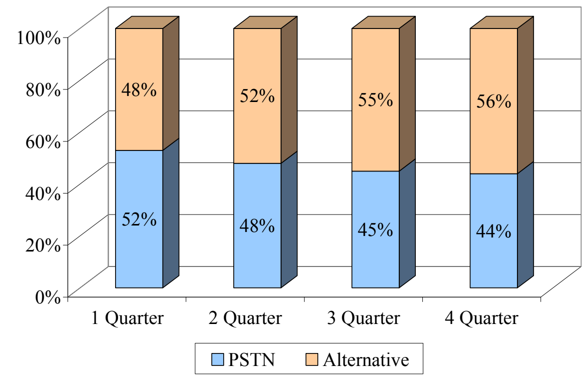
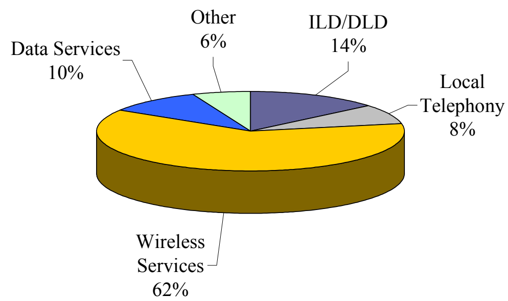
Russian
Telecom Market Watch
April 2003

Russian Alternative[1] Operators (Operational Results)

2002 was a critical turning-point for alternative operators in Russia. For the first time, they outperformed incumbent operators in terms of aggregate revenue. The revenue share of alternative operators increased from 48% at the beginning of 2002 to 56% at year-end, due to faster revenue growth of alternative operators (almost 53% as compared to 2001). Incumbent operators witnessed growth over 26%.

Revenue structure of alternative operators changed slightly. Local telephony decreased from 9.6% in 2001 to 8% in 2002; wireless services increased to 62% (up 2 percentage points). According to our estimates, revenue growth for fixed line telephony in Russia was 35% for 2002.

Revenue of Alternative Operators, 2002	Revenue Structure of Alternative Operators, 2002
	

Source: J'son & Partners

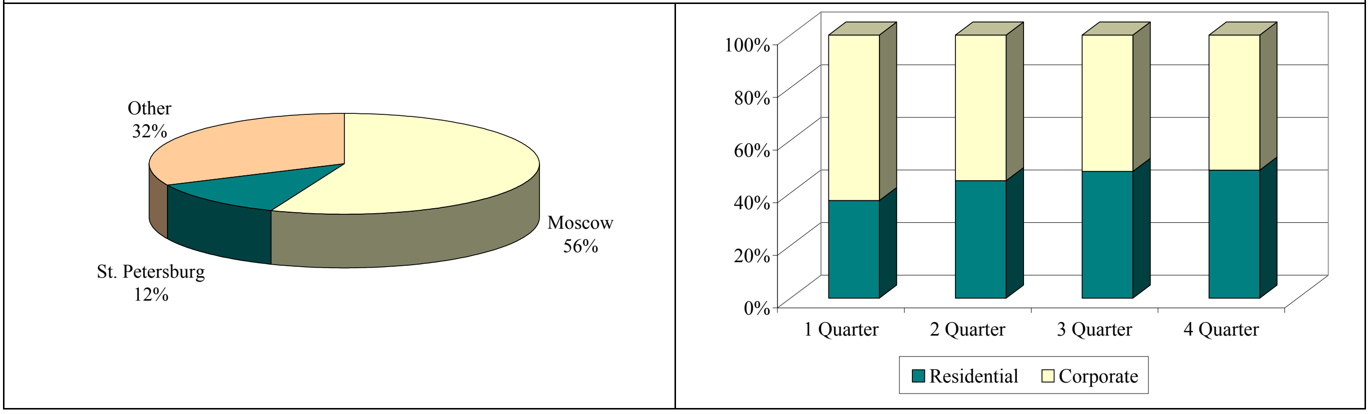
During 2002, residential revenue grew continuously. At the end of the first quarter, the share of the residential segment was 33%, but by the end of the year moved to 54%. The primary reason was robust adoption of cellular communications services to individuals.

Although alternative operators outperformed incumbent operators in terms of revenue, by the end of 2002, they served only 15% of total lines (approximately 5 million) in Russia.

As in previous years, the share of Moscow and St. Petersburg in total revenue of alternative operators was significant, and by year-end accounted for two-thirds of their revenue.

[1] Alternative operator is defined as 1) a non-incumbent operator offering telecommunications services 2) an operator whose tariffs are not regulated by the Russian Ministry for Anti-Monopoly Politics (MAP). Alternative operators include CLECs, datacommunications providers, Internet service providers (ISPs), cellular operators, etc (see separate Market Watch).

Revenue Structure of Alternative Operators, 2002



Source: J'son & Partners

Top 10 Russian Alternative Wireline Operators

Based on company data and our estimates, the largest Russian alternative wireline operators in terms of revenue were the following:

Operator	Revenue from Telecommunications Services[1] ($ Millions), 2002
1. Sovintel[2]	144
2. Teleross[2]	111
3. MTU-Inform	87
4. Equant	85
5. Combellga	65
6. ComStar	59
7. PeterStar	56
8. Telmos	36
9. Central Telegraph[3]	32
10. Comincom	17

Source: J'son & Partners

[1] Revenue is measured as income from telecommunications services. Figures do not take into account revenues from equipment sales and other non-service components.
[2] Non-consolidated results of the Golden Telecom Group of companies
[3] Central Telegraph is considered one of the major players on the alternative operator market as it provides telecommunications services which its tariffs are not regulated by the Ministry for Anti-Monopoly Politics (MAP)

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