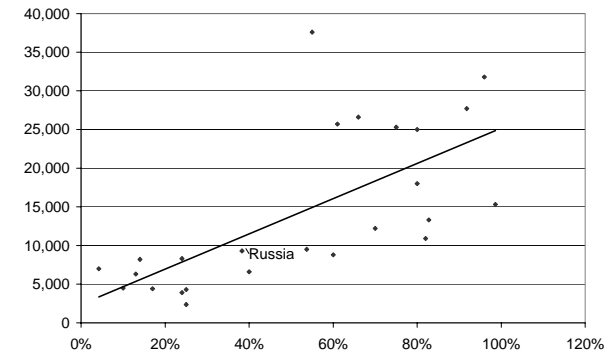
GROWTH STILL NOT PRICED IN

Exhibit 3
Total Russian Mobile Subscribers, 2001–2010E



E = Metropol research estimates
Source: ACM consulting, Metropol research

Exhibit 4
GDP Per Capita and Mobile Penetration, Various Countries



Source: CIA World Fact book, news sources

VimpelCom and MTS showed strong subscriber growth in January–August 2004. We expect the cellular penetration rate to reach 93% in the Moscow license area and 37% in Russia's regions by the end of 2004. The average penetration rate in Russia will reach 46% as of the end of 2004, and 76% by the end of 2010, on our estimates. We are increasing these forecasts from our earlier forecasts of 41% by the end of 2004 and 74% as of the end of 2010.

Mobile demand growth drivers: increased consumer spending power and the take-up of mobile services. Average wages rose 7% in the first seven months of 2004. Real incomes in July 2004 were about 10% higher than in July 2003. Also, mobile service is an essentially new product, which has moved from being a luxury to a necessity. We are currently seeing a one-time shift in penetration as Russians acquire their first mobile phones.

We see ARPU compression as a major risk for the cellular operators. We forecast post-2006 ARPU in Moscow at \$12 for MTS and \$10.5 for VimpelCom. Outside Moscow, we expect ARPU to decrease to \$9.5 for MTS and \$7.5 for VIP. This compares with their current blended levels for Russia of \$14.1 and \$10.8, respectively. The introduction of micro-prepaid and lower incremental ARPU in the regions could exert further pressure. On the other hand, ARPU in Russia is among the lowest in the world, and we could see positive surprises on higher usage of value-added services.

We think that VimpelCom and MTS's current high margins are sustainable based on the lower SAC (subscriber acquisition cost) and strong economies of scale achieved by the companies in 1H04. We see long-term EBITDA margins at 55–56% for MTS and at 49–50% for VimpelCom in 2005 and after.

We believe the consolidation of the cellular sector in Russia will continue. We expect MTS to remain the

leading player, with VimpelCom close behind. A third national operator could be created through a merger between MegaFon and Svyazinvest. We would not exclude the possibility of a merger between VIP and MegaFon, if MegaFon's shareholders resolve their disagreement over whether or not the sellers of a 25% stake in Megafon to Alfa (VimpelCom's second largest shareholder) had the right to do so. Svyazinvest's existing cellular assets could also form the basis for a fourth national operator. We do not see foreign operators like Vodafone or Orange becoming major players on this market.

We expect further expansion into the CIS. Expansion into the CIS has already started. We would not be surprised if MTS and VimpelCom enter most CIS countries by 2006, either through acquisitions or through receiving new cellular licenses. Russian operators may be forced to pay higher prices per subscriber than they paid in similar deals in Russia, but any premium should be justified by the markets' strong growth potential, in our view.

GSM to remain dominant. Users will gradually migrate from AMPS to GSM, and CDMA-450 (Skylink) will likely remain a niche data product, in our view. WLAN technologies will become increasingly important in the mobile market, both for trunk connections between base stations and for mobile connections. We expect that the mobile operators will enter this market, as their American counterparts are planning to do.

Russian and Global Cellular Stocks: Comparative Valuation Table

Company name	Country	Price		P/EPS					EV/EBITDA					EV/ Sales
		com.	2003E	04E	05E	06E	07E	2003E	04E	05E	06E	07E	2003E	
Russian companies														
VimpelCom	RUSSIA	121.49	27.9	15.0	11.4	9.9	8.5	12.3	7.0	5.0	4.4	4.0	5.7	
MTS	RUSSIA	154.09	29.7	14.3	10.3	9.3	8.9	12.4	7.5	5.5	4.9	4.7	6.5	
Russian Average			28.8	14.6	10.8	9.6	8.7	12.3	7.2	5.2	4.6	4.4	6.1	
Emerging Markets peers														
CHINA UNICOM	HONG KONG	0.75	14.8	11.9	10.4	10.2	10.7	4.9	4.1	3.7	3.6	3.6	1.8	
CHINA MOBILE	HONG KONG	3.05	13.8	12.7	12.0	11.5	10.9	5.3	4.6	4.3	4.1	4.0	3.1	
SK TELECOM	SOUTH KOREA	177	9.1	8.7	7.8	6.5	5.2	4.4	4.0	3.8	3.4	3.7	2.1	
TELE SUDESTE	BRAZIL	1.91	20.2	18.5	11.7	6.0	n.a.	4.0	4.1	3.7	4.1	3.9	1.3	
TURKCELL ILETISI	TURKEY	0.01	22.3	17.2	n.a.	n.a.	n.a.	7.4	6.4	n.a.	n.a.	n.a.	2.9	
TOTAL ACCESS COM	THAILAND	0.01	26.7	12.9	11.5	10.1	7.6	15.1	11.6	10.4	11.1	8.5	5.6	
PARTNER COMM CO	ISRAEL	3.22	4.9	14.4	12.3	n.a.	n.a.	4.2	3.8	3.6	n.a.	n.a.	2.0	
MTN GROUP LTD	SOUTH AFRICA	3142.00	14.6	10.0	8.0	n.a.	n.a.	6.3	5.0	4.1	n.a.	n.a.	2.4	
EM Average			15.8	13.3	10.5	8.8	8.6	6.4	5.5	4.8	5.3	4.8	2.7	
Int'l Majors														
MMO2 PLC	BRITAIN	196.15	56.1	130.4	44.6	35.7	25.0	7.5	7.4	6.0	5.4	5.0	1.7	
US CELLULAR CORP	UNITED STATES	42	28.1	25.7	19.0	13.6	10.7	5.5	5.3	4.7	4.3	3.9	1.4	
VODAFONE GROUP	BRITAIN	262	n.m.	n.m.	n.m.	n.m.	n.m.	8.1	8.4	7.9	7.5	7.2	3.2	
TELIA SONERA AB	SWEDEN	6	27.5	22.2	20.8	20.3	20.7	6.8	7.3	7.2	7.2	7.4	2.6	
TELENOR ASA	NORWAY	8.23	23.1	15.0	14.5	13.2	11.7	6.8	5.8	5.4	5.3	5.3	2.3	
VERIZON COMMUNIC	UNITED STATES	41.27	15.8	17.1	16.4	16.1	16.7	6.6	6.7	6.5	6.5	6.5	2.7	
Int'l Majors Average			30.1	42.1	23.0	19.8	16.9	6.9	6.8	6.3	6.0	5.9	2.3	

On a multiples comparison, both VimpelCom and MTS trade in line with their international peers. Their P/E ratios are in line with their emerging market peers, and 2004 EV/EBITDA multiples are slightly higher. However, the Russian companies are cheaper than other emerging markets operators on our forecast 2005 multiples, reflecting our expectation of faster growth for the Russian companies. Russian EV/Sales ratios are nearly double those of companies in both developing and developed markets. We think this is justified by the high margins earned by Russian operators, and by their strong growth prospects.

VimpelCom is the cheaper of the two on most multiples.

MTS does better on short-term P/E ratios, but otherwise VimpelCom looks cheaper. This reflects our view that VimpelCom is growing faster, and that MTS's much better margins will eventually shrink towards VimpelCom's.

VimpelCom offers some 22% upside potential, while Mobile TeleSystems offers 12%, according to our DCF analysis. Based on higher subscriber base growth forecasts and stronger margins, we upgrade MTS's target price to \$173 and VimpelCom's to \$148. Although we prefer VimpelCom to MTS on lower EV/EBITDA and EV/Sub ratios and a higher upside potential on our DCF analysis, we rate both stocks Buy.

MARKET OVERVIEW

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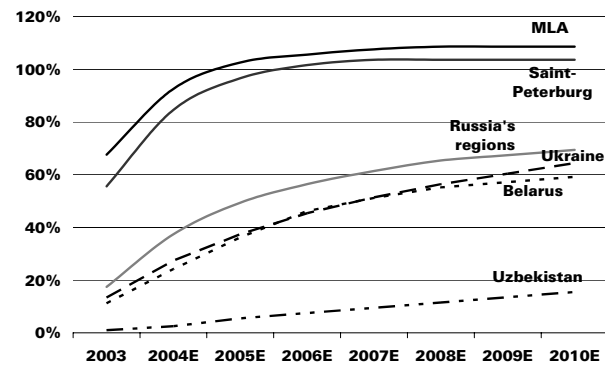


CELLULAR SECTOR UPDATE

Telecoms

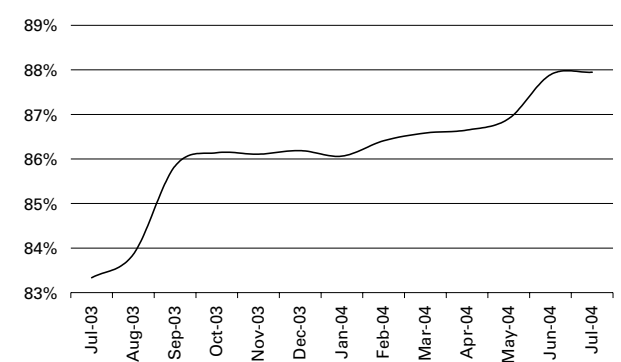
RAPID MARKET GROWTH

Exhibit 6
Russia and CIS Markets: Target Penetration, 2003-2010E



Source: Metropol research estimates

Exhibit 7
Russia's Top-3 Cellular Operators: Combined Market Share, 2003-4



Source: AC&M Consulting, Metropol research

Total cellular subscribers in Russia reached 55.6 million as of August 31, 2004, according to ACM-Consulting. Subscriber growth numbers for January–August of this year remained very high, at over 5% on average. Moreover, August was a record month in Russian cellular history, with 3.1 million new subscribers. Market saturation still looks distant, in our view.

Target penetration rates keep on rising. Based on recent growth rates, we believe countrywide penetration could reach 46% by the end of 2004. We see penetration reaching 93% in the Moscow License Area (MLA) and 37% in the regions.

We expect the cellular penetration rate in Moscow to reach 109% by 2010. Many large cities already have cellular penetration rates in excess of 100%; we think Moscow is unlikely to be an exception, especially given continuing 2–3% growth in the MLA subscriber base. It is common for Muscovites to have two phones, and out-of-towners also buy phones to use while in the city.

We expect strong growth to continue in 2H04 and 1H05. We expect strong growth in Moscow to continue through the first half of next year, reaching saturation by the end of 2005. We expect negligible penetration rate growth in the Moscow license area after 2006.

St. Petersburg cellular market similar to Moscow in many respects. St. Petersburg currently shows higher subscriber growth (3–4% per month) than Moscow, though it lags behind the capital in terms of penetration. On current market trends, we believe St. Petersburg will show 85% penetration by the end of 2004 (up from the current 74%), and 104% by 2010 – only five percentage points below the Moscow License Area.

We see 76% cellular penetration in Russia by 2010. Outside Moscow and St. Petersburg, we see the number of

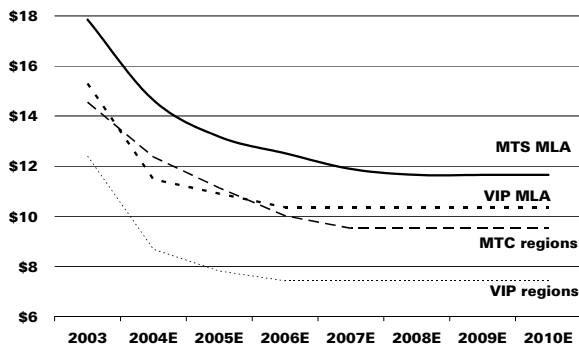
subscribers reaching nearly 80 million by 2010, with penetration at 69%. Thus we project subscriber growth in the regions far outpacing that in Moscow and St. Petersburg. We estimate cellular subscriber base CAGR in Russia's regions at 22% in 2004–10, compared with 10% in St. Petersburg and 8% in Moscow. Moreover, in the capitals, growth should slow after 2005–6, while we expect to see at least 3–4 years of strong growth in the regions.

Ukraine and Belarus are two important markets for MTS, accounting for nearly 20% of revenues. MTS controls 54% market share in Ukraine and 48% in Belarus. These two markets currently lag slightly behind Russia's regions in terms of cellular penetration rates. We believe they will remain behind, given their lower GDP per capita, though we estimate their subscriber base CAGR at 25% in 2004–10. According to our estimates, cellular penetration will reach 64% in Ukraine and 59% in Belarus by 2010.

Uzbekistan's cellular penetration rate is only 1.8%, compared with 38% in Russia and over 20% in Ukraine. We believe MTS's entrance into the market will speed up subscriber growth rates and penetration, as seen in Ukraine after its acquisition of UMC. We see mobile penetration in Uzbekistan reaching 10% by the end of 2007 and 16% by 2010.

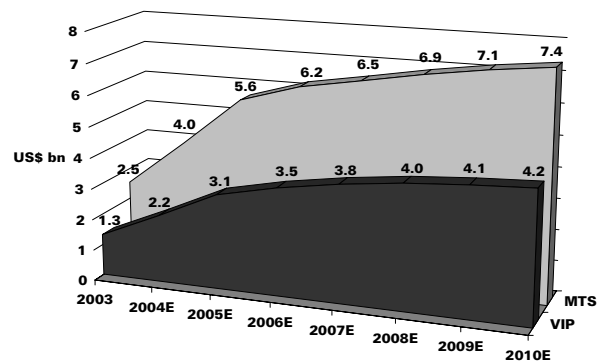
Kazakhstan's penetration rate is 12%, versus 38% in Russia and over 20% in Ukraine and Belarus. However, the country's GDP per capita (on a purchasing power parity basis) is \$7,000, exceeding levels in all CIS countries except Russia. We forecast that Kazakhstan's cellular market growth will exceed that in Russia in 2003–10, with subscriber base CAGR at 33%. We see the penetration rate in Kazakhstan at 27% as of the end of 2005, reaching 54% in 2010.

Exhibit 8
MLA and Regions: ARPU Projections, 2002–2010E



E = estimate
 Source: Company data, Metropol research

Exhibit 9
MTS and VIP: Revenue Projections, 2003–2010E



E = estimate
 Source: Company data, Metropol research

VimpelCom ceded MLA leadership to MTS for the first time in July 2004. Due to numbering capacity problems related to changing rules regarding the issue of new phone numbers, VimpelCom was forced to decrease its inactive subscriber disconnection time from 6 to 4 months. The company lost its leadership position in the Moscow license area to MTS in July 2004. As a result, MTS currently controls nearly 46% of the Moscow cellular market (up from 43.2% as at December 31, 2003), while VimpelCom's market share has dropped to 45% from 49.2% as of the end of 2003.

We see VIP regaining at least 47% MLA market share. As the numbering capacity problem has already been resolved and the company intends to return to its usual inactive user disconnection policy, we expect VimpelCom to record relatively high subscriber growth in Moscow in September and October 2004. This should lead to VimpelCom's regaining at least a 47% market share in MLA, while MTS faces a decrease to some 45%. In the long run, we estimate MTS's market share in Moscow at 45%, and VimpelCom's at 46%.

We see VIP's share in the regions at 37% in 2006. In Russia's regions, VimpelCom constantly outperforms its competitors on subscriber growth. In line with this trend, we see the company's market share in the regions growing from 26% as of the end of 2003 to 34% by December 31, 2004, and to 37% in 2006. MTS is also increasing its market share in the regions, largely due to an aggressive acquisition strategy.

Russia's leading operators are gradually increasing market share. MTS, VimpelCom, and MegaFon together controlled 78% of the Russian market as of the beginning of 2003, while by August 30, 2004 they held an 81.5% combined share in the market. We expect this trend to continue as the leaders strengthen their positions.

In Ukraine and Belarus, MTS grew market share to 53% and 48%, respectively. In Ukraine, two companies (DCC/Turkcell and Wellcom) announced their intention to invest heavily in developing GSM services. We believe this will intensify competition in the market. We assume MTS's market share will stabilize at 53% after 2005. Belarus still has only two cellular operators; MTS continues to outperform its competitor Belcel.

MTS's Uzdunrobita controls 51% of the Uzbek cellular market. MTS acquired Uzbekistan's cellular operator Uzdunrobita in July 2004. We estimate that the introduction of new tariffs will allow MTS to boost Uzdunrobita's market share to 60% after 2005.

Kazakhstan's KaR-Tel, recently acquired by VimpelCom, controls a 35% share of the country's cellular market. The company's toughest competitor KCell is backed by Teliasonera and Turkcell. Competition may get even tougher, as Kazakhstan intends to auction a third GSM license in the near future. We assume that VimpelCom's market share will increase by the end of 2004, (immediately following the acquisition) by 2 percentage points, remaining stable at 37% after 2004.

We are cutting our ARPU forecast. In 2Q04, Russian operators' average revenues per user remained flat on the previous quarter instead of the 3–5% increase we had projected. We believe this to be a sign of tougher competition in Russia's regions. Also, ARPU for new subscribers is on average about 30% lower than that for old users. MTS and VimpelCom currently connect the vast majority of new subscribers outside Moscow, which further cuts their ARPU. Introduction of micro-prepaid, though helping operators to boost their subscriber bases, will also decrease revenues per user.

We estimate MTS's long-term ARPU in Moscow at \$12 and in the regions at \$9.5. For VimpelCom, we see \$10.5

ARPU FLATTENS OUT

in Moscow and \$7.5 in the regions. Mobile TeleSystems currently has a 30% higher ARPU than VimpelCom. We believe this difference to be sustainable, and project that it will persist in the future.

Other CIS markets currently show higher ARPU than in Russia. We believe this is due to their relatively low penetration rate. With further development of cellular communications and growth of penetration in lower segments of the markets, we believe ARPU will drop. We estimate ARPU levels in other CIS markets at \$7–\$9 in the long run, close to ARPU in Russia's regions.

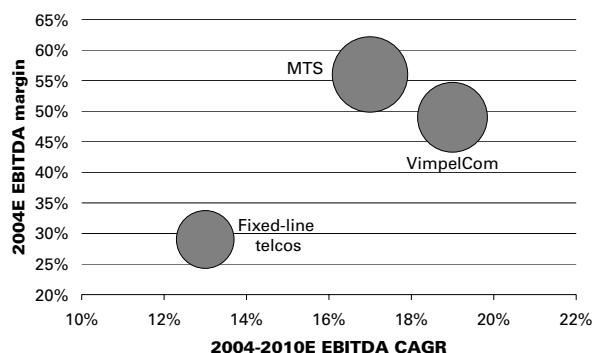
ARPU should benefit from increases in usage and value-added services. We believe two major drivers of ARPU stabilization will be an increase in the number of minutes of usage, which has fallen in recent quarters, and further development of value-added services. We consider our projections to be on the conservative side, and expect positive development [can't expect a surprise! 'improvements'? a recovery?] for ARPU, which should further increase our valuation of the Russian cellular stocks.

In 2003, both VimpelCom and MTS reported record revenue growth, at 74% and 87%, respectively. We estimate MTS's 2004 revenue growth at 59% and VimpelCom's at 62%. In 2005 and future years, these numbers will fall further, on our estimates. As a result, we see 2003–10 revenue CAGR at 16% for MTS and 18% for VimpelCom.

Subscriber acquisition cost (SAC) has fallen some 20–25% p.a. on average in 2000–4. As the market matures, however, we expect SAC to stop falling. One driver of lower SACs is the cheaper cost of advertising in the regions. So as the focus shifts to the regions, blended SAC should fall. However, this will only go so far, and eventually SACs will start to rise as the market gets more competitive. We project an increase in SAC for both MTS and VimpelCom in 2005, with 2004–10 SAC CAGR at 8%. We project SAC reaching \$34 for Mobile TeleSystems and \$29 for VimpelCom by 2010.

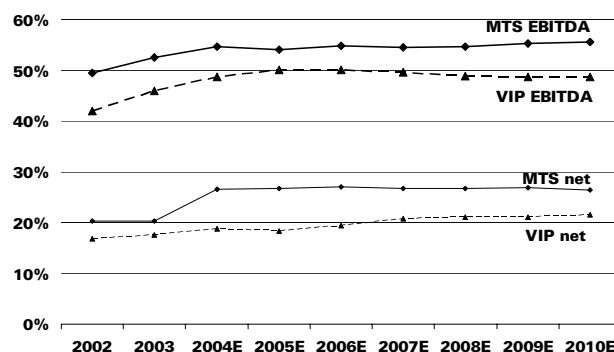
WE SEE VIP AND MTS EBITDA CAGR AT 18%

Exhibit 10
Cellular Versus Fixed-line: EBITDA Margins and CAGR, 2004E-2010E



E = Metropol research estimates. Bubble size indicates relative 2004E EV/EBITDA
Source: Metropol research

Exhibit 11
MTS and VIP: EBITDA and Net Margin, 2002-2010E



E = Metropol research estimates
Source: Company data, Metropol research

Mobile TeleSystems remains the most profitable Russian telecom, with VimpelCom close behind. Both companies have much better margins than their international peers. In recent quarters, the Russian mobile operators have improved margins even further. In our view this is largely thanks to economies of scale.

Both MTS and VimpelCom showed better margins in 1Q04 than in previous periods. In 2Q04, this improvement was supported by stronger profitability, with EBITDA margins at 49.8% for VimpelCom and 56.7% for MTS. We believe the improved profitability for the two companies is sustainable, and are upgrading our margin forecasts.

We forecast that MTS and VIP's EBITDA margins will be higher in 2004 and 2005 than in previous years, on economies of scale and a continuing decrease in SAC in 2004. After 2005, however, we expect tougher competition to drive up both SAC and SRC (subscriber retention cost), making it harder for operators to boost margins any further. We expect MTS's EBITDA margin to remain in the mid-50s, and see a long-term EBITDA of 49-50% for VimpelCom.

As a result of strong results in 2Q04, Mobile TeleSystems reported an EBITDA margin of 56.7%, nearly 7 percentage points above that of VimpelCom. We believe

MTS's stronger profitability can be explained by a number of factors, including higher ARPU, economies of scale and better cost management. We expect VimpelCom to decrease this gap in future. Nevertheless, we believe MTS will remain more profitable than its major competitor, with EBITDA margins exceeding VimpelCom's by some 4-5 percentage points.

We estimate MTS's EBITDA CAGR at 17% in 2003-10, equaling revenue CAGR. We see VIP's revenue growth rate exceeding that of MTS, and forecast improving margins. We project VIP's 2003-10 EBITDA CAGR at 19%, slightly above its revenue CAGR of 18%.

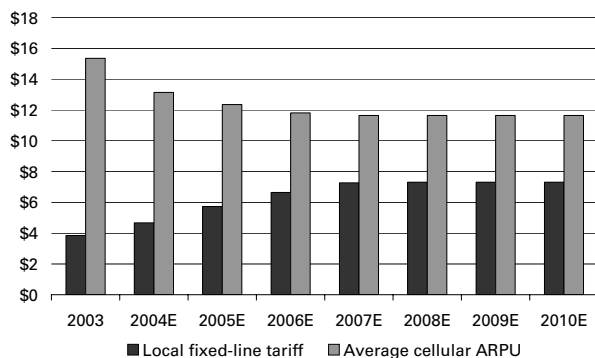
According to our model, MTS and VimpelCom will have the best earnings CAGR among the Russian telcos. We estimate EBITDA CAGR for the super-regional telecoms at 13-14% in 2003-10, and project that they will increase their EBITDA margins by 7-10 percentage points by 2007, on average. Thus the two cellular operators still look a lot more attractive than their fixed-line peers in terms of EBITDA growth (Exhibit 10).

We see MTS's long-term net margin at 26-27%, slightly below the 29% margin shown by the company in 2Q04, but above that shown previously. We expect some improvement in VIP's net profitability, and estimate the company's net margin at 21% after 2005.

FIXED-LINE REFORM BENEFITS CELLULAR PROVIDERS

Exhibit 12

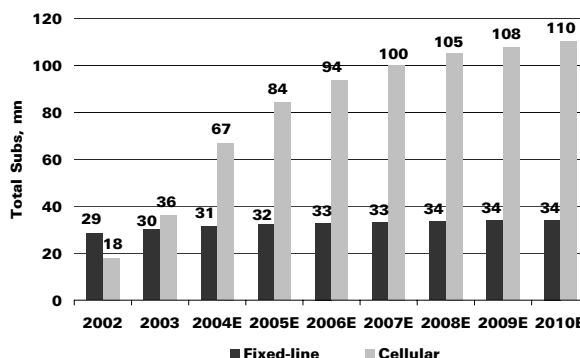
Russian Telecom Sector: Local Fixed-line Tariffs Versus Cellular ARPU, 2003–10E



E = Metropol research estimates
Source: Company data, Metropol

Exhibit 13

Russia: Cellular Versus Fixed-line Subscribers, 2002–10E



E = Metropol research estimates
Source: Company data, Svyazinvest, Metropol

The deregulation of telecommunications tariffs in Russia should lead to a nearly 100% increase in local rates, while long distance rates should drop 50% on average, on our projections. We see the mobile operators benefiting from deregulation, when and if it happens. They should become more competitive in the local loop, and their cost of carrying long distance traffic should fall.

In Russia, we see significant subscriber growth in both cellular and fixed-line communications. We see cellular subscribers more than doubling on the year in 2004, while fixed-line incumbents plan to add nearly 5% to their subscriber bases. This is in contrast to most other markets, where cellular booms usually lead to mobile cannibalization and a drop in fixed-line users. There is still pent-up demand for fixed lines because it was so hard to get a line installed in Soviet times, and because of growth in the housing stock.

A 100% increase in local tariffs should raise charges for local fixed-line communications to \$7–\$9/month by 2007. Cellular ARPU is now around \$10–\$14, depending on region and operator, and continues to fall. It will be much easier to justify buying a mobile phone than a fixed line, given the greater functionality, and more responsive service at the mobile operators, relative to the fixed line incumbents. This pattern has been common in other markets.

Universal service fund will boost fixed numbers. Another planned change in the regulation of the Russian telecommunications sector is the creation of the Universal Service Fund. According to MinCom, all telecoms will transfer 2% of their revenues (net of termination fees) to

the fund. This implies revenues of about \$220–\$250 million in 2005, when the fund is scheduled to come into effect. However, the Ministry has yet to issue any of the required legislation.

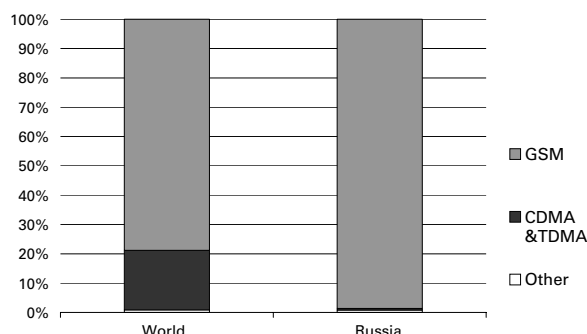
The object of the fund is to enable the Ministry to subsidise the provision of telephone service to remote areas, distributing the funds to companies that do the installation. In theory, these companies could be fixed-line, mobile or alternative operators. In practice, the incumbent fixed operators are likely to take most of these funds. The main benefit to mobile operators will be network effects from having a larger fixed network, with more potential lines for their subscribers to call.

The introduction of money transfers instead of subsidised services for some categories of people may also benefit cellular operators. At present the incumbent operators are obliged to provide telephone services to poorer sections of the population at subsidised rates. The Duma recently passed a law that will replace these subsidies with direct cash benefits, while abolishing subsidised prices.

Increase of purchasing power. One use for this extra cash could be the purchase of mobile phones, instead of buying a fixed-line phone, which in any case might not be available in the area. New users also might be attracted by the greater flexibility and better customer service offered by the mobile operators. Although pensioners are not a priority target market for mobile operators, the abolition of fixed-line subsidies may bring them over, especially since it offers service at both dacha and home.

THREATS FROM OTHER TECHNOLOGIES

Exhibit 14
Russian and World Cellular Subscriber Breakdown by Standard, 2004



Source: GSM Association, company data, AC&M Consulting

NO THREAT FROM CDMA-450

NMT and AMPS operators no longer competitive. The NMT and AMPS operators that controlled the Russian cellular market in the mid-1990s still have a number of subscribers in almost every region of Russia. Many of these operators were founded by local incumbent fixed-line telecoms, which merged into the super-regional telecoms in 2001-2. Their subscriber bases are currently dwindling, as customers switch to GSM operators, which have more advanced technology. By mid-2004, NMT and AMPS subscribers together accounted for less than 3% of the Russian cellular subscriber base, a dramatic drop from 85% in the mid-90s. We believe operators using these standards will lose their remaining subscribers to GSM in the next several years.

SkyLink has launched CDMA-450 networks in several cities. The more advanced CDMA standard is already operating in several cities, launched by the small local mobile network SkyLink. SkyLink currently has nearly 3% market share in St. Petersburg, the first city with a CDMA-450 network, 0.5% market share in Moscow, and 0.4% in Russia overall. In most regions, the company has acquired struggling NMT operators and converted them to CDMA-450. The service is likely to be positioned as a wireless Internet solution in urban areas, since SkyLink does not have the capital required to generate the kind of coverage needed to compete as a mobile operator. It also lacks a wide handset choice and roaming in Europe.

3-G IS A LONG WAY OFF

There is currently no timetable for 3-G auctions. The operators are testing the technology, and the government has not indicated that it wants to use the new technology to take windfall rents from the operators. We are sceptical that 3-G will find many takers in Russia. Its main advantage

over 2-G mobile is that it can transmit video, but we expect to see little demand for this kind of service.

In general, in other markets, operators have indicated that if they take up 3-G, they will use it to increase capacity in their networks. IP-technology and the increased bandwidth and frequency can be used to increase the number of users on an existing network. We do not expect the introduction of 3-G to see new entrants into the market, so this is unlikely to be a back door for the likes of Vodafone or Orange to gain access to the market.

THREATS FROM WI-FI AND WIMAX

Wireless Internet technology could be a threat. Wi-Fi (also known as 802.11x) technology allows for the wireless transmission of data, mostly Internet access. However, VoIP technology allows it to be used for voice as well.

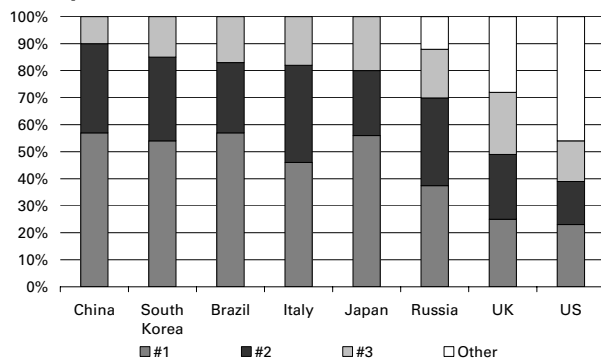
Wi-Fi as an alternative mobile technology. Operators in the US have recently announced that they intend to use these point to point wireless technologies to complement their cellular offerings, selling dual-use handsets. Users can connect with a Wi-Fi terminal when they are near one, and use the cellular network when they are out of range or on the move. This could allow the operators to increase their capacity at low cost, because Wi-Fi base stations are cheap. Operators can also use this technology to increase capacity between cellular base stations, which also reduces the cost of roll-out.

The chief attraction of this technology is that base stations are cheap, and quality is getting better all the time. We are starting to see the first handsets offering GSM and Wi-Fi connections. The technology is likely to be introduced by existing mobile operators, as their technical teams, support staff and billing systems give them a competitive advantage. We think that the cost of providing mobile service will fall, and that competition will reduce prices.

SECTOR CONSOLIDATION

SIX MAIN PLAYERS

Exhibit 15
Russia and International Peers: Market Share of Largest Cellular Operators, 2004



Source: Company data, Metropol research

Six cellular holdings have a presence in more than one region of Russia. Nearly 20 smaller companies operate in specific regions. Thus the market remains rather fragmented, despite the consolidation of regional players by MTS and VimpelCom.

Russia is the only large cellular market with a substantial number of small operators (Exhibit 15). Most Western European countries have 3–4 cellular companies, while the number is even smaller in Eastern Europe, with only 2–3 major operators, on average. Even in less developed Asian markets such as China and India, with penetration rates below those in Russia, the number of cellular operators does not exceed 5–6. We see no reason to expect Russia to be any different in the future.

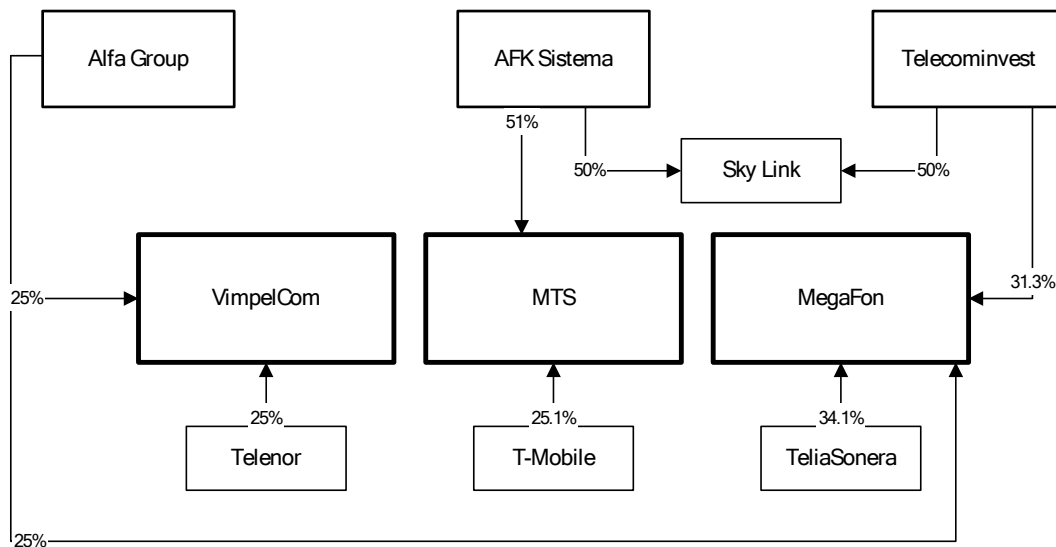
The number of Russian GSM players will fall to four or fewer by 2007, in our view. Market leaders Mobile TeleSystems and VimpelCom have demonstrated their ability to protect their positions. The future of MegaFon is unclear, and largely depends on solving the conflict between its shareholders.

We see the chance of a merger between MegaFon and VIP if Alfa and Telecominvest reach agreement. Alfa Group has already expressed interest in such a merger. According to Alfa's estimates, synergies from such a merger would be between \$750 million and \$1 billion. However, Telenor might not be willing to accept further dilution of its holding in VIP and there is considerable overlap between MegaFon's network and VimpelCom's. If Alfa were unable to achieve the merger, we believe MegaFon might do a deal with the state-owned holding company Syazinvest, taking over the cellular subsidiaries that the latter currently controls.

We believe Syazinvest's cellular subsidiaries could be sold to the national operators. Syazinvest controls operators in 24 regions, with 3.5 million subscribers nationwide. The holding is also a driving force in the consolidation process proceeding in regional cellular markets, as its subsidiaries have completed several acquisitions in 2003–4. However, Syazinvest has been unable to show growth rates in line with the market leaders. We believe its regional operators might possibly merge to become another national player. However, we see it as even more likely that Syazinvest's subsidiaries will merge with one of the national operators. The outcome will depend on the privatisation of Syazinvest. A merger with any sizeable operator would be unlikely before the holding is sold, in our view.

SMARTS losing market share to national operators. SMARTS remains a regional player, with a presence in 16 regions in the Volga, South and Central sections of Russia. However, the company is losing market share to the national operators. In January–August 2004, SMARTS's subscriber base grew 3.1% per month on average, while average market growth exceeded 5%. Thus we believe the best option for SMARTS would be to merge with one of its competitors.

Tele2's market share is unsustainable. Tele2 is also a local player, operating in 11 regions of Russia, and is in many senses similar to SMARTS. We do not believe the company's market share is sustainable, and assume it will be unable to compete successfully with the national operators. As a result, we believe the company will be forced either to merge with a competitor or to exit the market.

Russian Cellular Sector: Ownership Structure

Source: Company data, Metropol

CELLULAR SECTOR OWNERSHIP

The structure of Russia's cellular communications sector remains complex, despite Mobile TeleSystems' and VimpelCom's acquisitions in 2003 and 2004. We see six holdings with meaningful cellular presence in a number of Russian regions: MTS, VimpelCom, MegaFon, Svyazinvest, SMARTS, and Tele2.

The Russian cellular market is notable for the absence of major global players. Local investors appear to us to be strengthening their positions in the market. Alfa Group recently increased its ownership in VimpelCom, as well as acquiring a blocking stake in MegaFon, while MTS acquired stakes in five regional operators from the US-based MCT in late 2003. Sistema raised its stake in MTS to 51% in 2003, when T-Mobile liquidated part of its holding to pay down debt.

Where are the global players? The world's largest geographically diversified cellular operators, such as Vodafone and Orange, have no presence in Russia. Applying for new GSM licenses and launching new networks in Russia is virtually impossible for these companies at the moment, so in our view if they did decide to enter, they would have to buy. These companies may be prepared to pay a premium to the current valuations of the Russian operators, and they themselves trade 50–100% above

MTS and VimpelCom, according to our estimates (see Exhibit 5). Reports of this type of takeover have frequently hit the market, and have led to short-lived booms in the prices of both VimpelCom and MTS.

The likelihood of a takeover is limited, in our view. We do not think that the existing investors in [VimpelCom and MTS], especially Telenor and T-Mobile, would be willing to sell out to their competitors. Another problem is that the government is not keen to see foreign companies gaining control of Russian telecoms companies. If major global players want to be in Russia, they will have to forge some kind of alliance with MTS, VimpelCom or MegaFon, in our view.

Telecoms less sensitive Currently, no large Russian cellular operators are controlled by foreign investors. Previously, foreigners were banned from holding more than 49% in a Russian telecommunications company, but the new Law on Communications lifted this restriction. Telecoms is less sensitive in this regard than, say, the defence or energy industries, but there would almost certainly be an issue if one of the larger operators were more than 50% foreign owned. For instance, the army and the police still run on Soviet-era equipment, so they often supplement it with mobile phones.

MERGERS BENEFIT LEADERS

Exhibit 17

VimpelCom and MTS acquisitions in 2004

VimpelCom		Location	Price (\$ mln)	% acquired	Subs	Price/sub
KaR-Tel		Kazakhstan	425	100%	600000	\$708
MTS						
TAIF-Telecom	20.10.2004	Tatarstan	63	0,473	595820	\$224
Uzdunrobita		Uzbekistan	121	74%	210000	\$779
DNU-900	06.08.2004	Udmurtiya	6,4	49%	219760	\$59
Astrakhan Mobile	24.08.2004	Astrakhan	1,1	50%	10000	\$220
Volgograd Mobile	24.08.2004	Volgograd	2,9	50%	10000	\$580
Primtelefon	01.07.2004	Far East	31	50%	190000	\$326
FECS-900	16.04.2004	Khabarovsk	8,3	40%	151110	\$137
Mobilniye Sistemy Svyazy	13.04.2004	Omsk	2,2	8%	240750	\$122

Source: Company data, Metropol estimates

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METROPOL
INDEPENDENT FINANCIAL COMPANY

CELLULAR SECTOR UPDATE

Telecoms

Acquisitions in the regions enhance value. The benefits of the aggressive acquisition strategy followed by Mobile TeleSystems and other cellular operators is first seen in their subscriber bases. For instance, MTS achieved nearly 35% subscriber growth in 2003–4 through acquisitions. EV/subscriber is currently \$556 for MTS and \$367 for VimpelCom; the acquisition prices of regional mobile operators usually range between \$100 and \$250. So on this metric the acquisitions are value-enhancing.

Acquisitions weaken the competition. Besides these benefits, consolidations weaken the competition by removing other players from the market.

Decreased competition should help national operators increase margins. Also, acquisitions create the potential for economies of scale, eliminating overlapping functions and the introduction of best management practice. However, it is hard for us to see how the margins of Russia's mobile operators could get any better. MTS currently has an EBITDA margin of 53%, while VIP's is 49%, far higher than the average of 40% of their international peers. We think these acquisitions are unlikely actually

to increase margins, but they should help maintain them at their current high levels for longer.

Aggressive acquisition, though beneficial, leads to risks.

The acquiring company must struggle to manage and incorporate newly acquired firms. To mitigate the risks of acquisition and improve management practices, Mobile TeleSystems has already started restructuring its management system.

Restructuring difficulties. VimpelCom sees its strategy of organic growth rather than growth by acquisition as a competitive strength. Management has told us that organic growth means that there is no need to impose working practices on a company that has grown up in a different way. Certainly it can be an uphill struggle to install unfamiliar new billing and accounting systems in Russian companies.

CIS MARKETS APPEAR MOST ATTRACTIVE

MTS following 'growth through acquisitions' strategy.

The company now has a presence in 68 regions of Russia and three ex-USSR countries. MTS has operations in or holds licenses for all the regions in Russia except Chechnya and Penza. We believe the company will continue to consider acquisitions even in markets where it already has a presence, in order to strengthen its position.

SMARTS: a potentially synergistic addition for MTS.

MTS has a strong presence in Central and North West Russia, but lacks coverage in a number of regions in the Volga and Southern Federal Districts. SMARTS has its strongest presence in these regions, and so would be a good match for MTS, in our view. SMARTS lacks the financial resources to compete successfully with the national operators, so we believe its owners might be interested in selling the company now or in the near future.

MTS + SMARTS: we estimate merger synergies of some

\$80 million per year. MTS and SMARTS have discussed the possibility of merging, according to Vedomosti. We calculate that the companies could reap merger synergies worth nearly \$80 million per year. Two-thirds of this would come from a decrease in capex, and the rest from lower operating expenses and interest payments. The merger could boost MTS's subscriber base by 1.5 million users, or 6%.

VimpelCom has not been as aggressive an acquirer

as its major competitor. Among the large-scale deals completed by VIP are acquisitions of its subsidiary VimpelCom-Region and a deal with Dal Telecom International that gave VIP coverage in the Russian Far East. VimpelCom still has no coverage or licenses for a number of regions in the Far East and Siberia (see maps in Appendix). We think it could be interested in acquiring local operators in these parts of Russia.

New Telephone Company seems to us an obvious target

for VIP. New Telephone Company holds licenses for Primorye and Sakhalin, which we think would be attractive to VimpelCom. VimpelCom has no presence in the Sakha Republic, so the local operator in this region, Gorizont-R, could also be a potential target, although there has been no public statement by either company on this.

Russian potential for 'growth through acquisition' limited.

MTS and VIP have limited potential for growth by acquisition in Russia, in our view, as, together with MegaFon and Syazinvest, they control 94% of the market. Even if the leaders acquired all the remaining regional operators (including Tele2 and SMARTS), their subscriber base would rise by no more than 8–9%.

EXPANSION POTENTIAL IN CIS

Exhibit 18

Potential Acquisition Targets in CIS, and Likely Buyers

Country	Penetration	GDP Per Capita, PPP	No. of Players	Potential Targets	Potential Interest (Likely Acquirer)
Armenia	9%	\$3,900	1		
Azerbaijan	17%	\$3,400	2	Azercell (1087)	Medium (MTS, MegaFon)
Belarus	17%	\$6,000	2	BelCel (880)	Medium
Georgia	15%	\$2,500	3	Geocell MagtiCom	Medium (MTS, MegaFon) Medium (MTS, VIP)
Kazakhstan	13%	\$7,000	2	KMobile	High
Kyrgyzstan	4%	\$1,600	1	Bitel (200)	Low
Moldova	14%	\$1,800	2	Voxtel (363)	Medium (MTS, MegaFon)
Tajikistan	1%	\$1,000	2	Babilon-Mobile (21)	Low
Turkmenistan	2%	\$5,700	1		
Ukraine	19%	\$5,300	4	KyivStar (3800)	High (VIP)
Uzbekistan	2%	\$1,700	3	Uzmacom, Buztel	High (VIP)

Source: Company data, World Bank, Metropal research

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METROPOL
INVESTMENT FINANCIAL COMPANY

CELLULAR SECTOR UPDATE

Telecoms

Expansion within CIS most likely. We think the lack of targets in Russia will encourage VimpelCom and MTS to look for acquisition targets outside Russia. Operators in the CIS are the most logical targets, given Russia's historical ties with these countries. We would be surprised if the Russian cellular operators, especially MTS and VimpelCom, do not achieve coverage in the majority of the CIS countries over the next two years.

CIS acquisitions aided by current shareholders. Some acquisitions could be undertaken with the help of the companies' major shareholders, in our view. Alfa Group and Norway's Telenor hold blocking stakes in VimpelCom and in Ukraine's second-largest operator, KyivStar. Given MTS's acquisition of KyivStar's major competitor UMC and the expected entry of a third strong player created by Turkcell and DCC, a merger between VimpelCom and KyivStar might help to improve its competitive position in the Ukrainian cellular market.

MegaFon could get help from TeliaSonera. MegaFon is 43.8% owned by another Scandinavian telecom, TeliaSonera. Through its 74%-owned subsidiary Fintur Holdings, TeliaSonera holds stakes in leading operators in four former Soviet republics: Azerbaijan, Georgia, Moldova and Kazakhstan. The four companies have 3 million total subscribers, so a merger with them would add 30% to MegaFon's subscriber base. However, this would have to wait until the conflict between MegaFon's shareholders is resolved.

Russian operators could launch new operations in some post-Soviet states. We believe Russian cellular companies might choose to launch new operations in some post-Soviet states without making acquisitions. Kazakhstan, Armenia and Belarus, for example, intend to auction off GSM licenses before the end of 2004. We see Russian companies as likely participants in such auctions. However, Belarus' President Alexander Lukashenko said re-

cently that he intended to create a new GSM operator wholly owned by the government to participate in the coming Belarusian GSM auction, probably scuppering the hopes of Russian operators of gaining access to the market. Winning a license and creating cellular networks from scratch could be the best option in countries where existing local players are not for sale, such as Armenia.

CIS cellular markets offer greater growth potential. The CIS markets have substantially lower mobile penetration rates than Russia, which indicates to us strong growth potential. We believe entry into the CIS markets could benefit Russian operators even if they are forced to pay a premium over similar deals in Russia.

Most attractive: Ukraine, Uzbekistan, Kazakhstan, Belarus. The four largest CIS markets are the most attractive for Russian cellular companies, in our view. MTS and VimpelCom each hold cellular stakes in several of these countries. Among the smaller markets, we consider Armenia the most interesting, with a penetration rate of only 9% (Exhibit 19) and relatively high GDP per capita. Armenia currently has only one mobile player, Armentel, which is also the incumbent fixed-line operator. We expect Russian companies to apply for new cellular licenses in the country. The entry of new players should boost penetration rates, in our view.

Expansion outside the CIS is less likely, in our view. In September, Vassily Sidorov, the President of MTS, was quoted by Dow Jones as saying that the company had recently changed its mind about buying an operator in Turkey, and was definitely not interested in buying in India or Pakistan. In our view, the Russian operators are more likely to concentrate on the CIS in the medium term.

VALUATION

MULTIPLES: VIP TRADES BELOW MTS

Exhibit 19

Russian and Global Cellular Stocks: Comparative Valuation Table

Company name	Country	Price US\$	P/EPS					EV/EBITDA					EV/ Sales 2003E
			2003E	04E	05E	06E	07E	2003E	04E	05E	06E	07E	
Russian companies													
VimpelCom	RUSSIA	121.49	27.9	15.0	11.4	9.9	8.5	12.3	7.0	5.0	4.4	4.0	5.7
MTS	RUSSIA	154.09	29.7	14.3	10.3	9.3	8.9	12.4	7.5	5.5	4.9	4.7	6.5
Russian Average			28.8	14.6	10.8	9.6	8.7	12.3	7.2	5.2	4.6	4.4	6.1
Emerging Markets peers													
CHINA UNICOM	HONG KONG	0.75	14.8	11.9	10.4	10.2	10.7	4.9	4.1	3.7	3.6	3.6	1.8
CHINA MOBILE	HONG KONG	3.05	13.8	12.7	12.0	11.5	10.9	5.3	4.6	4.3	4.1	4.0	3.1
SK TELECOM	SOUTH KOREA	177	9.1	8.7	7.8	6.5	5.2	4.4	4.0	3.8	3.4	3.7	2.1
TELE SUDESTE	BRAZIL	1.91	20.2	18.5	11.7	6.0	n.a.	4.0	4.1	3.7	4.1	3.9	1.3
TURKCELL ILETISI	TURKEY	0.01	22.3	17.2	n.a.	n.a.	n.a.	7.4	6.4	n.a.	n.a.	n.a.	2.9
TOTAL ACCESS COM	THAILAND	0.01	26.7	12.9	11.5	10.1	7.6	15.1	11.6	10.4	11.1	8.5	5.6
PARTNER COMM CO	ISRAEL	3.22	4.9	14.4	12.3	n.a.	n.a.	4.2	3.8	3.6	n.a.	n.a.	2.0
MTN GROUP LTD	SOUTH AFRICA	3142.00	14.6	10.0	8.0	n.a.	n.a.	6.3	5.0	4.1	n.a.	n.a.	2.4
EM Average			15.8	13.3	10.5	8.8	8.6	6.4	5.5	4.8	5.3	4.8	2.7
Int'l Majors													
MMQ2 PLC	BRITAIN	196.15	56.1	130.4	44.6	35.7	25.0	7.5	7.4	6.0	5.4	5.0	1.7
US CELLULAR CORP	UNITED STATES	42	28.1	25.7	19.0	13.6	10.7	5.5	5.3	4.7	4.3	3.9	1.4
VODAFONE GROUP	BRITAIN	262	n.m.	n.m.	n.m.	n.m.	n.m.	8.1	8.4	7.9	7.5	7.2	3.2
TELIASONERA AB	SWEDEN	6	27.5	22.2	20.8	20.3	20.7	6.8	7.3	7.2	7.2	7.4	2.6
TELENOR ASA	NORWAY	8.23	23.1	15.0	14.5	13.2	11.7	6.8	5.8	5.4	5.3	5.3	2.3
VERIZON COMMUNIC	UNITED STATES	41.27	15.8	17.1	16.4	16.1	16.7	6.6	6.7	6.5	6.5	6.5	2.7
Int'l Majors Average			30.1	42.1	23.0	19.8	16.9	6.9	6.8	6.3	6.0	5.9	2.3

Source: Bloomberg, Metropol research

EV/Subscriber: Russian telcos trade at a discount to developed-market peers... VimpelCom and Mobile TeleSystems trade at a discount to US and Western European cellular operators on an EV per subscriber basis, on our calculations. MTS currently trades at \$556 per subscriber, while VimpelCom trades at \$367.

...but close to emerging-market peers. However, Russian operators show higher subscriber and revenue growth rates and higher margins than their EM peers. Based on the higher growth of their subscriber bases, the Russian cellular operators look on average 15% undervalued relative to their emerging market peers on YE2004 EV/Subscriber, on our estimates.

VIP and MTS also undervalued on financial multiples.

We estimate VIP's 2005 EV/EBITDA at 5.0 and MTS's at 5.5, compared with an emerging markets average of 4.8 and a developed market average of 6.3. This implies a 4% premium to EM telcos for VimpelCom and a 14% premium for MTS. VimpelCom and MTS trade at an overall 17% discount to developed market averages, on our calculations.

VIP and MTS close to EM peers on a P/E basis.

VimpelCom and MTS trade much closer to their EM peers on the basis of 2004 and 2005 P/Es, on our calculations. However, they are more than 50% undervalued relative to developed market averages, on our estimates. This substantial spread can be explained largely by the higher net margins of many emerging-market cellular operators. On 2003 EV/Sales and Price/Book multiples, both Russian companies look 2-3 times more expensive than their EM peers, on our estimates. Taking into account their strong projected revenue growth, however, VIP and MTS trade close to their peers on 2004 and 2005 EV/Sales and Price/Book ratios.

VIP's discount partly due to nearly 25% lower ARPU. We believe VimpelCom's low ARPU of \$10.8 may partly justify its discount to its major competitors. Other factors may include political risks related to the conflict between VimpelCom's major shareholder Alfa Group and some of Megafon's shareholders over its acquisition of a blocking stake in MegaFon, as well as MTS's higher profitability and better geographical diversification. However, we still consider VimpelCom to be undervalued relative to Mobile TeleSystems, and expect to see this disparity even out over time. Although we rate both stocks BUY, we prefer VIP to MTS.

DCF SHOWS STRONG UPSIDE POTENTIAL

Exhibit 20

VimpelCom Discounted Cash Flow Per Share

Discount Rate	Perpetual Growth Rate				
	0%	1%	2%	3%	5%
7%	\$280	\$319	\$372	\$452	\$852
10%	\$177	\$192	\$210	\$233	\$309
11%	\$155	\$167	\$180	\$198	\$249
13%	\$123	\$130	\$138	\$148	\$176
15%	\$100	\$105	\$110	\$116	\$132
20%	\$64	\$66	\$68	\$70	\$76

Source: *Metropol research estimates*

Exhibit 21

MTS Discounted Cash Flow Per Share

Discount Rate	Perpetual Growth Rate				
	0%	1%	2%	3%	5%
7%	\$306	\$344	\$397	\$476	\$873
10%	\$202	\$217	\$235	\$258	\$333
11%	\$181	\$192	\$206	\$223	\$274
13%	\$148	\$155	\$163	\$173	\$200
15%	\$125	\$129	\$135	\$141	\$157
20%	\$88	\$90	\$92	\$94	\$100

Source: *Metropol research estimates*

VIP and MTS both trade below our DCF fair values. We estimate VimpelCom's fair value at \$148, implying 22% upside potential from the current price. For MTS, our analysis yields a fair value of \$173, implying some 12% upside potential from the current price of \$54.

Discount rate – 13%. We base our risk-free rate on the 7% yield to maturity of US-dollar-denominated Russian Eurobonds maturing in 2018. We have added an equity risk premium of 6%. Recognising that this is arbitrary, we have included a matrix of discount rates and perpetual growth rates. For instance, reducing the equity risk premium from 6% to 4% pushes our fair value for VimpelCom up to \$198.

Total future investments based on capex per new subscriber. Capital expenditures are another important driver of the valuation. We forecast total future investments, net of acquisitions, on the basis of capex per new subscriber. For 2003, this figure was \$128 for VIP and \$110 for Mobile TeleSystems, according to our calculations. MTS and VimpelCom estimate total 2004 capital expenditures at \$1.4 billion and \$1.14 billion, respectively. Combined with our projections of increases in the subscriber base, these figures yield a capex/subscriber estimate of \$85–\$90. We expect this number to grow to \$200 on average by 2007 and to as much as \$350 by 2010 as the market approaches saturation. However, we expect capex growth for both companies to turn negative in 2005.

We see MTS's FCF turning positive in 2004 for the first time in its history. VimpelCom is highly unlikely to see positive free cash flow this year, on our estimates, as the company has lower margins, lower operating cash flow and higher capital expenditures per subscriber than MTS. We project that VimpelCom's FCF will turn positive in 2005.

We estimate terminal free cash flow growth at 3% for the Russian cellular operators, which corresponds with our long-term GDP growth forecast. We use a 24% tax rate for our calculations.

APPENDIX

CELLULAR COVERAGE OF GSM OPERATORS

Services Provided
 Licensed Area
 No License

Exhibit 27

MTS: Cellular Coverage in Russia



Exhibit 28

VimpelCom: Cellular Coverage in Russia



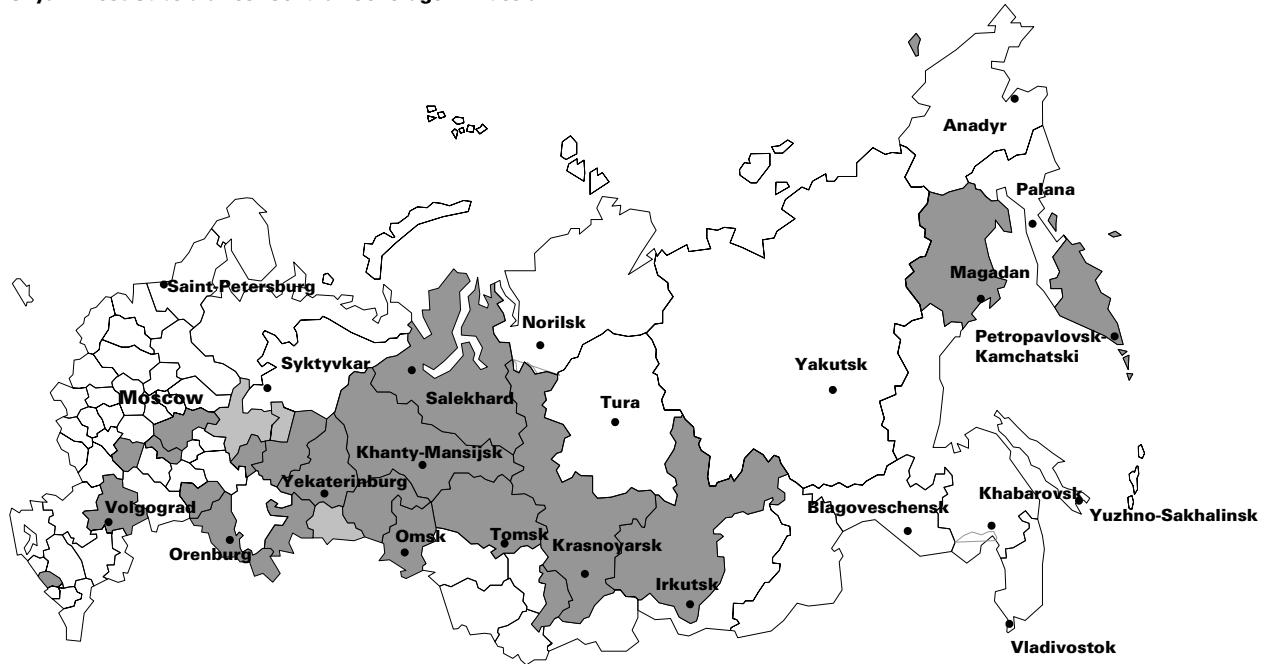
Source: Company data, Metropol

MegaFon: Cellular Coverage in Russia



Source: Company data, Metropol

Svyazinvest Subsidiaries: Cellular Coverage in Russia



Source: Company data, Metropol

Exhibit 31

SMARTS: Cellular Coverage in Russia



Source: Company data, Metropol

Exhibit 32

Tele2: Cellular Coverage in Russia



Source: Company data, Metropol



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