

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 2003 results

PROCEDURE FOR DISTRIBUTION OF PROFIT EARNED BY MTS OJSC IN 2003

INCOME STATEMENT

2003

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	48 201 355	34 071 340
Cost of goods, products, works, services sold	020	21 765 941	18 441 379
Gross profit	029	26 435 414	15 629 961
Commercial expenses	030	1 884 077	948 290
Administrative expenses	040	4 568 871	-
Profit (loss) from sales (lines (010 - 020 - 030 - 040))	050	19 982 466	14 681 671
Other income and expenses			
Interest receivable	060	462 937	298 054
Interest payable	070	2 452 182	499 508
Income from participation in other organizations	080	60 067	16 072
Other operating income	090	1 567 923	553 107
Other operating expenses	100	2 665 133	497 480
Non-sales income	120	2 127 913	10 025 649
Non-sales expenses	130	673 368	10 876 406
Profit (loss) before tax	140	18 411 189	13 701 937
Deferred tax assets	141	137	-
Deferred tax liabilities	142	96 747	-
Current tax on profit	150	5 004 567	2 879 374
Net profit (loss) for the reporting period	190	13 310 012	10 822 563
FOR REFERENCE ONLY		406 155	-
Fixed tax liabilities (assets)	200	-	-
Basic earnings (loss) per share		-	-

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 3,20217480 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 6 382 978 727,28.

Annual dividends shall be paid out in money within the period appointed of charter MTS OJSC.

FINAL DISTRIBUTION OF PROFITS AND LOSSES

Expense item	Amount, RUR'000
Net profit for 2003	13 310 012
Subject to be distributed among shareholders in the form of dividends on common shares on the basis of year-end results	6 382 978,727
Retained earnings – allocated for the company development needs.	6 927 033,273

REMUNERATION

The amount equivalent to 8 870 706 US dollars which constitutes 1,715 % of net after-tax profit in compliance with the US generally accepted accounting principles (US GAAP) shall be allocated for payment of remuneration to MTS OJSC executives.

Remuneration shall be made in the following manner:

- Total remuneration amount to be paid to the members of the Board of Directors: equivalent of 4 435 353 US dollars (Information regarding the remuneration of every Board of Directors member shall be provided to shareholders upon additional request);
- Total remuneration amount to be paid to MTS OJSC executives (management): equivalent of 4 435 353 US dollars;
- MTS OJSC Board of Directors and MTS OJSC President shall determine individual remuneration amounts to be paid to MTS OJSC executives (management).

SHARE OPTION PLAN

Approve implementation of MTS OJSC share option plan according to financial year 2003 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,1 2004 at the price determined on the basis of the average price paid for MTS OJSC ADRs on the NYSE during 100 days of trading prior to the date of entering into the option agreement.

V.S. Lagutin
MTS OJSC Board of Directors Chairman

V.V. Sidorov
MTS OJSC President

R.M. Kolomiets
MTS OJSC Chief Accountant