

**Recommendations of MTS OJSC Board of Directors
to the Annual General Meeting of MTS OJSC Shareholders
on Distribution of Profit on the Basis of FY 2005 Results**

PROCEDURE FOR DISTRIBUTION OF PROFIT EARNED BY MTS OJSC IN 2005

INCOME STATEMENT

2005

Organization: Mobile TeleSystems Open Joint Stock Company
Location: 4 Marksistskaya Street, Moscow, Russian Federation
Principal State Registration Number: 1027700149124
Type of activity: communication services, construction, intermediation
Unit of measurement: thousands rubles

Item	Line code	For the reporting period	For a similar period of the last year
1	2	3	4
Income and expenses from ordinary activities			
Income (net) from sales of goods, products, works, services (less value-added tax, excise taxes and similar mandatory payments)	010	79 117945	61 744 729
Cost of goods, products, works, services sold	020	32394853	23 165 450
Gross profit	029	46723092	38 579 279
Commercial expenses	030	10 690206	7 421 582
Administrative expenses	040	8092084	5 966043
Profit(loss) from sales (lines (010 - 020 - 030 - 040))	050	27940802	25 191654
Other income and expenses			
Interest receivable	060	640 939	580 272
Interest payable	070	4 529 605	3569839
Income from participation in other organizations	080	182 156	161 490
Other operating income	090	10 658 305	4 170 241
Other operating expenses	100	14 381854	8183456
Non-sales income	120	249730	2 573004
Non-sales expenses	130	3093167	390616
Profit (loss) before tax	140	17667265	20532820
Deferred tax assets	141	1114611	356190
Deferred tax liabilities	142	33068	48 248
Current tax on profit	150	5 798 330	5 598 357
Net profit (loss) for the reporting period	190	12544085	15209472
FOR REFERENCE ONLY			
Fixed tax liabilities (assets)	200	476643	362538
Basic earnings (loss) per share		6.29	7.80
Diluted earnings (loss) per share		6.29	7.80

FUNDS

In compliance with the requirements of the RF legislation and in accordance with the Charter of MTS OJSC the reserve fund is established for the full amount.

DIVIDENDS

The amount of annual dividend on MTS OJSC registered common stock is determined as RUR 7,6 per one registered common share in MTS OJSC with the par value of RUR 0.1 each.

The total amount of annual dividends is RUR 15 149 278 648,8.

Annual dividends shall be paid out in money within the period determined by the Charter of MTS OJSC.

FINAL DISTRIBUTION OF PROFITS AND LOSSES

Expense item	Amount, RUR'000
Net profit for 2005	12 544 085
Retained profits of prior years	2 605 193,6

Net profit for 2005 and retained profits of prior years in the amount of RUB 15 149 278 648,8 will be allocated for payment of annual dividends.

REMUNERATION

The amount equivalent to 1 400 000 US dollars which constitutes 0,124 % of net after-tax profit for 2005 in compliance with the US generally accepted accounting principles (US GAAP) shall be allocated for payment of remuneration to MTS OJSC BoD members.

Remuneration shall be made in the following manner:

- Total remuneration amount to be paid to the members of the Board of Directors: equivalent of 1 400 000 US dollars, including:
 - Remuneration to be paid to each member of the Board of Directors for the period of June 2005 – March 2006 is 150 000 US dollars.
 - Remuneration to be paid to each member of the Board of Directors for the period of March 2006 – June 2006 – 50 000 US dollars.

STOCK OPTION PLAN

To approve the implementation of MTS OJSC stock option plan according to financial year 2005 results. Allocate 1 778 694 registered common shares in MTS OJSC for the option plan implementation. Option agreements (agreements relating to granting the right to buy shares in MTS OJSC) shall be concluded until September 01, 2006 at the price determined on the basis of the average price paid for MTS OJSC ADRs on the NYSE calculated for the period of 100 days of trading prior to the date of entering into the option agreement.

S.D. Shchebetov
MTS OJSC Board of Directors Chairman

L.A.Melamed
MTS OJSC President

R.M. Kolomiets
MTS OJSC Chief Accountant