

**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 2004 Results**

PROCEDURE FOR DISTRIBUTION OF PROFIT EARNED BY MTS OJSC IN 2004

**INCOME STATEMENT**

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
<b>Income and expenses from ordinary activities</b>			
Income (net) from sales of goods, products, works, services (less value-added tax, excise taxes and similar mandatory payments)	010	61 744 729	48 201 355
Cost of goods, products, works, services sold	020	23 165 450	21 765 941
Gross profit	029	38 579 279	26 435 414
Commercial expenses	030	7 421 582	1 884 077
Administrative expenses	040	5 966 043	4 568 871
Profit(loss) from sales (lines (010 - 020 - 030 - 040))	050	25 191 654	19 982 466
<b>Other income and expenses</b>			
Interest receivable	060	580 272	462 937
Interest payable	070	3 569 839	2 452 182
Income from participation in other organizations	080	161 490	60 067
Other operating income	090	4 170 241	1 567 923
Other operating expenses	100	8 183 456	2 665 133
Non-sales income	120	2 573 004	2 127 913
Non-sales expenses	130	390 616	673 368
Extraordinary gains	131	517	1 038
Extraordinary losses	132	447	472
<b>Profit (loss) before tax</b>	140	20 532 820	18 411 189
Deferred tax assets	141	356 190	137
Deferred tax liabilities	142	48 248	96 747
Current tax on profit	150	5 598 357	5 004 567
Tax penalties	151	32 933	-
<b>Net profit (loss) for the reporting period</b>	190	15 209 472	13 310 012
<b>FOR REFERENCE ONLY</b>			
Fixed tax liabilities (assets)	200	362 538	489 272
Earnings per share, basic and diluted, roubles		7,80	6,68

**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 5,75195247 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 11 465 517 202,98.

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

## FINAL DISTRIBUTION OF PROFITS AND LOSSES

Expense item	Amount, RUR'000
Net profit for 2004	15 209 472
Subject to be distributed among shareholders in the form of dividends on common shares on the basis of financial year results.	11 465 517,20298

### REMUNERATION

The amount equivalent to 4 821 000 US dollars which constitutes 0,49 % of net after-tax profit for 2004 in compliance with the US generally accepted accounting principles (US GAAP) shall be allocated for payment of remuneration to MTS OJSC BoD members.

### SHARE OPTION PLAN

To approve the implementation of MTS OJSC share option plan according to financial year 2004 results. Allocate 1 778 694 registered common shares in MTS OJSC for the option plan implementation. Option agreements (agreements relating to granting the right to buy shares in MTS OJSC) shall be concluded until September 01, 2005 at the price determined on the basis of the average price paid for MTS OJSC ADRs on the NYSE calculated for the period of 100 days of trading prior to the date of entering into the option agreement.

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V.S. Lagutin  
MTS OJSC Board of Directors Chairman

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V.V. Sidorov  
MTS OJSC President

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N.V. Tsekhomsky  
MTS OJSC Vice-President, CFO

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R.M. Kolomiets  
MTS OJSC Chief Accountant