

Open joint-stock company “Mobile TeleSystems”

Auditors' Report

Financial Statements for 2005
(Unofficial Translation)

AUDITOR: ZAO DELOITTE & TOUCHE CIS

Registered office (legal address): Russia, 125009, Moscow, 4/7 Vozdvizhenka St., Bldg. 2 Business Center "Mokhovaya".

Actual address: Russia, 125009, Moscow, 4/7 Vozdvizhenka St., Bldg. 2 Business Center "Mokhovaya".

Tel.: +7 (495) 787 0600.

Audit License No. E 002417 issued on November 6, 2002 by resolution of the Ministry of Finance of the Russian Federation for five years.

Registration Certificate of ZAO Deloitte & Touche CIS as a member of the Russian Institute of Certified Accountants and Auditors and the regional institute of certified accountants No. 0457/77 issued on November 23, 2005.

Certificate of inclusion in the Unified State Register of Legal Entities regarding the legal entity registered before July 1, 2002 No. 1027700425444 issued by the Interregional Inspectorate of the Russian Ministry of Taxes and Levies No. 39 for the Moscow City on November 13, 2002.

State registration certificate of ZAO "Deloitte and Touche CIS" No. 018.482, issued by the Moscow Registration Chamber on October 30, 1992.

Ruble account No. 40702810500700961028 in ZAO "KB CITIBANK," correspondent account No. 30101810300000000202, BIC 044525202.

AUDITED ENTITY: OPEN JOINT-STOCK COMPANY "MOBILE TELESYSTEMS"

Registered office (legal address): Russia, 109147, Moscow, 4 Marksistskaya street.

Actual address: Russia, 109147, Moscow, 4 Marksistskaya street.

Certificate of inclusion in the Unified State Register of Legal Entities regarding the legal entity registered before July 1, 2002 No. 1027700149124 issued by the Russian Ministry of Taxes and Duties Department for Moscow on September 2, 2002.

State registration certificate of Open joint-stock company "Mobile TeleSystems" No. 10268 issued by the Moscow Registration Chamber on March 22, 2000.

AUDITORS' REPORT

To the shareholders of Open joint-stock company "MobileTeleSystems"

We have audited the accompanying financial statements of Open joint-stock company "Mobile TeleSystems" ("the Company") for the year 2005. Financial statements of the Company consist of:

- Balance Sheet as of December 31, 2005;
- Statement of Profit and Loss for the year ended December 31, 2005;
- Statement of Changes in Equity for the year ended December 31, 2005;
- Statement of Cash Flows for the year ended December 31, 2005;
- Appendix to the Balance Sheet for the year ended December 31, 2005;
- Explanatory notes to the financial statement.

Preparation and presentation of these financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on whether these statements are reliable in all material respects and whether the accounting procedures comply with the legislation of the Russian Federation based on our audit.

We conducted our audit in accordance with Federal Law of the Russian Federation No. 119-FZ dated August 7, 2001 "On Auditing Activity"; federal rules (standards) of auditing; effective rules (standards) of auditing approved by Committee for Auditing Activity under President of the Russian Federation; and company standards.

The audit was planned and performed to gain reasonable assurance that the financial statements of the Company are free of material misstatement. The audit was performed on a sample basis and included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing accounting principles and rules of financial statements preparation; identifying principal accounting estimates made by the Company's management during preparation of the financial statements; as well as evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion on the reliability of the financial statements and compliance of the accounting procedures with the legislation of the Russian Federation.

UNOFFICIAL TRANSLATION

In our opinion, the accompanying financial statements of Open joint-stock company “Mobile TeleSystems” present fairly, in all material respects, its financial position as of December 31, 2005 and the results of its operations for the year 2005 in accordance with the requirements of the legislation of the Russian Federation relating to the preparation of financial statements.

Partner

Timothy Egan Copeland

Audit and Enterprise Risk Services

acting on the basis of the power of attorney
as of December 9, 2005

Audit Head

Natalia Valerievna Golovkina

Auditor’s qualification certificate No. K010463
as of December 28, 2000 with no expiration

April 15, 2006

ZAO “Deloitte & Touche CIS”

BALANCE SHEET
as of December 31, 2005

Company	OJSC "MTS"	Form No. 1 OKUD	CODES
Taxpayer identification number	774000076/997750001	Date (year, month, day)	0710001
Industry (type of activity)	Telecommunication services	OKPO	31/12/2005
Legal status/form of ownership	Open join-stock company/private	INN	52686811
Unit of measurement	Thousand roubles	OKVED	7740000076/ 997750001
Address	4 Marksistskaya st.,109147, Moscow	OKOPF/	64.20.11
		OKFS	47/34
		OKEI	384

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Date of approval 15/04/2006

ASSETS	Code	Opening balance	Closing balance
1	2	3	4
I. NON-CURRENT ASSETS			
Intangible assets	110	694,100	669,552
Fixed assets	120	30,085,964	48,249,086
Construction in progress	130	11,020,239	22,003,770
Lessor leases	135	637,690	477,133
Long-term investments	140	41,238,862	38,859,161
Other non-current assets	150	7,237,036	12,693,269
Deferred tax assets	170	356,345	1,363,561
Total Section I	190	91,270,236	124,315,532
II. CURRENT ASSETS			
Inventories	210	5,720,051	12,076,257
including:			
raw materials and equivalents	211	1,462,955	3,871,743
work in progress	213	939,401	569,958
finished goods and goods for resale	214	2,398,890	5,578,983
prepaid expenses	216	918,805	2,055,573
Value-added tax reimbursable	220	3,502,318	7,561,636
Receivables maturing within 12 months	240	11,796,711	15,610,207
including:			
trade receivables	241	8,360,283	9,458,695
Short-term investments	250	4,213,437	2,574,618
Cash and cash equivalents	260	2,504,439	761,858
Total Section II	290	27,736,956	38,584,576
TOTAL ASSETS	300	119,007,192	162,900,108

EQUITY AND LIABILITIES	Code	Opening balance	Closing balance
1	2	3	4
III. EQUITY			
Share capital	410	199,333	199,333
Additional paid-in capital	420	17,440,082	17,452,113
Reserve capital	430	29,900	29,900
including:			
reserves created as per legislative requirements	431	29,900	29,900
Retained earnings, current year	470	X	12,544,085
Retained earnings, prior years	480	36,574,632	25,113,599
Reorganization - profit	481	-	8,919,487
Reorganization - loss	482	-	(1,199,607)
Total Section III	490	54,243,947	63,058,910
IV. LONG-TERM LIABILITIES			
Long-term loans	510	42,716,027	62,811,183
Deferred tax liabilities	515	481,113	425,805
Total Section IV	590	43,197,140	63,236,988
V. CURRENT LIABILITIES			
Short-term loans	610	8,849,246	12,577,276
Payables	620	12,474,490	22,706,121
including:			
trade payables	621	5,843,659	13,890,414
accrued wages and salaries	622	342,535	899,025
social insurance payable	623	10,655	51,196
taxes payable	624	1,070,507	594,295
advances received	625	4,848,373	6,950,212
other creditors	626	358,761	320,979
Payable to shareholders	630	6,306	37,626
Deferred revenues	640	4,136	4,209
Accrued expenses	650	231,927	1,278,978
Total Section V	690	21,566,105	36,604,210
TOTAL EQUITY AND LIABILITIES	700	119,007,192	162,900,108

OFF-BALANCE-SHEET ACCOUNTS

Description	Code	Opening balance	Closing balance
1	2	3	4
Lessee leases	910	870	132,609
including assets under lease	911	-	132,609
Assets accepted for storage	920	3,572,438	1,529,290
Bad debts written off	940	76,933	504,962
Collateral and guarantees received	950	422,298	505,706
Collateral and guarantees issued	960	31,180,182	47,170,348
Depreciation of dwelling premises	970	311	144
Depreciation of non-productive facilities	980	-	1,303

**STATEMENT OF PROFIT AND LOSS
for the year 2005**

Company	<u>OJSC "MTS"</u>	Form No. 2 OKUD	710002
Taxpayer identification number	<u>7740000076/997750001</u>	Date (year, month, day)	31/12/2005
Industry (type of activity)	<u>Telecommunication services</u>	OKPO	52686811
Legal status/form of ownership	<u>Open join-stock company/private</u>	INN	7740000076/ 997750001
Unit of measurement	<u>Thousand roubles</u>	OKVED	64.20.11
		OKOPF/	47/34
		OKFS	
		OKEI	384

Description	Code	Current year	Prior year
1	2	3	4
REVENUE AND EXPENSES FROM OPERATING ACTIVITIES			
Gross revenue from sales of goods and services (less VAT, excise and equivalent payments)	010	79,117,945	61,744,729
including:			
Telecommunication services	011	71,661,125	54,620,535
Equipment sales	012	5,683,892	5,939,927
Construction services and other	013	1,772,928	1,184,267
Cost of sales	020	(32,394,853)	(23,165,450)
including:			
Telecommunication services	021	(26,344,004)	(16,779,912)
Equipment sales	022	(5,605,667)	(5,828,618)
Construction services and other	023	(445,182)	(556,920)
Gross profit	029	46,723,092	38,579,279
Selling expenses	030	(10,690,206)	(7,421,582)
General and administrative expenses	040	(8,092,084)	(5,966,043)
Profit on sales	050	27,940,802	25,191,654
OTHER INCOME AND EXPENSES			
Interest income	060	640,939	580,272
Interest expense	070	(4,529,605)	(3,569,839)
Investment income	080	182,156	161,490
Other operating income	090	10,658,305	4,170,241
Other operating expenses	100	(14,381,854)	(8,183,456)
Non-operating gains	120	249,730	2,573,004
Non-operating losses	130	(3,093,167)	(390,616)
Extraordinary gains	131	549	517
Extraordinary losses	132	(590)	(447)
Income before tax	140	17,667,265	20,532,820
Deferred tax benefit	141	1,114,611	356,190
Deferred tax expense	142	(33,068)	(48,248)
Current income tax expense	150	(5,798,330)	(5,598,357)
Tax penalties	151	(406,393)	(32,933)
CURRENT YEAR NET INCOME	190	12,544,085	15,209,472
ADDITIONAL INFORMATION			
Permanent tax liabilities	200	476,643	362,538
Earnings per share, basic and diluted, roubles	210	6.29	7.80

BREAKDOWN OF CERTAIN GAINS AND LOSSES

Description	Code	Current year		Prior year	
		gains	losses	gains	losses
1	2	3	4	5	6
Fines and penalties recognized by court or debtor	810	42,425	4,574	12,132	34,562
Prior year adjustments	820	9,288	247,502	267,791	167,112
Reimbursement of losses caused by default or by improper fulfillment of obligations	830	29,563	152	2,674	572
Foreign currency exchange gains and losses	840	-	1,655,810	2,228,225	-
Provisions	850	X	1,428,600	X	2,094,029
Bad debts written off	860	189	1,388	317	9

**STATEMENT OF CHANGES IN EQUITY
for the year 2005**

Company	OJSC "MTS"
Taxpayer identification number	7740000076/997750001
Industry (type of activity)	Telecommunication services
Legal status/	Open joint-stock company
Form of ownership	Private
Unit of measurement	Thousand roubles

	CODES
Form No. 3 OKUD	710003
Date (day, month, year)	31/12/2005
OKPO	52686811
INN	7740000076/ 997750001
OKVED	64.20.11
OKOPF/	47/34
OKFS	
OKEI	384

CHANGES IN EQUITY

Description	Code	Share capital	Additional paid-in capital	Reserve capital	Retained earnings (accumulated deficit)	Total
1	2	3	4	5	6	7
Balance as of December 31, 2003	90	199,333	17,440,082	29,900	27,748,138	45,417,453
2004						
Balance as of January 1, 2004	100	199,333	17,440,082	29,900	27,748,138	45,417,453
Net income	105	X	X	X	15,209,472	15,209,472
Dividends	109	X	X	X	(6,382,978)	(6,382,978)
Balance as of December 31, 2004	140	199,333	17,440,082	29,900	36,574,632	54,243,947
2005						
Balance as of January 1, 2005	100	199,333	17,440,082	29,900	36,574,632	54,243,947
Net income	105	X	X	X	12,544,085	12,544,085
Dividends	109	X	X	X	(11,465,517)	(11,465,517)
Increase in capital:						
reorganization	123	X	X	X	8,919,487	8,919,487
fixed assets disposal	124	X	16,802	X	4,484	21,286
Decrease in capital:						
reorganization	133	X	X	X	(1,199,607)	(1,199,607)
fixed assets disposal	134	X	(4,771)	X	X	(4,771)
Balance as of December 31, 2005	140	199,333	17,452,113	29,900	45,377,564	63,058,910

RESERVES

Description	Code	Balance	Additions	Disposals	Balance
1	2	3	4	5	6
Reserves created as per legislative requirements					
prior year	141	29,900	-	-	29,900
current year	142	29,900	-	-	29,900
Provisions					
Provision for doubtful debts					
prior year	145	-	1,669,172	(76,933)	1,592,239
current year	146	1,592,239	1,184,034	-	2,776,273
Inventory obsolescence provision					
prior year	147	-	501,790	-	501,790
current year	148	501,790	244,566	-	746,356
Accrued expenses					
Unused vacation					
prior year	149	-	174,468	-	174,468
current year	150	174,468	145,164	-	319,632
Services					
prior year	151	-	57,459	-	57,459
current year	152	57,459	901,887	-	959,346
Accrued employee bonuses					
prior year	153	-	335,959	-	335,959
current year	154	335,959	883,010	(335,959)	883,010

SUPPLEMENTARY INFORMATION

Description	Code	Opening balance	Closing balance
1	2	3	4
Net assets	200	54,248,083	63,063,119

STATEMENT OF CASH FLOWS
for the year 2005

Company	OJSC "MTS"	Form No. 4 OKUD	710004
Taxpayer identification number	7740000076/997750001	Date (day, month, year)	31/12/2005
Industry (type of activity)	Telecommunication services	OKPO	52686811
Legal status/	Open joint-stock company	INN	7740000076/ 997750001
Form of ownership	Private	OKVED	64.20.11
Unit of measurement	Thousand roubles	OKOPF/	47/34
		OKFS	
		OKEI	384

Description	Code	Current year	Prior year
1	2	3	4
Cash and equivalents at beginning of year	100	3,995,793	8,316,032
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	110	91,798,655	64,779,471
Other income	120	761,877	1,395,805
Cash and equivalents used:	130		
payments for acquired services, goods and other current assets	150	(52,896,849)	(24,236,554)
payments to employees	160	(4,142,820)	(2,358,400)
payments of dividends, interest	170	(14,138,714)	(8,963,020)
payments of taxes	180	(15,913,550)	(11,099,649)
other payments	190	(1,030,452)	(1,457,227)
Net cash from operating activities	200	4,438,147	18,060,426
CASH FLOWS FROM INVESTING ACTIVITIES			
Sales revenue from fixed assets and other non-current assets	210	431	14,139
Sales revenue from securities and other financial investments	220	139,111	1,023,759
Dividends received	230	223,915	202,426
Interest received	240	550,926	1,082,209
Proceeds from redemption of loans given to other entities	250	2,470,297	4,154,303
Acquisitions of subsidiaries	280	(5,094,323)	(10,321,669)
Purchases of fixed assets, lessor leases and intangible assets	290	(25,676,664)	(23,187,866)
Purchases of securities and other investments	300	-	(855,045)
Loans granted to other entities	310	(3,796,033)	(4,299,560)
Net cash from investing activities	340	(31,182,340)	(32,187,304)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans issued by other entities	350	30,381,083	32,785,377
Redemption of loans (excluding interest)	355	(7,280,622)	(23,071,204)
Redemption of finance lease liabilities	365	(64,585)	-
Reorganization	366	474,382	-
Net cash from financing activities	370	23,510,258	9,714,173
Net decrease in cash and equivalents	375	(3,233,935)	(4,412,705)
Cash and equivalents at end of year	380	761,858	3,903,327
Effect of changes in exchange rates	390	(92,466)	(456,299)

**APPENDIX TO THE BALANCE SHEET
for the year 2005**

Company OJSC "MTS"
 Taxpayer identification number 7740000076/997750001
 Industry (type of activity) Telecommunication services
 Legal status/ Open joint-stock company
 Form of ownership Private
 Unit of measurement Thousand roubles

Form No. 5 OKUD
 Date (day, month, year)

CODES	
0710005	
31/12/2005	
52686811	
7740000076/ 997750001	
64.20.11	
47/34	
384	

INTANGIBLE ASSETS

Description	Code	Opening balance	Additions	Disposals	Closing balance
1	2	3	4	5	6
Objects of intellectual property (exclusive rights to use of intellectual property)	010	499,513	49,947	-	549,460
including:					
patent rights to inventions, industrial standards, utility models	011	76,017	33,887	-	109,904
rights to use software	012	423,496	16,060	-	439,556
Numbering capacity and other	040	930,592	342	(16)	930,918
Total	041	1,430,105	50,289	(16)	1,480,378

Description	Code	Opening balance	Closing balance
1	2	3	4
Amortization of intangible assets - total, including:	050	736,005	810,826
Objects of intellectual property (exclusive rights to use of intellectual property), including:			
patent rights to inventions, industrial standards, utility models	051	297,549	321,156
rights to use software	052	5,020	11,386
rights to use software	053	292,529	309,770
Numbering capacity and other	054	438,456	489,670

FIXED ASSETS

Description	Code	Opening balance	Additions	Disposals	Closing balance
1	2	3	4	5	6
Buildings	100	2,610,987	1,051,147	(6,378)	3,655,756
Constructions and transmission devices	101	1,770,466	772,332	(10,772)	2,532,026
Machinery and equipment	102	34,451,108	25,283,502	(2,401,909)	57,332,701
Vehicles	103	218,741	96,294	(16,652)	298,383
Production and household instruments	104	326,589	120,714	(6,675)	440,628
Other types of fixed assets	108	115,057	21,714	(17,614)	119,157
Land plots and natural resources	109	12,718	5,907	(1,834)	16,791
Total	120	39,505,666	27,351,610	(2,461,834)	64,395,442

Description	Code	Opening balance	Closing balance
1	2	3	4
Depreciation of fixed assets - total	140	9,419,702	16,146,356
including:			
buildings and structures	141	227,295	375,212
machinery, equipment and vehicles	142	9,110,051	15,378,362
other assets	143	82,356	392,782
Transferred for lease - total	145	688,932	539,346
including:			
buildings and structures	146	582,552	396,783
machinery, equipment and vehicles	147	106,380	142,563
Temporarily not in use	149	64,181	144
Received for lease - total	150	870	132,609
machinery, equipment and vehicles	152	870	132,609

INCOME-BEARING INVESTMENTS IN TANGIBLE ASSETS

Description	Code	Opening balance	Additions	Disposals	Closing balance
1	2	3	4	5	6
Lessor leases	300	688,932	-	149,586	539,346
Total	305	688,932	-	149,586	539,346

Description	Code	Opening balance	Closing balance
1	2	3	4
Amortization of lessor leases	306	51,242	62,213

FINANCIAL INVESTMENTS

Description	Code	Long-term investments		Short-term investments	
		Opening balance	Closing balance	Opening balance	Closing balance
1	2	3	4	5	6
Investments in authorized capital stock of other entities - total	510	39,529,696	37,711,858	-	-
including:					
subsidiaries and associates	511	39,529,696	37,711,858	-	-
Securities of other entities - total	520	19,628	19,628	-	10,057
including:					
debt securities (bonds, promissory notes)	521	19,628	19,628	-	10,057
Loans issued	525	1,689,538	1,117,613	2,826,002	2,564,561
Deposits	530	-	-	1,387,435	-
Other	535	-	10,062	-	-
Total	540	41,238,862	38,859,161	4,213,437	2,574,618

RECEIVABLES AND PAYABLES

Description	Code	Opening balance	Closing balance
1	2	3	4
Receivables:	600		
short-term - total	605	11,796,711	15,610,207
including:			
trade receivables	606	8,360,283	9,458,695
advances paid to suppliers	607	2,217,373	3,317,945
other	608	1,219,055	2,833,567
Total	615	11,796,711	15,610,207
Payables:	620		
short-term - total, including:	625	21,323,736	35,283,397
including:			
trade payables	626	5,843,659	13,890,414
advances received	627	4,848,373	6,950,212
taxes payable	628	1,070,507	594,295
bank loans	629	4,609,474	10,955,614
other loans	630	4,239,772	1,621,662
other	631	711,951	1,271,200
long-term - total	635	42,716,027	62,811,183
including:			
bank loans	636	18,467,742	24,435,240
other loans	637	24,248,285	38,375,943
Total	640	64,039,763	98,094,580

EXPENSES RELATED TO OPERATING ACTIVITIES

Description	Code	Current year	Prior year
1	2	3	4
Materials	710	14,423,319	16,180,450
Wages	720	4,365,971	2,685,740
Social contributions	730	931,454	545,111
Depreciation and amortization	740	7,420,770	3,934,342
Other costs	750	24,035,629	13,207,432
Total for cost elements	760	51,177,143	36,553,075
Changes in balances (increase [+], decrease [-]) of:			
incomplete production	765	(369,443)	(291,676)
changes in prepaid expenses	766	1,136,768	250,333
changes in accrued expenses	767	1,047,051	231,927

COLLATERAL

Description	Code	Opening balance	Closing balance
1	2	3	4
Received - total, including:	800	422,298	505,706
promissory notes	805	422,298	505,706
Pledged property, including:	810	-	-
fixed assets	815	-	-
Given - total, including:	830	31,180,182	47,170,348
issued guarantees	835	31,180,182	47,170,348

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
of OJSC “MOBILE TELESYSTEMS” for 2005

1. SHORT DESCRIPTION OF THE COMPANY’S ACTIVITIES

1.1. Open Joint Stock Company “Mobile TeleSystems” (“the Company” or OJSC “MTS”) provides telecommunication services on the territory of the Russian Federation (the “RF”). The Company is one of the leading mobile operators in the Russian Federation.

Date of state registration is March 1, 2000.

OJSC “MTS” has registered branches and structural divisions in the following regions of Russia:

Vladimir, Petushki, Murom, Kovrov, Alexandrov, Kolchugino, Gus-Khrustalny, Vyazniki of Vladimir region, Pskov, Velikie Luki, Ostrov, Porkhov of Pskov region, Ryazan, Kasimov, Spas-Klepiki, Skopin, Shilovo, Sasovo, Sarai settlement, Shatzk, Spassk, Ryazhsk, Rybnoye of Rayzan region, Smolensk, Vyazma, Roslavl, Gagarin, Safonovo, Desnogorsk, Yartsevo, Potchinok, Rudnya of Smolensk region, Tula, Efremov, Shchekino, Novomoskovsk, Aleksin of Tula region, Yaroslavl, Rybinsk, Pereyaslavl-Zalessky, Uglich, Rostov, Tutaev of Yaroslavl region, Syktyvkar, Ukhta, Pechora, Vorkuta, Inta, Usinsk, Ezhva of Komi Republic, Tver, Blagoveshensk, Belogorsk, Tynda, Svobodny of the Amur region, Kurgan, Shchadrinsk of the Kurgan region, Ivanovo, Kineshma, Furmanov, Shuya of the Ivanovo region, Kaluga, Obninsk, Kondrovo, Kozelsk, Kirov of the Kaluga region, Kirov, Kirovo-Chepetsk of the Kirov region, Kostroma, Volgorechensk, Sharya of the Kostroma region, Nizniy Novgorod, Dzerzhinsk, Arzamas of the Nizniy Novgorod region, Tambov, Michurinsk, Rasskazovo of the Tambov region, Tumen, Tobolsk of the Tumen region, Nizhnevartovsk, Surgut, Khanty-Mansiysk of the Khanty-Mansi Autonomous region, Salekhard, Noyabrsk of the Yamalo-Nenets Autonomous District, Perm, Bereznyaky of the Perm region, Chelyabinsk, Magnitogorsk, Yuryuzan of the Chelyabinsk region, Pushkino, Podolsk of the Moscow region, Orenburg, Orsk of the Orenburg region, Kyzyl of the Republic of Tuva, Samara, Togliatti, Syzran of the Samara region, Saratov, Engels of the Saratov region, Yuzhno-Sakhalinsk, Elista of the Republic of Kalmykia, Saint-Petersburg, Krasnodar, Eisk, Tikhoretsk, Kropotkin, Armavir, Sochi, Novorossiysk, Adler, Lazarevskoe, Gelendzhik, Tuapse, Anapa, Slavyansk, Krymsk, Temruk, Arkhipo-Osipovka of the Krasnodar region, Maicop of the Republic of Adygeya, Khabarovsk, Novosibirsk, Kemerovo, Novokuznetsk of the Kemerovo region, Cheboksary, Novocheboksarsk of the Chuvash Republic, Saransk of the Mordovian Republic, Stavropol, Pyatigorsk of the Stavropol region, Ulyanovsk, Tomsk, Ekaterinburg, Krasnoyarsk, Omsk, Astrakhan, Volgograd, Kazan of the Republic of Tatarstan, Nalchik of the Kabardino-Balkarian Republic, Cherkessk of the Karachayevo-Cherkessian Republic, Magas of the Republic of Ingooshetia, Barnaul, Biysk of the Altai region, Izhevsk, Votkinsk, Glazov, Mozhga, Sarapul of the Udmurt Republic, Rostov-on-Don, Volgodonsk, Novocherkassk, Taganrog, Shakhty of the Rostov region, Vologda, Cherepovetsk of the Vologda region, Petrozavodsk, Kaliningrad, Velikiy Novgorod, Murmansk, Arkhangelsk, Naryan-Mar, Severodvinsk, Novodvinsk, Kotlas of the Arkhangelsk region.

As a result of the Company's reorganization performed on June 30, 2005, the following subsidiaries were merged into OAO "MTS" as the branches:

- ZAO "Telecom - 900"
- OAO "Telecom-XXI"
- ZAO "Kuban GSM"
- ZAO "DonTelecom"
- ZAO "MTS-Nizhny Novgorod"
- ZAO "UDN - 900"
- ZAO "Amur Cellular Communications"
- ZAO "MTS-Barnaul"

The reorganization was certified by record in the Unified State Register of Legal Entities on June 30, 2005 under state registration number 2057747347150. Information about the results of the merger of the above companies and the impact of the reorganization on the financial statements of OJSC "MTS" is disclosed in Note 13 "Reorganization of the Company".

1.2. The number of Company employees, including employees of the branches as of December 31, 2004 and 2005 was 12,150 and 18,336, respectively.

1.3. The Company generates revenue primarily from the following services:

- mobile radiotelephone communications;
- lease of communication channels;
- local and international telephone services;
- telematic services;
- sale of handsets and accessories;
- sale of equipment;
- works under the construction license.

1.4. The Company sells mobile communication services mainly to Russian individuals and legal entities, as well as to foreign legal entities and individuals.

In the reporting period, sales to each customer did not exceed individually 1% of the total sales, which allows the Company's management to expect that in the event of the loss of a particular customer, any negative consequences will be insignificant.

The Company is expanding the construction of base stations on the territory of Russia into the regions, and as such its own subsidiaries represent the major buyers of equipment and construction works.

The entity recording for title to securities is Open joint-stock company "Registrar NIKoil".

Mail Address: bl. 45, 8 Pravdy st., Moscow, 125124, Russia.

License: No. 10-000-1-000290, issued on 17.06.2003 with no expiry date.

Issuing authority: Federal Commission for the Securities Market.

Mass media information on the Company is published in Attachment to the Newsletter of the Federal Commission for the Securities Market.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. *Basis for financial statements preparation*

- The Company's financial statements are prepared on the basis of the accounting and reporting legislation requirements of the Russian Federation.

2.2. *Going concern*

- In preparation of the financial statements for 2005 the Company's management assumed that the Company will continue as a going concern in the foreseeable future and has no plans to discontinue or significantly reduce its operations, therefore its obligations will be discharged appropriately.

2.3. *Fixed assets valuation policy*

- Depreciation of fixed assets is calculated using the straight-line method;
- Depreciation rates for fixed assets acquired before January 1, 2002 are determined in accordance with the pre-defined rates, approved by the Council of Ministers of the USSR Resolution No. 1072 dated October 22, 1990, on "Unified depreciation rates for the full replacement of fixed assets in the national economy of the USSR"; depreciation rates for fixed assets acquired after January 1, 2002 are calculated based on the asset useful life in accordance with the Fixed Assets Depreciation Groups Classification, approved with Russian Federation Government Decree No. 1 dated January 1, 2002. The useful lives of fixed assets that are not included in applicable depreciation groups is determined in accordance with recommendations of manufacturers. The useful lives of fixed assets that are not included in applicable depreciation groups and are not covered by recommendations of manufacturers is determined based on expert evaluation.

2.4. *Intangible assets valuation policy*

- Intangible assets are amortized using the straight-line method, based on the historical cost of intangible assets and rates calculated based on the relevant asset useful life, determined by patents, certificates, etc., or, alternatively, determined as the estimated period when such asset will be used and is expected to generate economic benefits to the Company. Intangible assets whose useful life is impossible to determine are amortized over 20 years;
- Intangible assets amortization charge is recorded in accounting books by accumulation of corresponding amounts on a separate account 05 "Amortization of intangible assets"

2.5. Inventory valuation policy

- The cost of purchased inventories is recorded using accounts 15 “Acquisition of inventories” and 16 “Variance in cost of inventories”. The planned cost of inventories is recognized in accounts 10 “Materials” and 41 “Goods” and is calculated based on the purchase price;
- In the reporting period, inventory valuation policy did not change;
- Goods are recorded at their purchase cost based on actual expenses incurred for the purchase. At the end of each month, these expenses are charged to cost of sales in accordance with the expense allocation methodology;
- Finished goods are recorded in the balance sheet at their actual production cost without using account 40 “Production of goods and services”;
- When transferred into production or otherwise disposed of, inventory is valued using the first-in, first-out, or FIFO method;
- Work-in-process is carried on the balance sheet at average actual direct production cost that relates to separate inventory items. Outstanding work-in-process balances under construction and installation projects are determined monthly based on the data provided by the Planning Department on direct expenses relating to projects accepted by customers. Outstanding work-in-process balances related to auxiliary production processes are determined monthly based on the data on the cost of not completed items; this information is provided by the respective departments of the Company.

2.6. Valuation of investments

- The Company’s investments comprise securities of other entities, investments in other entities’ shares, loans given, and bank deposits;
- Investments are recorded at historical cost, including any costs related to their acquisition. The Company has no investments for which readily determinable market value exists; calculation of discounted value for debt securities and loans given is not performed;
- The value of investments disposed of is determined based on historical cost of each investment item.

2.7. Revenue recognition and measurement

- For financial accounting purposes, revenues are recognized on an accrual basis. Revenue from connection fees is recognized at the time of subscriber connection to the network and is not deferred.
- For construction works performed by the Company, the percentage of completion is determined on the basis of interim acceptance acts (“KS-2”) and reports on the cost of works performed (“KS-3”).

2.8. Expenses recognition and measurement

- General, administrative and selling expenses are recognized in full as incurred.
- In accordance with the accounting policy adopted by the Company starting January 1, 2004, the following provisions are accrued for:
 - bad debt provision;
 - provision for unused vacation;
 - provision for annual performance bonuses; and
 - provision for services rendered.
- Prepaid expenses are recorded in account 97 "Prepaid expenses" in the amount of costs actually incurred. Prepaid expenses are charged monthly to the debit of the expenses account during a period defined in the respective documents (licenses, agreements, etc.). If the period cannot be determined on the basis of such documents, it is established by a commission, whose members are approved by the Company executive.

2.9. Long-term and current liabilities

- Borrowings and liabilities that mature in more than 12 months are recognized as part of long-term liabilities. Long-term liabilities are reclassified to current liabilities when their maturity is equal or less than 365 days from the reporting date;
- Principal and additional debt issuance costs are expensed as incurred and included in operating expenses.

2.10. Research and development costs

- Expenses related to research and development comprise all expenses incurred in relation to the performance of such activities;
- If upon completion of works related to research and development the decision is taken that the results cannot be used in Company's operations or that a certain type of research and development activity will not generate future economic benefits, the respective expenses are charged to non-operating expenses;
- If the internal technical committee takes positive decision on the recognition of completed research and development works, the committee estimates the useful life of such assets based on the period during which the Company expects to use the results of research and development work. The cost of capitalized research and development works is charged to operating expenses over the established period.

2.11. Comparative information

- Certain prior year amounts have been reclassified to conform to the current year presentation.

3. LONG-TERM INVESTMENTS

As of December 31, 2004 and 2005, the carrying value of long-term investments is presented as follows:

(thousand roubles)

Description	At the beginning of the year	At end of the year
Total debt securities, including:	19,628	19,628
ОАО "Vekselya i Financy" promissory note	15,547	15,547
ОАО "Mobile Communication Systems" promissory note	2,081	2,081
АФК "Система" promissory note	2,000	2,000
Total loans given, including:	1,689,538	1,117,613
SOOO "Mobile TeleSystems" (the Republic of Belarus)	1,438,417	-
MOBILE TELESYSTEMS FINANCE S.A.	-	755,432
ОАО "ReCom"	240,889	214,715
ЗАО "Sibchallenge"	-	147,466
Other	10,232	-
Investments in stock of affiliated companies and subsidiaries, including:	39,529,696	37,711,858
ЗАО "Ukrainian Mobile Communications"	11,625,862	11,625,862
ОАО "ТАИФ-Telcom"	3,821,779	3,821,779
ООО "Foreign production enterprise "Uzdunrobita"	3,527,342	3,527,342
ОАО "ReCom" ¹	29,279	3,192,651
ОАО "Gorizont-RT" ¹	1,500,855	1,885,107
ЗАО "Sibchallenge"	1,641,239	1,641,239
ЗАО "Tomsk Cellular Communications"	1,444,015	1,444,015
ЗАО "Syberian Cellular Systems-900" ³	1,110,030	1,401,947
ЗАО "BM Telecom"	1,347,899	1,347,899
Barash Communication Technologies Inc. ²	-	1,312,352
ЗАО "Sibintertelecom" ¹	1,074,525	1,156,660
ЗАО "UralTel" ³	-	1,122,285
ЗАО "Telesot-Alania" ¹	172,468	1,109,064
ЗАО "Примтефон"	899,834	899,834
Vostok Mobile B.V.	879,483	879,483
ООО "Mobile TeleSystems"	282,160	282,160
ЗАО "Far East Cellular Systems – 900" ³	237,481	243,772
Vostok Mobile South B.V.	186,927	186,927
ООО "PPT Telecom Kiev"	106,403	106,403
ЗАО "Volgograd Mobile"	84,767	84,767
ОАО "Firma "Novitel"	83,617	83,617
ООО "SweetCom" ²	-	80,397
SOOO "Mobile TeleSystems"	77,827	77,827
ОАО "Mobile Communication Systems"	72,421	72,421
ООО "Mobile Telesystems – T" ¹	40	41,695
ООО "Mobile TeleSystems in the Komi Republic" ¹	13	32,630
ЗАО "Astrakhan Mobile"	32,153	32,153
ЗАО "Center – Telco"	11,222	11,222
ООО "Mobile TeleSystems – Kostroma"	4,494	4,494
MOBILE TELESYSTEMS FINANCE S.A.	3,744	3,744

¹ During 2005 OJSC "MTS" increased its ownership interest in these companies.

² Acquired in 2005.

³ The company was shown within ЗАО "Telecom-900" until 2005. In June 2005 ЗАО "Telecom-900" was merged to OJSC "MTS" as a branch. Therefore, the ownership interest of Telecom-900" in these companies was included in the investments of OJSC "MTS". See also Note 13 "Reorganization of the Company".

Description	At the beginning of the year	At end of the year
OAO "Mobile Telematic Positioning Systems"	168	168
OOO "Mobile TeleSystems – Capital"	25	25
ZAO "RTK"	25	25
ZAO "Kuban-GSM" ¹	5,494,455	-
OAO "Telecom-XXI" ¹	1,436,135	-
ZAO "Telecom-900" ¹	1,003,477	-
ZAO "Dontelecom" ¹	750,022	-
OOO "ILIT" ³	273,306	-
ZAO "Udmurt Digital Network – 900" ¹	191,105	-
ZAO "MTS-Barnaul" ¹	75,817	-
OOO "BIT" ²	28,720	-
ZAO "Mobile TeleSystems – Nizhny Novgorod" ¹	15,749	-
ZAO "Amur Cellular Communications" ¹	2,769	-
Other	44	-
Other investments	-	10,062

4. INVENTORIES

As of December 31, 2004 and December 31, 2005, the Company had no inventory in transit or pledged as collateral.

As of December 31, 2005, the inventory obsolescence provision amounted to 746,356 thousand roubles.

5. LOANS AND BORROWINGS

Maturities of the main types of debt outstanding as of 31 December 2005, are presented in the table below:

(thousand roubles)

Description	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	Over 5 years
Borrowings	-	105,000	1,516,662	24,951,199	11,513,000
Credits	1,348,662	264,092	9,342,860	16,508,415	7,926,825
Promissory notes	-	-	-	-	1,911,744
Total	1,348,662	369,092	10,859,522	41,459,614	21,351,569

The accrued expenses on borrowings (interest and additional expenses) for 2004 amounted to 4,012,170 thousand roubles, including:

- 3,569,839 thousand roubles recognized as interest expense; and
- 442,331 thousand roubles recognized as other operating expenses (debt issuance costs).

The accrued expenses on borrowings (interest and additional expenses) for 2005 amounted to 6,169,016 thousand roubles, including:

- 4,529,605 thousand roubles recognized as interest expense; and
- 1,639,411 thousand roubles recognized as other operating expenses (debt issuance costs).

¹ The companies merged to OAO "MTS" as a result of reorganization (See Note 13 "Reorganization of the Company")

² Sold in 2005

³ Liquidated in 2005

6. INCOME TAX

Current income tax expense for 2005 and 2004 comprises:

(thousand roubles)

	2005	2004
Contingent income tax expense	4,240,144	4,927,877
Permanent tax asset:		
expenses not deductible for tax purposes	499,880	286,899
allowable expenses	1,964	10,660
other	82,473	104,517
Total	584,317	402,076
Permanent tax liability:		
non-taxable income	(100,598)	(38,758)
other	(7,076)	(780)
Total	(107,674)	(39,538)
Increase in deferred tax asset:		
prepaid expenses (on software), including due to:		
<i>different amortization periods and methods for accounting and tax purposes</i>	376,988	140,025
fixed assets, including due to:		
<i>different amortization periods and methods for accounting and tax purposes</i>	136,411	-
inventories, including due to:		
<i>difference in valuation for accounting and tax purposes</i>	110,726	120,300
provisions for future expenses	322,407	14,540
provisions for future vacation, bonuses, etc	87,235	-
bad debt provision	55,950	80,210
other	1,366	1,115
difference in revenue recognition methods	23,528	-
Total	1,114,611	356,190
Decrease in deferred tax liability for:		
fixed assets, including due to:		
<i>different depreciation periods and methods for accounting and tax purposes</i>	(23,815)	(29,570)
<i>difference in valuation for accounting and tax purposes</i>	(316)	(19,740)
other items	(8,937)	1,062
Total	(33,068)	(48,248)
Total current income tax	5,798,330	5,598,357

As a result of the merger of the subsidiaries with OJSC “MTS”, the balances of deferred tax assets and liabilities in the amount of 129,595 thousand roubles and 148,614 thousand roubles, respectively, were transferred to the balance sheet of OJSC “MTS” as of the date of the merger. See Note 13 “Reorganization of the Company”.

7. SHARE CAPITAL

Share capital of the Company as of December 31, 2005, consisted of:

Types of shares	Par value, roubles	Quantity of shares pcs	Of these, paid-up shares, pcs	Of these, treasury shares (acquired by the Company, its subsidiaries and related parties), pcs
1	2	3	4	5
Ordinary shares	0.1	1,993,326,138	1,993,326,138	5,400,486
Total	X	1,993,326,138	1,993,326,138	5,400,486

Share capital totals 199,333 thousand roubles. There were no changes in 2005 and 2004.

8. ADDITIONAL BREAKDOWNS OF BALANCE SHEET ITEMS

(thousand roubles)

Description	Line Code	Account	December 31,	
			2004	2005
Construction-in-progress, including:	130		11,020,239	22,003,770
Equipment for installation		07	2,898,505	6,973,363
Expenditures for non-current assets		08	8,121,734	15,030,407
Other non-current assets, including:	150		7,237,036	12,693,269
numbering capacity, non-exclusive rights to use software products with useful lives over 12 months		97	2,574,159	8,083,079
advances given for acquisition of fixed assets and services in capital construction		60	4,662,877	4,610,190

9. ADDITIONAL PROFIT AND LOSS STATEMENT BREAKDOWNS

(thousand roubles)

Description	Line code	2004	2005
Other operating income, including:	090	4,170,241	10,658,305
Income on sale of other property		4,134,543	9,088,895
Income on sale of fixed assets		12,157	62,400
Other		23,541	1,507,010

UNOFFICIAL TRANSLATION

Description	Line code	2004	2005
Other operating expenses, including:	100	8,183,456	14,381,854
Expenses related to sale of other assets		4,283,612	8,950,834
Fees for banking services		727,126	1,812,029
Taxes and duties		603,979	629,092
Expenses related to sale of fixed assets		13,023	59,505
Other		2,555,716	2,930,394
Other non-operating gains, including:	120	2,573,004	249,730
Fines and penalties		12,132	42,425
Currency transaction gains		29,333	10,817
Prior years income identified in the reporting period		267,791	9,288
Foreign exchange gains and losses, net		2,228,225	-
Other		35,523	187,200
Other non-operating losses, including:	130	390,616	3,093,167
Foreign exchange gains and losses, net		-	1,655,810
Prior year losses		167,112	247,502
Currency transaction losses		18,127	7,242
Other		205,377	1,182,613

10. BOARD OF DIRECTORS

As of December 31, 2005, the Board of Directors comprised the following members:

Full name	Position
V.S. Lagutin	Chairman of the Board
Michael Guenther	Member of the Board
A. N. Buyanov	Member of the Board
Peter Middleton	Member of the Board
A. U. Goncharuk	Member of the Board
Helmut Reuschenbach	Member of the Board
V.V.Sidorov	President

The total amount of remuneration paid to the Board of Directors for 2004 and 2005 totaled 146,622 thousand roubles and 138,247 thousand roubles, respectively.

See Note 17 "Subsequent events".

11. MANAGEMENT BOARD

In 2004 and 2005 the Management Board of the Company was not formed.

12. RELATED PARTIES**12.1. List of the parties related to the Company for the year 2005 and type of relations:****Related party**

1. Name: **Alexey Nikolaevich Buyanov**
Residence: Moscow, Russian Federation
Grounds: The person is member of the Company's Board of Directors.
2. Name: **Alexander Yurievich Goncharuk**
Residence: Moscow, Russian Federation
Grounds: The person is member of the Company's Board of Directors.
3. Name: **Michael Guenther**
Residence: Rheinbreitbach, Germany
Grounds: The person is member of the Company's Board of Directors.
4. Name: **Vladimir Sergeevich Lagutin**
Residence: Moscow, Russian Federation
Grounds: The person is member of the Company's Board of Directors.
5. Name: **Peter Middleton**
Residence: London, Great Britain
Grounds: The person is member of the Company's Board of Directors.
6. Name: **Helmut Reuschenbach**
Residence: Bonn, Germany
Grounds: The person is member of the Company's Board of Directors.
7. Name: **Vasily Vasilyevich Sidorov**
Residence: Moscow, Russian Federation
Grounds: The person is member of the Company's Board of Directors.
The person executes powers of the sole executive body of the Company.
The person employed by the Joint Stock Company jointly with other persons employed by the Joint Stock Company comprise more that 50 percent of the Board of Directors of other legal entity
8. Name: **Closed Joint-Stock Company "Invest-Svyaz-Holding"**
Location: 119034, Moscow, Russian Federation
Grounds: The entity belongs to the same group of persons as the Joint Stock Company
9. Name: **Closed Joint-Stock Company "Mar Mobile GSM"**
Location: Ioshkar Ola, Republic of Mariy-El, 424000, Russian Federation
Grounds: The entity belongs to the same group of persons as the Joint Stock Company.
The Joint Stock Company may indirectly dispose of more than 50% of the total number of votes on shares (stakes) making up the share capital of the given legal entity
10. Name: **Closed Joint-Stock Company "Novitel Plus"**
Location: St.- Petersburg, 191028, Russian Federation
Grounds: The entity belongs to the same group of persons as the Joint Stock Company.
The Joint Stock Company may indirectly dispose of more than 50% of the total number of votes on shares (stakes) making up the share capital of the given legal entity

11. Name: **Closed Joint-Stock Company “Sibintertelecom”**
 Location: Chita, 672027, Russian Federation
 Grounds: The entity belongs to the same group of persons as the Joint Stock Company.
 The Joint Stock Company may indirectly dispose of more than 50% of the total number of votes on shares (stakes) making up the share capital of the given legal entity
12. Name: **Closed Joint-Stock Company “Uraltel”**
 Location: Ekaterinburg, 620075, Russian Federation
 Grounds: The entity belongs to the same group of persons as the Joint Stock Company.
 The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity
13. Name: **Limited Liability Company Private Security Company “Private guarding agency Shchittelecom”**
 Location: Tomsk, 634034, Russian Federation
 Grounds: The entity belongs to the same group of persons as the Joint Stock Company.
 The Joint Stock Company may indirectly dispose of more than 50% of the total number of votes on shares (stakes) making up the share capital of the given legal entity
14. Name: **Alexander Arnoldovich Gekhtman**
 Residence: Moscow, Russian Federation
 Grounds: The person belongs to the same group of persons as the Joint Stock Company.
 The person employed by the Joint Stock Company jointly with other persons employed by the Joint Stock Company comprise more that 50 percent of the Supervisory Board of other legal entity
15. Name: **Yuryi Alekseevich Gromakov**
 Residence: Moscow, Russian Federation
 Grounds: The person employed by the Joint Stock Company jointly with other persons employed by the Joint Stock Company comprise more that 50 percent of the Board of Directors of other legal entity
16. Name: **Tatiana Vladimirovna Evtushenkova**
 Residence: Moscow, Russian Federation
 Grounds: The person employed by the Joint Stock Company jointly with other persons employed by the Joint Stock Company comprise more that 50 percent of the Board of Directors of other legal entity
17. Name: **Marina Viktorovna Zabolotneva**
 Residence: Moscow, Russian Federation
 Grounds: The person employed by the Joint Stock Company jointly with other persons employed by the Joint Stock Company comprise more that 50 percent of the collective executive body of other legal entity. The person employed by the Joint Stock Company jointly with other persons employed by the Joint Stock Company comprise more that 50 percent of the Board of Directors of other legal entity
18. Name: **Kirill Vitalievich Kalinin**
 Residence: Moscow, Russian Federation
 Grounds: The person employed by the Joint Stock Company jointly with other persons employed by the Joint Stock Company comprise more that 50 percent of the Board of Directors of other legal entity
19. Name: **Maxim Alexandrovich Kalinin**
 Residence: Moscow, Russian Federation
 Grounds: The person employed by the Joint Stock Company represents at the same time the sole executive body of other legal entity

20. Name: **Alexey Valeryevich Kornya**
Residence: Moscow, Russian Federation
Grounds: The person employed by the Joint Stock Company jointly with other persons employed by the Joint Stock Company comprise more that 50 percent of the Board of Directors of other legal entity
21. Name: **Sergey Borisovich Lipovetsky**
Residence: Moscow, Russian Federation
Grounds: The person employed by the Joint Stock Company represents at the same time the sole executive body of other legal entity
22. Name: **Pavel Evgenyevich Pavlovsky**
Residence: Moscow, Russian Federation
Grounds: The person employed by the Joint Stock Company jointly with other persons employed by the Joint Stock Company comprise more that 50 percent of the Board of Directors of other legal entity
23. Name: **Vladimir Gennadyevich Petrov**
Residence: Vladivostok, Russian Federation
Grounds: The person employed by the Joint Stock Company jointly with other persons employed by the Joint Stock Company comprise more that 50 percent of the Board of Directors of other legal entity
24. Name: **Boris Gennadyevich Podolsky**
Residence: Moscow, Russian Federation
Grounds: The person employed by the Joint Stock Company represents at the same time the sole executive body of other legal entity
25. Name: **Ilya Vitalyevich Chuprinko**
Residence: Moscow, Russian Federation
Grounds: The person employed by the Joint Stock Company jointly with other persons employed by the Joint Stock Company comprise more that 50 percent of the collective executive body of other legal entity. The person employed by the Joint Stock Company represents at the same time the sole executive body of other legal entity. The person employed by the Joint Stock Company jointly with other persons employed by the Joint Stock Company comprise more that 50 percent of the Board of Directors of other legal entity
26. Name: **Roman Nickolaevich Yakushkin**
Residence: Vladivostok, Russian Federation
Grounds: The person employed by the Joint Stock Company jointly with other persons employed by the Joint Stock Company comprise more that 50 percent of the Board of Directors of other legal entity
27. Name: **Igor Yurievich Stolyarov**
Residence: Moscow, Russian Federation
Grounds: The person employed by the Joint Stock Company jointly with other persons employed by the Joint Stock Company comprise more that 50 percent of the Board of Directors of other legal entity
28. Name: **Andrei Eduardovich Ushatsky**
Residence: Moscow, Russian Federation
Grounds: The person employed by the Joint Stock Company jointly with other persons employed by the Joint Stock Company comprise more that 50 percent of the Board of Directors of other legal entity

29. Name: **Alexander Ivanovich Marishin**
Residence: Novosibirsk, Russian Federation
Grounds: The person employed by the Joint Stock Company jointly with other persons employed by the Joint Stock Company comprise more than 50 percent of the Board of Directors of other legal entity
30. Name: **Irina Anatolievna Smelova**
Residence: Novosibirsk, Russian Federation
Grounds: The person employed by the Joint Stock Company jointly with other persons employed by the Joint Stock Company comprise more than 50 percent of the Board of Directors of other legal entity
31. Name: **Sergei Alexeevich Puzikov**
Residence: Ekaterinburg, Russian Federation
Grounds: The person employed by the Joint Stock Company jointly with other persons employed by the Joint Stock Company comprise more than 50 percent of the Board of Directors of other legal entity
32. Name: **Gennady Stepanovich Zhuravlev**
Residence: Moscow, Russian Federation
Grounds: The person employed by the Joint Stock Company jointly with other persons employed by the Joint Stock Company comprise more than 50 percent of the Board of Directors of other legal entity
33. Name: **Viktor Vasilievich Storozhev**
Residence: Astrakhan, Russian Federation
Grounds: The person employed by the Joint Stock Company represents at the same time the sole executive body of other legal entity
34. Name: **Vladimir Alexandrovich Morozov**
Residence: Volgograd, Russian Federation
Grounds: The person employed by the Joint Stock Company represents at the same time the sole executive body of other legal entity
35. Name: **Vladimir Vitalievich Anisimov**
Residence: Kostroma, Russian Federation
Grounds: The person employed by the Joint Stock Company represents at the same time the sole executive body of other legal entity
36. Name: **Yury Grigorievich Verbitsky**
Residence: Ekaterinburg, Russian Federation
Grounds: The person employed by the Joint Stock Company represents at the same time the sole executive body of other legal entity
37. Name: **Leonid Alexandrovich Kostelyanets**
Residence: Khabarovsk, Russian Federation
Grounds: The person employed by the Joint Stock Company represents at the same time the sole executive body of other legal entity
38. Name: **Marat Mansurovich Shakirov**
Residence: Ioshkar Ola; Russian Federation
Grounds: The person employed by the Joint Stock Company represents at the same time the sole executive body of other legal entity

39. Name: **Arkadiy Valentinovich Ryazanov**
Residence: Omsk, Russian Federation
Grounds: The person employed by the Joint Stock Company represents at the same time the sole executive body of other legal entity
40. Name: **Alexei Anatolievich Smolyakov**
Residence: Krasnoyarsk, Russian Federation
Grounds: The person employed by the Joint Stock Company represents at the same time the sole executive body of other legal entity
41. Name: **Ravis Rakhimianovich Mansurov**
Residence: Ufa, Russian Federation
Grounds: The person employed by the Joint Stock Company represents at the same time the sole executive body of other legal entity
42. Name: **Leonid Vladislavovich Denisov**
Residence: Orel, Russian Federation
Grounds: The person employed by the Joint Stock Company represents at the same time the sole executive body of other legal entity
43. Name: **Igor Vladislavovich Mariasov**
Residence: Moscow, Russian Federation
Grounds: The person employed by the Joint Stock Company represents at the same time the sole executive body of other legal entity
44. Name: **Mikhail Valerievich Shamolin**
Residence: Moscow, Russian Federation
Grounds: The person employed by the Joint Stock Company jointly with other persons employed by the Joint Stock Company comprise more than 50 percent of the Board of Directors of other legal entity
45. Name: **Valeriy Alexandrovich Novik**
Residence: Moscow, Russian Federation
Grounds: The person employed by the Joint Stock Company jointly with other persons employed by the Joint Stock Company comprise more than 50 percent of the Board of Directors of other legal entity
46. Name: **Igor Yurievich Stolyarov**
Residence: Moscow, Russian Federation
Grounds: The person employed by the Joint Stock Company jointly with other persons employed by the Joint Stock Company comprise more than 50 percent of the Board of Directors of other legal entity
47. Name: **Alexei Olegovich Kraev**
Residence: Krasnodar, Russian Federation
Grounds: The person employed by the Joint Stock Company jointly with other persons employed by the Joint Stock Company comprise more than 50 percent of the Board of Directors of other legal entity
48. Name: **Joint Stock-Company "Joint-Stock Financial Corporation "Sistema"**
Location: 119034, Moscow, Russian Federation
Grounds: The entity is entitled to handle more than 20% of the Company's voting shares
The entity belongs to the same group of persons as the Joint Stock Company. More than 50% of the Board of Directors of the Joint Stock Company was elected at the suggestion of the given legal entity

49. Name: **Barash Communications Technologies, Inc.**
 Legal address: 6036 Forest Highlands Drive, Fort Worth, Texas 76132, the United States of America
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. Individuals employed by the Joint Stock Company at the same time comprise more than 50% of the Board of Directors of the given legal entity
50. Name: **“Mobile Telesystems Finance S.A.”**
 Legal address: 3 Avenue Pasteur, L-2311 Luxembourg
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. More than 50% of the collective executive body of the given legal entity was elected at the suggestion of the Joint Stock Company. Individuals employed by the Joint Stock Company make up more than 50% of the collective executive body of the given legal entity
51. Name: **MST Sibi Corp.**
 Legal address: 2711 Centreville Road, Suite 400, City of Wilmington, County of Newcastle, Delaware, USA
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. The Joint Stock Company is authorized to appoint more than 50% of the Board of Directors of the given legal entity. An individual employed by the Joint Stock Company is at the same time the sole executive body of the given legal entity
52. Name: **Vostok Mobile B.V.**
 Legal address: Drentestraat 24 BG, 1083HK Amsterdam, The Netherlands
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. More than 50% of the collective executive body of the given legal entity was elected at the suggestion of the Joint Stock Company. Individuals employed by the Joint Stock Company make up more than 50% of the collective executive body of the given legal entity.
53. Name: **Vostok Mobile South B.V.**
 Legal address: Drentestraat 24 BG, 1083HK Amsterdam, The Netherlands
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. The Joint Stock Company is authorized to appoint the sole executive body of the given legal entity. An individual employed by the Joint Stock Company is at the same time the sole executive body of the given legal entity
54. Name: **Closed Joint-Stock Company “Astrakhan Mobile”**
 Legal address: 414004, Moscow, Russian Federation
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company may indirectly dispose of more than 50% of the total number of votes on shares (stakes) making up the share capital of the given legal entity. More than 50% of the Board of Directors of the given legal entity was elected at the suggestion of the Joint Stock Company. Individuals employed by the Joint Stock Company at the same time comprise more than 50% of the Board of Directors of the given legal entity. An individual employed by the Joint Stock Company is at the same time the sole executive body of the given legal entity

55. Name: **Closed Joint-Stock Company “Volgograd Mobile”**
 Legal address: Volgograd, 400066, Russian Federation
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company may indirectly dispose of more than 50% of the total number of votes on shares (stakes) making up the share capital of the given legal entity. More than 50% of the Board of Directors of the given legal entity was elected at the suggestion of the Joint Stock Company. Individuals employed by the Joint Stock Company at the same time comprise more than 50% of the Board of Directors of the given legal entity. An individual employed by the Joint Stock Company is at the same time the sole executive body of the given legal entity.
56. Name: **Closed Joint-Stock Company “Far East Cellular Systems – 900”**
 Legal address: Khabarovsk, 680000, Russian Federation
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. Individuals employed by the Joint Stock Company at the same time comprise more than 50% of the Board of Directors of the given legal entity. The Joint Stock Company is authorized to appoint the sole executive body of the given legal entity. An individual employed by the Joint Stock Company is at the same time the sole executive body of the given legal entity.
57. Name: **Closed Joint-Stock Company “Primtelefon”**
 Legal address: 690050, Vladivostok, Russian Federation
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company may indirectly dispose of more than 50% of the total number of votes on shares (stakes) making up the share capital of the given legal entity. More than 50% of the Board of Directors of the given legal entity was elected at the suggestion of the Joint Stock Company. Individuals employed by the Joint Stock Company at the same time comprise more than 50% of the Board of Directors of the given legal entity. The contract entitled the Joint Stock Company to exercise powers of the executive body of the given legal entity.
58. Name: **Closed Joint-Stock Company “Russian Telephone Company”**
 Legal address: 109004, Moscow, Russian Federation
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. An individual employed by the Joint Stock Company is at the same time the sole executive body of the given legal entity.
59. Name: **Closed Joint-Stock Company “Syberian Cellular Systems – 900”**
 Legal address: Novosibirsk, Russian Federation
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. More than 50% of the Board of Directors of the given legal entity was elected at the suggestion of the Joint Stock Company. Individuals employed by the Joint Stock Company at the same time comprise more than 50% of the Board of Directors of the given legal entity. The Joint Stock Company is authorized to appoint the sole executive body of the given legal entity.
60. Name: **Closed Joint-Stock Company “Telesot – Alania”**
 Legal address: RSO – Alania, Vladikavkaz, 362031, Russian Federation
 Grounds: The entity belongs to the same group of persons as the Joint Stock Company. The Joint Stock Company may dispose of more than 50% of the total number of votes on shares (stakes) making up the share capital of the given legal entity. More than 50% of the Board of Directors of the given legal entity was elected at the suggestion of the Joint Stock Company. Individuals employed by the Joint Stock Company at the same time comprise more than 50% of the Board of Directors of the given legal entity. The Joint Stock Company is authorized to appoint the sole executive body of the given legal entity.

61. Name: **Closed Joint-Stock Company “Ukrainian Mobile Communications”**
 Location: Kiev, Ukraine
 Grounds: The entity belongs to the same group of persons as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. More than 50% of the Supervisory Board of the given legal entity was elected at the suggestion of the Joint Stock Company. Individuals employed by the Joint Stock Company at the same time comprise more than 50% of the Supervisory Board of the given legal entity
62. Name: **Limited Liability Company “Mobile TeleSystems – T”**
 Location: Tver, 170000, Russian Federation
 Grounds: The entity belongs to the same group of persons as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. The Joint Stock Company is authorized to appoint the sole executive body of the given legal entity. An individual employed by the Joint Stock Company is at the same time the sole executive body of the given legal entity
63. Name: **Closed Joint Stock Company “BM Telecom”**
 Location: Ufa, Republic of Bashkortostan, 450096, Russian Federation
 Grounds: The entity belongs to the same group of persons as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. The Joint Stock Company is authorized to appoint the sole executive body of the given legal entity. An individual employed by the Joint Stock Company is at the same time the sole executive body of the given legal entity
64. Name: **Limited Liability Company “Foreign production enterprise “Uzdunrobita”**
 Location: Tashkent, 700019, Republic of Uzbekistan
 Grounds: The entity belongs to the same group of persons as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. More than 50% of the Supervisory Board of the given legal entity was elected at the suggestion of the Joint Stock Company. Individuals employed by the Joint Stock Company at the same time comprise more than 50% of the Supervisory Board of the given legal entity
65. Name: **Limited Liability Company “Mobile TeleSystems – Capital”**
 Legal address: Moscow, Russian Federation
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. An individual employed by the Joint Stock Company is at the same time the sole executive body of the given legal entity. The Joint Stock Company is authorized to appoint the sole executive body of the given legal entity
66. Name: **Limited Liability Company “Mobile TeleSystems – Kostroma”**
 Legal address: Moscow, 156005, Russian Federation
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. The Joint Stock Company is authorized to appoint the sole executive body of the given legal entity. An individual employed by the Joint Stock Company is at the same time the sole executive body of the given legal entity

67. Name: **Limited Liability Company “Mobile TeleSystems in the Komi Republic”**
 Legal address: Syktyvkar, Komi Republic, 167610, Russian Federation
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. The Joint Stock Company is authorized to appoint the sole executive body of the given legal entity
68. Name: **Limited Liability Company “Mobile TeleSystems”**
 Legal address: Moscow, 109004, Russian Federation
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. An individual employed by the Joint Stock Company is at the same time the sole executive body of the given legal entity. The Joint Stock Company is authorized to appoint the sole executive body of the given legal entity
69. Name: **Closed Joint Stock Company “MTS-RTK”**
 Legal address: Moscow, 109004, Russian Federation
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. An individual employed by the Joint Stock Company is at the same time the sole executive body of the given legal entity. The Joint Stock Company is authorized to appoint the sole executive body of the given legal entity
70. Name: **Limited Liability Company “PPT Telecom Kiev”**
 Legal address: Kiev, Ukraine
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. The Joint Stock Company is authorized to appoint the sole executive body of the given legal entity
71. Name: **Limited Liability Company “Sweet-com”**
 Legal address: Moscow, 103064, Russian Federation
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. More than 50% of the Supervisory Board of the given legal entity was elected at the suggestion of the Joint Stock Company. Individuals employed by the Joint Stock Company at the same time comprise more than 50% of the Supervisory Board of the given legal entity
72. Name: **Closed Joint Stock Company “Sibchallenge”**
 Legal address: Krasnoyarsk, 660017, Russian Federation
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. The Joint Stock Company is authorized to appoint the sole executive body of the given legal entity. An individual employed by the Joint Stock Company is at the same time the sole executive body of the given legal entity

73. Name: **Closed Joint Stock Company “Tomsk Cellular Communications”**
 Location: Tomsk, 624021, Russian Federation
 Grounds: The entity belongs to the same group of persons as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. The Joint Stock Company is authorized to appoint the sole executive body of the given legal entity. The contract entitled the Joint Stock Company to exercise powers of the executive body of the given legal entity.
74. Name: **Open Joint Stock Company “Gorizont- RT”**
 Legal address: Yakutsk, Republic of Sakha (Yakutia), 677000, Russian Federation
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. More than 50% of the Board of Directors of the given legal entity was elected at the suggestion of the Joint Stock Company. Individuals employed by the Joint Stock Company at the same time comprise more than 50% of the Board of Directors of the given legal entity. The Joint Stock Company is authorized to appoint the sole executive body of the given legal entity
75. Name: **Open Joint-Stock Company “Mobile Communication Systems”**
 Legal address: Omsk, 644001, Russian Federation
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. More than 50% of the Board of Directors of the given legal entity was elected at the suggestion of the Joint Stock Company. Individuals employed by the Joint Stock Company at the same time comprise more than 50% of the Board of Directors of the given legal entity. An individual employed by the Joint Stock Company is at the same time the sole executive body of the given legal entity
76. Name: **Open Joint-Stock Company “Mobile Telematic Positioning Systems”**
 Legal address: Moscow, 103051, Russian Federation
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. More than 50% of the Board of Directors of the given legal entity was elected at the suggestion of the Joint Stock Company. Individuals employed by the Joint Stock Company at the same time comprise more than 50% of the Board of Directors of the given legal entity
77. Name: **Open Joint-Stock Company “ReCom”**
 Legal address: Orel, 302027, Russian Federation
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. More than 50% of the Board of Directors of the given legal entity was elected at the suggestion of the Joint Stock Company. Individuals employed by the Joint Stock Company at the same time comprise more than 50% of the Board of Directors of the given legal entity. An individual employed by the Joint Stock Company is at the same time the sole executive body of the given legal entity. The Joint Stock Company is authorized to appoint the sole executive body of the given legal entity
78. Name: **Open Joint-Stock Company “TAIF Telcom”**
 Legal address: Kazan, Republic of Tatarstan, 420066, Russian Federation
 Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. The Joint Stock Company is authorized to appoint the sole executive body of the given legal entity

79. Name: **Open Joint-Stock Company "Firma "Novitel"**

Legal address: Zelenograd, Moscow, 103460, Russian Federation

Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company has at its disposal more than 50% of the total number of votes on shares (stakes) making up the share capital of the given entity. The Joint Stock Company is authorized to appoint the sole executive body of the given legal entity

80. Name: **Joint venture limited liability company "Mobile TeleSystems"**

Legal address: Minsk, 220043, Republic of Belarus

Grounds: The Joint Stock Company has at its disposal more than 20% of the total number of votes on shares (stakes) making up the share capital of the given entity

81. Name: **Tarino Limited**

Legal address: Suite 13, First Floor, Oliaji Trade Centre, Francis Rachel Street, Victoria, Mahe, Republic of Seychelles

Grounds: The entity belongs to the same group of entities as the Joint Stock Company. The Joint Stock Company may indirectly dispose of more than 50% of the total number of votes on shares (stakes) making up the share capital of the given legal entity

12.2. Transactions with affiliated parties in 2004 and 2005:**Purchase of equipment, goods, works and services, interest expense**

(thousand roubles)

Description	Purchase of equipment, goods, works and services		Interest expense	
	2005	2004	2005	2004
OOO "MTS-Kostroma"	16,514	54,086	-	-
OOO "MTS-T"	189,296	142,478	-	-
OAO "ReCom"	290,715	260,785	-	-
OAO "Telecom-XXI" ¹	345,927	721,019	-	-
OOO "MTS in the Komi Republic"	56,493	143,474	-	-
ZAO "MTS -Nizhny Novgorod" ¹	78,738	100,649	-	-
OAO "TAIF-Telcom"	113,586	79,973	1,821	-
ZAO "Udmurt Digital Network-900" ¹	22,486	39,883	-	-
ZAO "BM Telecom"	82,360	56,899	-	2,178
ZAO "Kuban-GSM" ¹	116,745	371,211	43,751	29,534
ZAO "Dontelecom" ¹	46,479	124,145	-	-
ZAO "MTS-Barnaul" ¹	15,749	21,126	-	-
ZAO "Sibchallenge"	64,670	23,924	-	-
ZAO "Volgograd Mobile"	34,062	-	-	-
ZAO "Astrakhan Mobile"	48,064	-	-	-
ZAO "Primtelefon"	209,918	46,777	1,947	1,891
SOOO "MTS"	46,551	32,549	-	-
OOO "Firma "Novitel"	32,337	587,167	-	-
ZAO "Ukranian Mobile Communications"	224,827	235,811	-	-
ZAO "Telecom – 900" ²	-	237,292	-	-
ZAO "UralTel" ²	156,492	-	-	-
ZAO "SCS - 900" ²	122,943	-	53,724	-
ZAO "FECS - 900" ²	82,079	-	1,738	-
Mobile Telesystems Finance S.A.	-	-	2,916,797	3,341,356
ZAO "Sibintertelecom"	35,620	-	325	-
OAO "Gorizont RT"	15,435	-	655	-
OAO "Rosno"	224,085	411,797	-	-
OAO "RA Maxima"	1,198,605	1,422,021	-	-
ZAO "Telmos"	35,000	47,076	-	-
OAO "MGTS"	239,330	167,512	-	-
ZAO "Company "MTU-Inform"	691,915	695,265	-	-
ZAO "Comstar"	135,025	204,895	-	-
Strom Telecom S. R. O.	3,186,689	308,510	-	-
T-Mobile	-	147,480	-	-
OOO "Kvazar Micro"	1,297,949	115,861	-	-
OAO "Interregional Transit Telecom"	639,707	336,095	-	-
ZAO "Metro-telecom"	-	43,705	-	-
ZAO "Mediaplanning"	618,894	-	-	-
Other	88,376	55,926	5,543	8,999
Total	10,803,661	7,235,391	3,026,301	3,383,958

1 Transactions with these companies in 2005 are presented with regard to the first half of the year (See Note 13 "Reorganization of the Company")

2 Including transactions with ZAO "Uratel", ZAO "Far East Cellular Systems - 900" and ZAO "Syberian Cellular Systems – 900". In 2004 these companies were the subsidiaries of ZAO "Telecom - 900".

Sales of equipment, goods, services, construction and installation works, interest income

(thousand roubles)

Description	Sales of equipment, goods, services, construction and installation works		Interest income	
	2005	2004	2005	2004
OAO "ReCom"	821,859	512,429	51,479	29,731
OAO "Telecom-XXI" ¹	344,486	1,573,231	5,927	116,255
OOO "MTS in the Komi Republic"	-	930,775	-	-
OAO "TAIF-Telcom"	789,104	254,138	-	-
ZAO "Udmurt Digital Network - 900" ¹	103,552	355,018	3,420	8,391
ZAO "BM Telecom "	757,111	383,181	-	-
ZAO "Volgograd Mobile"	446,991	339,330	15,689	3,343
ZAO "Astrakhan Mobile"	143,030	74,052	6,044	1,608
ZAO "Kuban-GSM" ¹	248,123	135,583	-	-
ZAO "Dontelecom" ¹	141,497	463,579	-	4,381
ZAO "MTS - Barnaul" ¹	187,239	777,744	5,759	12,271
ZAO "Sibchallenge"	385,920	287,348	4,075	-
OAO "Mobile Communication Systems"	357,141	158,519	-	2,207
ZAO "Tomsk Cellular Communications"	335,848	166,598	-	-
ZAO "Amur Cellular Communications" ¹	136,632	89,297	-	424
OOO "MTS-Kostroma"	196	-	205	-
OOO "MTS-T"	5,087	-	-	-
ZAO "Primtelefon"	960,907	253,825	-	-
ZAO "Mar Mobile GSM"	184,272	64,779	4,069	341
SOOO "MTS", Minsk	44,689	47,580	143,667	174,601
ZAO "Ukranian Mobile Communications"	80,780	51,632	-	-
OOO "BIT"	-	173,464	-	-
ZAO "Telecom - 900" ²	-	1,208,658	-	9,791
ZAO "UralTel" ²	847,383	-	-	-
ZAO "SCS - 900" ²	691,138	-	-	-
ZAO "FECS - 900" ²	219,929	-	-	-
MST SibiCorp.	-	44,269	-	-
ZAO "Sibintertelecom"	51,960	-	-	-
OAO "Gorizont RT"	45,114	-	-	-
AKB "Moscow Bank for Reconstruction and Development"	-	-	113,407	195,000
T-Mobile	-	188,667	-	-
OAO "Interregional Transit Telecom"	69,761	44,164	-	-
Other	15,120	32,743	10,996	2,041
Total	8,414,869	8,610,603	364,737	560,385

¹ Transactions with these companies in 2005 are presented with regard to the first half of the year (See Note 13 "Reorganization of the Company")

² Including transactions with ZAO "Uratel", ZAO "Far East Cellular Systems - 900" and ZAO "Syberian Cellular Systems - 900". In 2004 these companies were the subsidiaries of ZAO "Telecom - 900".

Receivables, payables, loans issued and received

(thousand roubles)

Description	Accounts receivable		Accounts payable		Loans issued		Loans received	
	December 31,		December 31,		December 31,		December 31,	
	2004	2005	2004	2005	2004	2005	2004	2005
OAO "ReCom"	205,590	199,501	44,742	158,452	240,755	207,155	-	-
OAO "Telecom-XXI" ¹	3,003,813	-	533,227	-	882,400	-	-	-
ZAO "MTS – N. Novgorod" ¹	48,177	-	-	-	-	-	-	-
OAO "TAIF-Telcom"	129,467	214,401	121,325	113,609	-	-	-	161,821
ZAO "Udmurt Digital Network - 900" ¹	32,995	-	14,214	-	104,245	-	-	-
3AO "BM Telecom"	15,777	182,356	40,956	193,540	-	-	182,178	253,733
ZAO "Volgograd Mobile"	77,379	433,816	1,563	25,220	175,412	602,104	-	-
ZAO "Astrakhan Mobile"	83,921	253,734	15,409	92	61,799	219,712	-	-
ZAO "Kuban-GSM" ¹	50,682	-	226,588	-	-	-	1,794,534	-
ZAO "Dontelecom" ¹	547,161	-	8,478	-	-	-	-	-
ZAO "MTS - Barnaul" ¹	331,979	-	10,632	-	118,224	-	-	-
ZAO "Sibchallenge"	38,171	342,842	9,557	118,699	-	147,466	-	-
OAO "Mobile Communication Systems"	26,954	32,386	33,951	57,979	88,135	-	-	110,060
ZAO "Tomsk Cellular Communications"	10,496	35,127	21,348	78,402	-	-	90,000	1,775
ZAO "Amur Cellular Communications" ¹	68,181	-	3,672	-	-	-	-	-
ZAO "Primatelefon"	40,030	522,155	63,639	407,166	-	-	189,546	-
ZAO "Mar Mobile GSM"	3,538	204,521	20	7,576	30,389	148,114	-	-
SOOO "MTS", Minsk	3,028	9,556	2,889	8,513	1,429,541	1,203,368	-	-
OOO "MTS-T"	-	5,296	-	-	-	-	-	-
OOO "MTS"	-	-	-	-	-	-	81,130	248,130
ZAO "Telecom – 900" ²	514,259	-	351,437	-	1,111,343	-	997,863	-
ZAO "UralTel" ²	-	341,333	-	228,539	-	-	-	-
ZAO "SCS - 900" ²	-	73,312	-	1,134,181	-	-	-	1,144,450
ZAO "FECS - 900" ²	-	43,882	-	43,079	-	-	-	106,366
OOO "MTS-Kostroma" ²	-	6,209	-	125	-	-	-	-
Vostok Mobile B.V.	-	-	-	-	203,541	-	-	-
MOBILE TELESYSTEMS FINANCE S. A.	-	-	-	-	-	748,345	23,169,166	34,859,015
OOO "MTS – RTK"	69,980	32,076	38,201	-	8,520	12,948	-	-
ZAO "Sibintertelecom"	-	11,588	-	13,000	-	-	-	290,325
AKB "Moscow Bank for Reconstruction and Development" ²	-	-	-	-	1,387,435	-	-	-
OAO "RA Maxima"	26,831	48,621	5,053	-	-	-	-	-
ZAO "Company "MTU-Inform"	-	-	66,547	69,946	-	-	-	-
AFK Sistema	-	-	-	-	-	-	1,559,087	1,911,745
Strom Telecom S. R. O.	1,674,626	-	162,017	730,441	-	-	-	-
T-Mobile	29,155	-	36,055	-	-	-	-	-
OOO "Kvazar Micro"	203,371	-	10,774	188,935	-	-	-	-
OAO "ROSNO"	-	105,438	52,092	-	-	-	-	-
OAO "Interregional Transit Telecom"	35,431	8,933	-	73,919	-	-	-	-
ZAO "Mosdachrest"	58,024	-	-	-	-	-	-	-
Other	33,703	40,652	79,768	44,904	5,564	166,583	8,230	118,885
Total	7,362,719	3,147,735	1,954,154	3,696,317	5,847,303	3,455,795	28,071,734	39,206,305

¹ Transactions with these companies in 2005 are presented with regard to the first half of the year (See Note 13 "Reorganization of the Company")

² Including transactions with ZAO "Uratel", ZAO "Far East Cellular Systems - 900" and ZAO "Syberian Cellular Systems – 900". In 2004 these companies were the subsidiaries of ZAO "Telecom - 900".

Dividends received and dividends paid

(thousand roubles)

Description	Dividends received		Dividends paid	
	2005	2004	2005	2004
OAO "ReCom"	91,765	93,864	-	-
OAO "TAIF Telecom"	-	64,667	-	-
ZAO "Udmurt Digital Network - 900"	-	2,958	-	-
OOO "MTS-T"	15,156	-	-	-
OOO "MTS"	-	-	41,426	31,795
SOO "MTS" Minsk	75,235	-	-	-
T-Mobile	-	-	1,153,413	1,525,065
OAO "AFK Sistema"	-	-	4,678,262	3,117,985
Other, including shareholders – private individuals	-	-	5,592,416	1,218,954
Total	182,156	161,489	11,465,517	5,893,799

13. REORGANIZATION OF THE COMPANY

Within the framework of reorganization, the following subsidiaries merged into OJSC "MTS" as branches:

- ZAO "Telecom-900"
- OAO "Telecom-XXI"
- ZAO "Kuban-GSM"
- ZAO "Dontelecom"
- ZAO "MTS-Nizhny Novgorod"
- ZAO "UDN - 900"
- ZAO "Amur Cellular Communications"
- ZAO "MTS-Barnaul"

Upon the merger of the branches, the share capital, number and par value of shares of OAO "MTS" remained unchanged.

Reorganization was certified by record in the Unified State Register of Legal Entities on June 30, 2005 under state registration number 2057747347150.

Fixed and intangible assets of the merged companies were transferred to the balance sheet of OJSC "MTS" at net book value; other assets and liabilities – at carrying value as of the date of the merger based on transfer acts dated June 30, 2005. Profit and loss accounts of the merged companies were included into the financial statements of OJSC "MTS" starting from the date of the merger. The result of the merger is reflected in lines 481 and 482 of the balance sheet.

Information about the result of the merger of the above companies and impact of reorganization on certain items of the financial statements is disclosed in tables 13.1-13.3:

13.1. As of the date of the merger the merged companies had the following characteristics:

(thousand roubles)

Company name	Investments	Fixed assets	Other non-current assets	Current assets	Accounts payable
ZAO "Telecom 900"	1,139,240	-	-	14	1,110,477
OAO "Telecom-XXI"	-	5,672,565	1,290,539	3,324,874	3,640,825
ZAO "Kuban GSM"	1,753,237	4,258,978	615,098	3,065,158	1,502,493
ZAO "Dontelecom"	-	558,210	445,363	397,847	697,392
ZAO "MTS-NN"	-	6,306	-	8,183	14,522
ZAO "UDN-900"	2,339	405,329	141,479	347,215	292,860
ZAO "ACC"	-	436,646	148,106	530,416	511,395
ZAO "MTS-Barnaul"	-	180,051	325,337	250,673	803,083
Total	2,894,816	11,518,085	2,965,922	7,924,380	8,573,047

As a result of reorganization through merger of the subsidiaries into OJSC "MTS", the following investments were excluded from long-term investments of OJSC "MTS":

13.2. Investments in the merged companies as of the date of the merger were as follows:

(thousand roubles)

Company name	Investments
ZAO "Telecom 900"	1,003,477
OAO "Telecom XXI"	1,436,135
ZAO "Kuban GSM"	5,494,455
ZAO "Dontelecom"	750,022
ZAO "MTS-NN"	15,749
ZAO "UDN-900"	191,105
ZAO "Amur Cellular Communications"	2,769
ZAO "MTS-Barnaul"	75,817
Total	8,969,529

13.3. Adjusted data of profit and loss account (unaudited)

The following pro forma financial data for the years ended December 31, 2005 and 2004, present the effect of the merger of ZAO "Telecom-900", OAO "Telecom XXI", ZAO "Kuban GSM", ZAO "Dontelecom", ZAO "MTS - Nizhny Novgorod", ZAO "UDN - 900", ZAO "Amur Cellular Communications", ZAO "MTS-Barnaul", as if it occurred at January 1, 2005 and 2004:

(thousand roubles)

	2005	2004
Pro forma:		
Gross revenue from sales	86,459,140	74,216,453
Profit on sales	31,621,897	33,117,143
Net income	15,414,570	22,796,973
Basic and diluted earnings per share, roubles	7.73	11.44

14. FOREIGN EXCHANGE DIFFERENCES

The rates of the Central bank of the Russian Federation effective as of the reporting date were as follows:

As of 31 December 2004:

USD 1 = RUR 27.75

EUR 1 = RUR 37.81

As of 31 December 2005:

USD 1 = RUR 28.78

EUR 1 = RUR 34.19

15. DATA ON REPORTING SEGMENTS

The Company's management determined that in 2004 and 2005 the Company operated within one reportable segment. Therefore, there is no grounds for disclosing information by reporting segments. The Company maintains no analytical records for reporting segments.

16. GUARANTEES ISSUED AS AT DECEMBER 31, 2005

Debtor's name	Creditor's name	Origination date of off-balance sheet liability	Termination date of off-balance sheet liability	Contract currency	Contract amount (thousand)	Contract amount (thousand roubles) ¹
MOBILE TELESYSTEMS FINANCE S.A.	bondholders of MOBILE TELESYSTEMS FINANCE S.A.	30/01/2003	30/01/2008	USD	400,000	11,513,000
MOBILE TELESYSTEMS FINANCE S.A.	bondholders of MOBILE TELESYSTEMS FINANCE S.A.	14/10/2003	14/10/2010	USD	400,000	11,513,000
MOBILE TELESYSTEMS FINANCE S.A.	bondholders of MOBILE TELESYSTEMS FINANCE S.A.	31/01/2005	28/01/2012	USD	400,000	11,513,000
MOBILE TELESYSTEMS FINANCE S.A.	ING BANK N.V.	17/11/2005	17/05/2006	USD	150,000	4,317,375
ZAO "Ukrainian Mobile Communications"	Citibank International plc	22/12/2005	14/12/2006	USD	103,000	2,964,597
ZAO "Ukrainian Mobile Communications"	ZAO "ING Bank (Eurasia)"	22/09/2003	12/09/2006	USD	60,000	1,726,950
ZAO "Ukrainian Mobile Communications"	ING BHF-BANK; Commerzbank (Frankfurt)	30/12/2003	31/01/2009	Euro	51,670	1,766,335
OAO "TAIF-Telcom"	"HCBC Bank (RR)"(OOO)	11/11/2003	29/09/2006	USD	25,000	719,563
SOOO "Mobile TeleSystems"	Citibank International plc	23/01/2004	01/04/2007	USD	21,044	605,704
MOBILE TELESYSTEMS FINANCE S.A.	HSBC Bank plc	02/12/2004	27/07/2007	USD	8,908	256,386
ZAO "Invest-Svyaz-Holding"	Commerzbank (Frankfurt)	13/02/2003	13/05/2006	USD	3,550	102,166
ZAO "Primtelefon"	Nordea Bank Sweden AB	18/03/2004	31/10/2006	USD	3,003	86,423
OOO "Sweet-com"	OOO "Marconi"	30/06/2005	30/06/2006	Euro	1,404	48,009
ZAO "Primtelefon"	Nordea Bank Sweden AB	05/04/2004	31/10/2006	USD	1,315	37,840
Total						47,170,348

¹ Translated at the exchange rate effective as of December 31, 2005

17. SUBSEQUENT EVENTS

Merger of the subsidiaries into OAO “MTS” as branches – On March 31, 2006 within the frames of the reorganization, the following subsidiaries were merged into the Company as branches:

- OAO “Gorizont RT”
- ZAO “UralTel”
- ZAO “FECS - 900”
- ZAO “SCS - 900”
- OAO “TAIF-Telcom”
- ZAO “Tomsk Celullar Communications”
- ZAO “Sibchallenge”
- ZAO “BM Telecom”
- ZAO “MTS-RTK”

Upon merger of the branches, the share capital, number and par value of shares of OAO “MTS” remained unchanged.

Changes in the Board of Directors of OJSC “MTS” – On March 28, 2006 an extraordinary general meeting of the shareholders of OJSC “MTS” was held, at which new members of the Board of Directors were elected. The Board comprises of the following seven people:

A. N. Buyanov

A.E. Gorbunov

V.S. Lagutin

Peter Middleton

Helmut Reuschenbach

V.V. Sidorov

S.D. Shchebetov

Acting President of OAO “MTS”

L.A. Melamed

Chief Accountant

R.M. Kolomiets