



FOR IMMEDIATE RELEASE

June 5, 2008

**COMSTAR — UNITED TELESYSTEMS OJSC
FIRST QUARTER 2008 FINANCIAL RESULTS**

Moscow, Russia – June 5, 2008 – “COMSTAR – United TeleSystems” OJSC (“Comstar” or “the Group”) (LSE: CMST), the leading integrated telecommunications operator in Russia and the CIS, today announced its unaudited consolidated US GAAP financial results for the three months ended March 31, 2008.

FINANCIAL HIGHLIGHTS

- Consolidated revenues up 27% year on year to US\$ 417.0 million
- OIBDA¹ up 31% year on year to US\$ 170.3 million, with an increased margin of 40.8%
- Operating income up 31% year on year to US\$ 121.3 million, with an increased margin of 29.1%
- Net income up to US\$ 54.1 million
- Cash flow from operations up 67% year on year to US\$ 148.4 million
- Total assets up 35% year on year to US\$ 4.97 billion
- Cash capital expenditure² of US\$ 43.4 or 10.4% of revenues

OPERATING HIGHLIGHTS

- 108 thousand new broadband internet subscribers added in Russia – up 80% year on year and 14% quarter on quarter – with total base reaching 850 thousand users
- Moscow residential broadband internet subscriber base up 77% year on year and 15% quarter on quarter to 750 thousand including 134 thousand triple-play (voice + broadband internet + pay-TV) subscribers
- Regional residential broadband internet subscriber base up twenty times year on year and 19% quarter on quarter to 40 thousand, regional pay-TV subscriber base increased to 107 thousand
- 51% of MGTS residential subscribers on unlimited tariff plan at end of period
- 11% of MGTS corporate subscribers on unlimited tariff plan by end of April
- Completion of Long Distance network build-out in February 2008

¹ Here and below, please refer to Attachment A to this statement for a full definition of OIBDA

² Here and below, cash capital expenditure (“Cash CAPEX”) includes cash spent on acquisition of property, plant and equipment and intangible assets.

Sergey Pridantsev, President and Chief Executive Officer, commented: “These results demonstrate our continued delivery of consistent steps in line with our five point strategy. We completed the registration of our long-distance network in mid-May, having completed the build-out in February. We have started marketing these new services to our corporate subscribers. Not only does this development significantly enhance our competitive position but it will also generate additional revenues for us.

We have also continued to explore opportunities to develop our networks and increase efficiency levels further. The testing of IMS technology in Moscow provides the potential to accelerate the provision of multi-service solutions, and also enables targeted marketing to subscriber homes whilst, at the same time, improving Group profitability levels. We have continued to expand in the regions, both through M&A transactions such as this week’s acquisition of the leading CLEC in Ryazan, as well as through infrastructure development in the Moscow and other regions, and in close cooperation with our sister companies in the Sistema Group. We have strengthened our market positions in the CIS countries where we operate, with the deployment of a national WiMax network in Armenia and the launch of double-play services for subscribers in Odessa in Ukraine.”

Irina Matveeva, Chief Financial Officer, added: “Our revenue growth in the first quarter was primarily driven by continuing high customer demand for MGTS’ unlimited tariff plan, the growing proportion of regional revenues, and increasing fixed to mobile traffic. Our profitability was supported by the significant enhancement of the alternative segment’s margins in both Moscow and the regions. These results support our previously provided guidance for 2008.”

Effective January 1, 2008, Comstar UTS has changed its accounting policy for the treatment of acquired businesses with effect from January 1, 2008. Previously, the year-to-date results of the acquired companies were consolidated in the quarter of acquisition, with the year-to-date earnings prior to acquisition being accounted for as minority interests in the consolidated income statement. Comstar now only consolidates the results of the acquired companies from the approximate date of acquisition. The revised treatment improves the comparability of Comstar's results, both with prior reporting periods and with its peer companies. All comparative historic information in this results statement has been restated to conform to the new accounting policy. In particular, the results of Digital Telephone Networks (DTN) and Regional Technical Centre (RTC) have now been consolidated with effect from December 31, 2007, and are not included in the fourth quarter 2007 results. Unaudited pro forma annual and fourth quarter results (as if the new policy had been followed in 2007) were included as Attachment C in the full year 2007 results statement.

FINANCIAL SUMMARY

<i>(US\$ millions)</i>	Q1 2008	Q1 2007	<i>Growth</i>	Q4 2007	<i>Growth</i>
Revenues	417.0	328.9	27%	401.6	4%
OIBDA	170.3	130.4	31%	164.4	4%
<i>Margin</i>	40.8%	39.6%		40.9%	
Operating Income	121.3	92.8	31%	110.7	10%
<i>Margin</i>	29.1%	28.2%		27.6%	
Change in fair value of call and put option less minority share	8.0	7.5	6%	37.0	(78%)
Impairment of long-term investments	–	–	–	(22.7)	–
Net income	54.1	43.7	24%	51.8	(4%)
Basic EPS (US\$)	0.13	0.12	8%	0.14	(7%)
Weighted average number of shares outstanding – basic	404,456,856	358,228,356	13%	370,787,899	9%
Cash Flow from Operations	148.4	89.1	67%	153.4	(3%)
Cash CAPEX	43.4	64.1	(32%)	135.8	(68%)
<i>% of revenues</i>	10.4%	19.5%		33.8%	
Total Assets	4,971.5	3,671.5	35%	4,630.3	7%

OPERATING REVIEW

Group Overview

Comstar generated 27% year on year and 4% quarter on quarter revenue growth in the quarter following continued high consumer demand for the MGTS unlimited tariff plan for regulated residential voice services, as well as the ongoing revenue boost from fixed-to-mobile calls, strong growth in the regions and the appreciation of the Russian Ruble against the US dollar³. The results include first time contributions from Digital Telephone Networks South (DTN) and Regional Technical Centre (RTC), which were acquired in the fourth

³ The average exchange rate for the period was RuR 24.2601 per US\$ 1 in the first quarter of 2008; RuR 26.3062 per US\$ 1 in the first quarter of 2007; and RuR 24.6466 per US\$ 1 in the fourth quarter of 2007.

quarter, but, according to the new accounting policy, were not consolidated until the first quarter of 2008.

Revenues from fixed-to-mobile calls increased by 61% year on year and by 6% quarter on quarter to US\$ 37.4 million and represented 9% of Group revenues for the period. Calling party pays ('CPP') traffic increased by 32% year on year and by 4% quarter on quarter to 662.1 million minutes in the first quarter 2008.

Operating Expenses⁴ <i>(US\$ millions)</i>	Q1 2008	Q1 2007	<i>Growth</i> <i>(%)</i>	Q4 2007	<i>Growth</i> <i>(%)</i>
Employee costs	92.2	81.0	14%	95.4	(3%)
Network traffic costs.....	52.3	36.3	44%	44.6	17%
Selling & marketing.....	14.4	6.5	123%	20.4	(29%)
Repairs & maintenance.....	18.3	13.7	34%	18.9	(3%)
Taxes.....	12.2	9.7	26%	10.1	21%
Utility & energy costs.....	12.3	10.4	18%	11.6	6%
Other, net	45.0	40.8	10%	36.3	24%
Total Operating Expenses	246.7	198.5	24%	237.2	4%
<i>% of revenues.....</i>	<i>59.2%</i>	<i>60.4%</i>		<i>59.1%</i>	

Group operating expenses, excluding depreciation and amortization charges, increased by 24% year on year and 4% quarter on quarter, which reflected the increased scale of the Group's operations and the consolidation of newly acquired businesses, the rising level of CPP traffic levels, and costs associated with the launch of the long-distance network. Operating expenses, excluding depreciation and amortization, as a percentage of sales were stable quarter on quarter and declined year on year to 59.2%.

Group OIBDA consequently increased by 31% year on year and 4% quarter on quarter to US\$ 170.3 million. The Group OIBDA margin increased year on year from 39.6% to 40.8%, and compared to 40.9% for the fourth quarter of 2007.

The Group's depreciation and amortisation charges increased year on year from US\$ 37.6 million to US\$ 48.9 million, and compared to US\$ 53.7 million in the fourth quarter, which reflected the acquisitions and capital expenditure in 2007. The quarter on quarter decline was attributable to the writing-offs of certain tangible and intangible assets in the fourth quarter of 2007.

Group operating income increased by 31% year on year and 10% quarter on quarter to US\$ 121.3 million. The Group operating margin therefore increased year on year from 28.2% to 29.1%, and compared to 27.6% in the fourth quarter of 2007.

Net interest expenses decreased from US\$ 10.5 million to US\$ 4.4 million year on year, and compared to US\$ 8.9 million in the fourth quarter of 2007, which reflected the mixed effect of the increased borrowing level and higher level of interest bearing deposits and other investments.

The revaluation of the put option issued in part payment for the acquisition of the 25% plus one share stake in regional telecommunications holding company Svyazinvest in December 2006, gave rise to a US\$ 14.4 million non-cash gain in the quarter, compared to non-cash

⁴ Excluding depreciation and amortisation, net

gains from revaluation of the call and put option of US\$ 13.5 million and US\$ 66.4 million in the first and the fourth quarters of 2007, respectively. The 44% minority interest in the revaluation reduced the total net impact of the instrument on the Group's net income to a US\$ 8.0 million gain in the quarter, compared to a US\$ 7.5 million gain in the first quarter of 2007, and to a US\$ 37.0 million gain in the fourth quarter of 2007.

The Group also reported a currency transaction loss of US\$ 3.9 million in the quarter, due to the revaluation of US dollar denominated investments and Euro denominated capital lease obligations and loans. This compared with a currency transaction gain of US\$ 3.4 million in the first quarter of 2007. The first quarter 2007 results also included a US\$ 3.2 million gain from the disposal of associate company Metrocom.

Group pre-tax income, when excluding the impact of the revaluation of the option, increased by 27% year on year to US\$ 113.1 million in the first quarter. The effective tax rate, when excluding the revaluation of the option and the impairment of long-term investments recorded in the fourth quarter of 2007, decreased year on year to 24.7% from 30.2%, and compared to 18.1% for the fourth quarter of 2007. The quarter on quarter increase was attributable to the one-off adjustment to the Group's deferred tax liabilities following improvements in tax documentation which was recorded in the fourth quarter of 2007.

Minority interests in the Group's results increased year on year from US\$ 32.5 million to US\$ 45.4 million, and primarily comprised the minority interest in MGTS's increased earnings.

The Group therefore reported a 16% year on year increase in first quarter net income from US\$ 43.7 million to US\$ 54.1 million.

The weighted average number of shares outstanding during the quarter increased year on year from 358,228,356 to 404,456,856, and compared to 370,787,899 in the fourth quarter of 2007, following the exercise of the call option by Access Telecommunications Coöperatief U.A., and the resulting release of treasury stock. Basic earnings per share was therefore US\$ 0.13 in the first quarter of 2008, which compares to US\$ 0.12 and US\$ 0.14 in the first and the fourth quarters of 2007, respectively.

Overview of Broadband Business in Moscow & the Regions

The Broadband business comprises the Group's broadband operations in Moscow and the Russian Regions. The presentation below therefore provides an aggregated breakdown of the broadband business across the Group, but the operating and financial results for the broadband businesses are included in each of the three following reporting segments, in line with the provision of services by each business unit.

	Q1 2008	Q1 2007	Growth (%)	Q4 2007	Growth (%)
MOSCOW					
Residential subscribers					
Number of subscribers (000s) ⁵	750	425	77%	651	15%
Revenues (US\$ millions).....	28.6	24.1	19%	28.9	(4%)
Average monthly revenue per line (US\$).....	13.4	20.5	(35%)	17.5	(23%)
Corporate subscribers					
Number of subscribers (000s)	49	42	15%	47	4%
Revenues (US\$ millions).....	24.3	16.6	46%	25.2	(4%)
Average monthly revenue per line (US\$).....	169.5	135.1	26%	182.6	(7%)
REGIONS					
Residential subscribers					
Number of subscribers (000s).....	40	2	-	33	19%
Number of subscribers (000s) for DTN and RTC	30	-	-	27	12%
Revenues (US\$ millions).....	2.5	0.1	-	1.5	66%
Revenues (US\$ millions) for DTN and RTC	1.7	-	-	1.2	47%
Average monthly revenue per line (US\$) ⁶	22.5	23.1	(3%)	15.5	45%
Average monthly revenue per line (US\$) for DTN and RTC	20.7	-	-	14.8	40%
Corporate subscribers					
Number of subscribers (000s).....	12	3	-	11	8%
Number of subscribers (000s) for DTN and RTC	7	-	-	7	6%
Revenues (US\$ millions)	4.4	1.3	-	3.8	15%
Revenues (US\$ millions) for DTN and RTC	2.5	-	-	1.9	30%
Average monthly revenue per line (US\$).....	131.1	158.2	(17%)	120.3	9%
Average monthly revenue per line (US\$) for DTN and RTC	115.1	-	-	90.9	27%
TOTAL					
Number of broadband subscribers (000s)					
	850	472	80%	742	15%
Revenues (US\$ millions)					
	59.8	42.2	42%	59.3	1%

Broadband is the primary driver of the fixed-line telecommunications business in Russia, which reflects the rapidly evolving market environment in Moscow and the Russian regions. Comstar is therefore investing in technology and marketing, in order to ensure its market leadership through 2011 and beyond.

Comstar is using the MGTS sales and technical support teams and dealer network to market broadband services to MGTS's 3.6 million subscriber households, as well as introducing post-paid tariffs and single billing for all residential services of MGTS, and selectively

⁵ The number of subscribers for the first quarter of 2007 was recalculated in line with the change in accounting policy in the second half of 2007.

⁶ Regional ARPU is not calculated for the fourth quarter of 2007, as, in line with the newly introduced accounting policy, revenues for the regional operators acquired at the end of 2007 have not been consolidated until January 1, 2008.

modernizing MGTS's unique 'last mile' access in Moscow with the ultimate aim to increase the connection speed up to 24 megabits per second for up to 80% of its broadband users in Moscow by the end of 2009.

Comstar's residential broadband subscriber base in Moscow grew by 83% year on year to 750 thousand by the end of the quarter. 99 thousand residential broadband subscribers were added in the first quarter, with 90% of all subscribers choosing tariff plans with speeds of not less than 1 megabit per second. This growth was driven primarily by the continuing success of the "Broadband in every Home" campaign launched in November and the active engagement of retail chains at the point of sale. The new broadband strategy provides a significant competitive advantage and a platform for delivering a range of value-added services. The number of pay-television subscribers in Moscow increased by 30% year on year to 134 thousand homes, and from 122 thousand homes at the end of 2007.

Comstar's independently assessed⁷ share of the Moscow residential broadband market consequently increased to 35.7% at the end of March 2008, compared to 34.3% at the end of 2007. Comstar's objective is to have a market share of approximately 50% by the end of 2011.

Average monthly residential broadband ARPU in Moscow was US\$ 13.4 in the first quarter, compared to US\$ 20.5 for the first quarter of 2007 and US\$ 17.5 in the fourth quarter. The quarter on quarter decline in the ARPU level reflected the high volume of subscribers acquired during the last two quarters. The ARPU level is expected to increase in the second half of the year with the introduction of higher speed tariff plans and additional services.

The selective modernization of the "last mile", using "fiber to the curb" and ADSL 2+ technologies, provides extra bandwidth and additional capacity to deliver high-speed Internet at 24 megabits per second and new value-added services such as High Definition Television. New high-speed Internet and HDTV services have been tested since the end of February and are expected to be commercially launched on the July 1 for the modernized part of the MGTS network in Moscow. Comstar's deployment of a mobile WiMAX network in Moscow in late 2008, in cooperation with Intel, will provide even greater flexibility for users.

Comstar will therefore be able to offer an unrivalled quintuple-play service offering – local and long distance telephony, unlimited wire-line broadband Internet and HDTV – all in the home – and WiMAX mobile Internet access from a laptop when on the move.

In line with the strategy to surround customers with a unique and integrated telecommunications offering, a strategic agreement was signed with FON Wireless in June 2008. FON Wireless has developed a shared wireless internet access network using Wi-Fi technology, which provides 230 thousand Wi-Fi hot-spots around the world. Comstar and FON will co-develop a Wi-Fi internet access network in Moscow, which 30 thousand Wi-Fi access points in Moscow by the end of 2009 and enable Comstar's Moscow customers to join the worldwide FON network.

Comstar's regional broadband subscriber base outside Moscow grew year on year from 5 thousand customers to 52 thousand users by the end of March, up from 44 thousand customers at the end of the year. The number of regional residential broadband subscribers increased year on year from 2 thousand customers to 40 thousand customers and up from 33 thousand subscribers at the end of 2007. The number of regional pay-TV subscribers

⁷ J'son & Partners

increased by 9% quarter on quarter from 102 thousand to 107 thousand homes. Comstar's objective is for the regional residential and corporate broadband subscriber base to exceed 100 thousand users by the end of 2008.

DTN and RTC, which were acquired during the fourth quarter of 2007, account for over 30 thousand of Comstar's regional broadband subscribers, as well as 107 thousand pay-TV subscribers. Comstar's regional and international companies started offering broadband services on their own Next Generation Networks in the second half of 2007, and currently provide broadband services in St. Petersburg, Samara, Tolyatti, Saratov, Engels, Sochi, Adler, Krasnodar, Rostov-on-Don, Surgut, Tyumen, Nizhnevartovsk, Nyagan and Orenburg, as well as in the Yamalo-Nenets and Khanti-Mansi Autonomous Areas, Kiev and Odessa.

SEGMENTAL OPERATING REVIEW

1. Traditional Segment in Moscow

Comstar owns 56% of Moscow City Telephone Network (MGTS), which is Moscow's incumbent fixed-line telecommunications operator and the infrastructure provider for the Group. MGTS is the owner of the 'last mile' access in Moscow, which is not unbundled, and provides over 4.4 million active residential and corporate lines. MGTS provides regulated voice services and unregulated mass market broadband services for residential subscribers in Moscow.

Operating Highlights

	Q1 2008	Q1 2007	<i>Growth</i>	Q4 2007	<i>Growth</i>
Installed telephone lines (000s)	4,812	4,825	0%	4,795	0%
Residential					
Number of subscribers / active lines (000s)	3,590	3,575	0%	3,586	0%
Average monthly revenue per line (US\$).....	12.2	10.2	20%	12.2	0%
CPP traffic (millions of minutes)	398	283	41%	386	3%
Corporates					
Number of active lines (000s)	766	762	1%	767	0%
Number of subscribers (000s)	68	71	(4%)	67	1%
Average monthly revenue per subscriber (excl. revenue from points of interconnect) (US\$).....	230.3	198.2	16%	236.8	(3%)
Number of interconnect points (000s)	32	32	0%	32	0%
Average monthly revenue per interconnect point (US\$)	186.9	172.8	8%	177.6	5%
CPP traffic (millions of minutes)	167	107	56%	167	0%
Operators					
Number of interconnected operators.....	243	229	6%	227	7%
Number of interconnect points (000s)	230	196	18%	230	0%
Average monthly revenue per interconnect point (US\$).....	67.5	67.0	1%	70.8	(5%)
DLD/ILD traffic (millions of minutes)	359	372	(3%)	362	(1%)
DLD/ILD traffic charges per minute (US\$)	0.01	0.02	(27%)	0.03	(55%)

MGTS had an installed capacity of 4.8 million telephone lines in Moscow at the end of March 2008, including 4.4 million active residential and corporate lines. MGTS accounts for 97% of the active residential lines in the City.

MGTS is selectively modernizing its 'last-mile' infrastructure, using Fiber-to-the-curb (FTTC) and ADSL2+ technology to deliver high speed broadband internet access and value-added services such as High Definition Television. As at the end of the first quarter of 2008, MGTS had installed more than 6 thousand ADSL2+ ports at 6 switching centers and 31 curbs, and more than 44 km of fiber-optic cable. Approximately 20 thousand homes were therefore enabled to connect to the internet at speeds of 24 megabits per second.

Simultaneous with the modernization of the 'last mile', MGTS is digitalizing its network. 54% of the MGTS network had been digitalized by the end of March, and 63% of the network is expected to have been digitalized by the end of 2008.

The MGTS restructuring programme continued in the quarter with the headcount being steadily reduced to 13 thousand at the end of the quarter. The goal is to reduce the headcount from 13.4 thousand at the beginning of the year to 11.7 thousand by the end of 2008. At the same time, the number of lines per employee is expected to increase from 290 at the end of 2007 to 900 by the end of the digitalization process.

Financial Highlights

<i>(US\$ millions)</i>	Q1 2008	Q1 2007	<i>Growth (%)</i>	Q4 2007	<i>Growth (%)</i>
Revenues					
Residential.....	134.2	111.8	20%	134.1	0%
Corporate.....	67.5	61.9	9%	72.0	(6%)
Operators.....	87.5	73.6	19%	89.1	(2%)
Total	289.2	247.3	17%	295.2	(2%)
Intersegment sales	(34.6)	(30.9)	12%	(33.9)	2%
Net Revenues	254.6	216.4	18%	261.3	(3%)
Operating Expenses (excluding depreciation and					
amortization)	152.8	132.9	15%	149.3	2%
OIBDA	136.4	114.4	19%	145.9	(7%)
<i>Margin (%)</i>	47%	46%		49%	

MGTS generated 17% year on year revenue growth in the quarter, which reflected the revision in the regulated residential voice tariff system introduced by the Federal Tariff Service (FTS) in February 2007, which was partially offset by the 35 rubles decrease in the unlimited tariff plan price introduced by FTS from February 1, 2008, in addition to higher revenues from operators due to the increase in the fees paid by other operators to use the MGTS network.

51% of MGTS residential subscribers were on the 'unlimited' tariff plan for regulated voice services by the end of March 2008, with 28% choosing the 'per minute' plan and the remaining 22% on the 'combined' plan. The time limit for the combined plan was increased to 450 minutes at the beginning of December 2007, whilst the price for the unlimited monthly tariff plan was reduced by 9% from 380 Rubles to 345 Rubles with effect from February 1, 2008 following the regulatory changes announced in December 2007.

Residential voice revenues were up 20% year on year in the quarter, with residential CPP traffic levels increasing by 41% year on year from 282.6 million minutes to 398.1 million minutes and contributing 53% higher year on year revenues of US\$ 20.8 million, compared to US\$ 13.6 million for the same period of 2007. Corporate voice revenues were up 8% year on year, with corporate CPP traffic levels increasing by 56% year on year from 106.8 million minutes to 166.7 million minutes and contributing 69% higher year on year revenues of US\$ 10.3 million, compared to US\$ 6.1 million for the same period of 2007.

Revenue from Operators was up 19% year on year in the quarter and reflected the 16% increase in access node and trunk rental revenues. Long-distance revenues decreased by 11% year on year as a result of the mixed effect of the rise in per minute charges from February 2007 and the introduction of the compensation surcharge from January 1, 2007 and its subsequent cancellation from January 1, 2008, as well as the 3% decrease in DLD/ILD traffic to 359 million minutes.

MGTS therefore reported a 19% year on year increase in OIBDA and an increased OIBDA margin of 47%, which compared with a margin of 46% in the first quarter of 2007.

2. Alternative Segment in Moscow

Comstar owns a group of leading alternative fixed-line telecommunications operators in Moscow, which provide broadband internet and multi-service solutions to residential and corporate subscribers in Moscow and the surrounding region. The segment includes the Comstar-Direct and Comstar-Moscow operations.

Operating Highlights

	Q1 2008	Q1 2007	Growth (%)	Q4 2007	Growth (%)
Installed capacity / telephone lines (000s)	655	643	2%	655	0%
Residential subscribers					
Number of subscribers (000s)	715	526	36%	647	10%
Average monthly revenue per subscriber (US\$).....	15,2	19,3	(21%)	18,4	(17%)
Corporate subscribers					
Number of subscribers (000s)	33	32	3%	32	3%
Average monthly revenue per subscriber (US\$).....	392,3	297,6	32%	405,2	(3%)
Operators					
Number of active lines (000s).....	448	450	(1%)	457	(2%)
- of which, used by mobile operators (000s)	316	326	(3%)	326	(3%)

The residential subscriber base grew by 39% year on year and 11% quarter on quarter to 732,000 at the end of the period, following the rapid growth in the residential broadband subscriber base.

The corporate subscriber base was up to 33,000, despite the fact that Comstar has to date only been able to provide long-distance services as an agent to licensed DLD/ILD operators.

Comstar completed the construction of its own domestic and international long-distance network in February at an investment cost of approximately US\$ 14 million. This will enable Comstar to significantly strengthen its corporate client service offering and services are currently being launched.

Comstar completed the reorganization and integration of Telmos and MTU-Inform in the second quarter of 2007 and has now completed the merger of Golden Line with COMSTAR-UTS OJSC. This is part of the ongoing process of merging all of the operations into a single legal entity. The integration of another remaining separate entity – Port Telecom – is scheduled for completion in the second quarter.

Financial Highlights

<i>(US\$ millions)</i>	Q1 2008	Q1 2007	<i>Growth (%)</i>	Q4 2007	<i>Growth (%)</i>
Revenues					
Corporate.....	56.7	42.9	32%	55.1	3%
Operators.....	39.3	28.9	36%	42.0	(6%)
Residential.....	31.8	29.2	9%	33.5	(5%)
Total	127.8	101.1	26%	130.7	(2%)
Intersegment sales	(1.7)	(0.2)	–	(2.6)	(35%)
Net Revenues	126.1	100.9	25%	128.1	(2%)
Operating Expenses (excluding depreciation and amortization)	102.8	84.1	22%	113.9	(10%)
OIBDA	25.0	17.0	47%	16.8	48%
<i>Margin (%)</i>	20%	17%		13%	

Revenues were up 26% year on year due to growing corporate subscriber base and ARPU, CPP traffic levels and the appreciation of the Russian Ruble against the US dollar. Revenues from corporate subscribers grew by 32% year on year driven by increasing ARPU in Comstar-Direct. CPP traffic contributed US\$ 4.7 million of corporate and residential voice revenue in the quarter, compared to US\$ 3.4 million for the same period of 2007 and US\$ 4.8 million in the fourth quarter of 2007.

Operating expenses, net of depreciation and amortization, increased from US\$ 84.1 million to US\$ 102.8 million year on year and compared to US\$ 113.9 million in the fourth quarter of 2007. The year on year increase reflected the US\$ 3.9 million increase in sales and marketing expenses; the US\$ 7.0 million increase in network traffic costs due to the increase in the CPP traffic and increased channel rent on the long-distance channels.

The fourth quarter expenses of the segment included US\$ 6.2 million of the catch-up adjustment due to change in the employee stock option plan, expenses on which are recorded, since the fourth quarter, based on the fair value of the options as of the reporting date, versus fair value as of the grant date as before. In addition, marketing costs in the fourth quarter were higher by approximately US\$ 6.0 million.

Segment OIBDA therefore increased year on year from US\$ 17.0 million to US\$ 25.0 million and compared to US\$ 16.8 million in the fourth quarter. The OIBDA margin increased from 17% to 20% year on year and from 13% in the fourth quarter.

3. Alternative segment in the Regions & CIS

Comstar's regional and international business comprises the Group's operations in five out of the seven Russian federal regions out of total seven (Central, North-West, South, Volga, and Ural), and in Ukraine and Armenia.

Operating Highlights

	Q1 2008	Q1 2007	Growth (%)	Q4 2007	Growth (%)
Residential subscribers					
Number of subscribers (000s).....	414	72	475%	402	3%
Average monthly revenue per user (US\$) ⁸	9.28	11.03	(16%)	8.21	13%
Corporate subscribers					
Number of subscribers (000s).....	35	7	380%	34	3%
Average monthly revenue per user (US\$).....	148.00	228.72	(35%)	133.06	11%
Operators					
Number of active lines (000s).....	2.2	8.6	(75%)	9.2	(76%)

Comstar is developing its alternative operator business in the Russian regions and the CIS as an integral part of the Group's overall corporate development strategy.

Comstar's regional broadband subscriber base outside Moscow grew year on year from 5 thousand customers to 52 thousand users by the end of March, and up from 44 thousand customers at the end of the year. The number of regional residential broadband subscribers increased from 2 thousand to 40 thousand year on year and from 33 thousand at the end of 2007, whilst the number of regional pay-TV subscribers increased by 9% quarter on quarter to 107 thousand, up from 102 thousand homes at the end of 2007. Comstar's objective is for the regional residential and corporate broadband subscriber base to exceed 100 thousand users by the end of 2008.

Comstar's Tyumenneftegazsvyaz (TNGS) subsidiary, which is the leading CLEC in the Tyumen Region, announced the completion of the first phase build-out of its microwave backbone infrastructure in the Khanty-Mansi Autonomous Region, and the neighbouring Yamalo-Nenets Autonomous Region, in January 2008. Comstar plans to increase the number of broadband access points by 10 thousand ports in 2008.

Comstar is in the process of integrating its separate operating entities into a single subsidiary in Ukraine, and also launched its IPTV services in Odessa in March 2008.

Comstar announced in January 2008 that it had begun building a wireless broadband network in Armenia, which is expected to be completed in late 2008. Comstar initially plans to build 24 base stations and use leased fiber-optic lines, as well as radio relay channels and bridges. The WiMAX network will be used as a base to provide voice services, high-speed internet access, and multi-media content delivery to residential and corporate subscribers.

⁸ Regional ARPU is not calculated for the fourth quarter of 2007, as, in line with the newly introduced accounting policy, revenues for the regional operators acquired at the end of 2007 have not been consolidated until January 1, 2008.

Financial Highlights

<i>(US\$ millions)</i>	Q1 2008	Q1 2007	<i>Growth (%)</i>	Q4 2007	<i>Growth (%)</i>
Revenues					
Residential.....	11.2	2.4	–	2.7	–
Corporate.....	15.6	5.0	–	6.2	–
Operators.....	9.3	4.1	–	3.2	–
Other	0.2	0.1	–	–	–
Total	36.3	11.6	–	12.1	–
Operating Expenses (excluding depreciation and amortization).....	25.4	10.9	–	10.9	–
OIBDA	10.9	0.7	–	1.3	–
<i>Margin (%).....</i>	30%	6%		10%	

Revenues increased more than threefold year on year and almost threefold quarter on quarter, which reflected the consolidation of the RTC and DTN businesses, which were acquired in the fourth quarter of 2007, from the beginning of 2008. The acquisitions were the largest in the Group's history.

Both acquired companies have higher OIBDA margins than Comstar's existing operations outside Moscow, the majority of which are in the early stages of development, and the Group is also benefiting from the ongoing restructuring programme of its regional operations. OIBDA therefore increased more than 15 times year on year and more than 8 times quarter on quarter, and the OIBDA margin increased from under 10% to 30%.

FINANCIAL REVIEW

Group net cash provided by operations increased by 67% year on year to US\$ 148.4 million in the quarter. Net cash used in investing activities amounted to US\$ 69.4 million and primarily comprised capital expenditure and net of short-term investments made during the quarter. Group capital expenditure totaled US\$ 43.4 million, compared to US\$ 64.1 million in the first quarter of 2007, and primarily comprised the modernization of the MGTS' 'last mile', infrastructure development in the regions, and the ongoing digitalization process.

Net cash used in financing activities amounted to US\$ 9.9 million in the quarter, and primarily comprised the repayment of certain loans and capital lease obligations falling due in the quarter.

The Group's cash and cash equivalents therefore increased to US\$ 258.9 million by the end of the quarter. Total Group borrowings, including capital lease obligations, increased to US\$ 1,048.1 million, and the Group's net debt position therefore decreased to US\$ 789.2 million. The Group's total debt to twelve month trailing OIBDA ratio continued to decline to 1.57 times, compared to 1.61 times at the end of 2007 and 2.13 times at the end of March 2007.

Free cash flow, calculated as net cash provided by operations less cash CAPEX, increased from US\$ 24.9 million to US\$ 105.0 million year on year and compared to US\$ 17.6 million in the fourth quarter of 2007. The increase was attributable both to the increase in operating cash flow and the low level of cash CAPEX during the quarter.

Comstar accounts for its 25% plus one share holding in Svyazinvest at cost on the Group's balance sheet. The value of the stake, based on the combined market value of the listed Svyazinvest subsidiaries, had risen by 39% from US\$ 1.6 billion at the date of purchase on December 11, 2006 to US\$ 2.3 billion as at the end of the period.

OTHER INFORMATION

Conference call

Comstar will host a conference call today at 8.00 am (ET) / 1.00 pm (UK time) / 2.00 pm (CET) / 4.00 pm (Moscow Time). Participants may access the call by dialling the following numbers:

UK / International: +44 20 7190 1530

US: +1 480 248 5081

A replay facility will also be made available for 7 days after the call and may be accessed by dialling the following numbers and using the following pin code:

UK / International: +44 20 7154 2833

US: +1 303 590 3030

PIN: 3884194#

The replay facility will also be made available at http://www.comstar-uts.com/en/for_investors/finresults/2008/ in due course.

For further information, please visit www.comstar-uts.com or contact:

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Comstar UTS is the leading fixed-line telecommunications company in Moscow. Comstar provides voice, data, television and other value-added services to residential and corporate subscribers and operators, using its extensive backbone network and exclusive last mile access to 97% of Moscow households. The Company also offers communications services in five Russian regions, Armenia and Ukraine. Comstar had 3.6 million residential subscribers and 750 thousand residential broadband internet subscribers in Moscow, as well as 40 thousand residential regional and international broadband internet subscribers at the end of March 2008. Comstar generated US\$ 1,562.4 million and US\$ 417.0 million of revenues and a 42.5% and 40.8% OIBDA margin for the twelve months ended December 31, 2007 and the three months ended March 31, 2008, respectively. Comstar's Global Depositary Receipts are listed on the London Stock Exchange (ticker: CMST).

Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of Comstar UTS. You can identify forward looking statements by terms such as "expect," "believe," "anticipate," "estimate," "intend," "will," "could," "may" or "might", the negative of such terms or other similar expressions. Comstar UTS wishes to caution that these statements are only predictions, and that actual events or results may differ materially. Comstar UTS does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in projections or forward-looking statements of Comstar UTS, including, among others, general economic conditions, the competitive environment, risks associated with operating in Russia, rapid technological and market change in the industries Comstar UTS operates in, as well as many other risks specifically related to Comstar UTS and its operations.

NON-GAAP FINANCIAL MEASURES

This results statement includes financial information prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), as well as other non-GAAP financial information. The non-GAAP financial information should be considered as an addition to, but not as a substitute for, information prepared in accordance with US GAAP.

OIBDA is operating income before depreciation and amortisation, and the OIBDA margin is defined as OIBDA as a percentage of net revenues. These measures are included in this results statement in order to provide additional information regarding the Group's ability to meet future debt service payments, capital expenditure and working capital requirements, and as a metric to evaluate profitability. OIBDA is not a measure of financial performance under US GAAP, and is not an alternative to operating income as a measure of operating performance, or to cash flows from operating activities as a measure of liquidity. While depreciation and amortisation are considered operating costs under US GAAP, these items primarily represent the non-cash current period allocation of costs arising from the acquisition or development of long-term assets in prior periods. OIBDA is commonly used as a criterion for evaluation of operating performance by credit and equity investors and analysts. The calculation of OIBDA may be different from the calculation used by other companies and comparability may therefore be limited. OIBDA can be reconciled to the Group's consolidated statements as follows:

Reconciliation of OIBDA

	1Q 2008		1Q 2007		4Q2007	
	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues
Operating profit.....	121.3	29.1%	92.8	28.2%	110.7	27.6%
Add: Depreciation and amortization	48.9	11.7%	37.6	11.4%	53.7	13.4%
OIBDA	170.2	40.8%	130.4	39.6%	164.4	40.9%

ADJUSTED PRE-TAX INCOME

Pre-tax income before non-recurring stock bonus, impairment of long-term investments and the non-cash impact of the revaluation of the call and put option is pre-tax income adjusted for the effect of stock bonus, impairment of long-term investments and the change in the fair value of the derivative financial instrument (call and put option). This measure is included in the results statement in order to provide additional information regarding the Group's underlying performance. Stock bonus and impairment of long-term investments have non-recurring nature. While the revaluation of derivative financial instruments is included in the determination of pre-tax income under US GAAP, this item only partially affects the Group's future cash flows and is not under the control of the management, as the fair value of the call and put option is dependant primarily on the market price of Comstar UTS GDRs.

	1Q 2008		1Q 2007		4Q2007	
	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues
Pre-tax income (reported)	127.4	30.6%	102.4	31.1%	144.4	35.9%
Add: impairment of long-term investments	–	–	–	–	22.7	5.7%
Less: change in fair value of financial instrument (put option in 2008 and call and put option in 2007)	(14.4)	(3.4%)	(13.5)	(4.1%)	(66.4)	(16.5%)
Pre-tax income (adjusted)	113.1	27.1%	88.9	27.0%	100.7	25.1%

Attachment B

**“COMSTAR – United TeleSystems” OJSC
UNAUDITED CONSOLIDATED INCOME STATEMENTS**

	Three months ended March 31,	
	2008	2007
<i>(US\$ thousand, except for share and per share amounts)</i>		
Operating revenues	\$ 416,955	\$ 328,859
Operating expenses, excluding depreciation and amortisation, net	(246,707)	(198,487)
Depreciation and amortisation	(48,915)	(37,596)
Operating income	121,333	92,776
Interest income	10,670	2,227
Interest expense, net of interest capitalized	(15,035)	(12,700)
Change in fair value of a derivative financial instrument (call and put option in 2007 and put option in 2008).....	14,369	13,500
Foreign currency transactions (loss)/gain, net	(3,914)	3,388
Gain from disposal of an affiliate	–	3,216
Income before income taxes, income from affiliates and minority interests	127,423	102,407
Income tax expense	(27,896)	(26,822)
Income from affiliates	–	620
Minority interests	(45,442)	(32,536)
Net income	\$ 54,085	\$ 43,669
Weighted average number of common shares outstanding – basic ..	404,456,856	358,228,356
Earnings per common share – basic	\$ 0.13	\$ 0.12
Weighted average number of common shares outstanding – diluted	406,090,181	367,878,713
Earnings per common share – diluted	\$ 0.13	\$ 0.12

“COMSTAR – United TeleSystems” OJSC
UNAUDITED CONSOLIDATED BALANCE SHEETS

<i>(US\$ thousand)</i>	March 31, 2008	December 31, 2007
	<hr/>	<hr/>
Assets		
Current assets:		
Cash and cash equivalents	\$ 258,906	\$ 179,794
Short-term investments	475,313	425,929
Trade receivables, net	184,941	163,028
Other receivables and prepaid expenses	116,223	101,668
Inventories and spare parts	46,039	41,328
Deferred tax assets, current portion	33,462	29,910
Total current assets	<hr/> 1,114,884	<hr/> 941,657
Property, plant and equipment, net	2,004,911	1,907,112
Intangible assets, net	192,176	191,006
Investments in shares of Svyazinvest	1,550,477	1,485,378
Other long-term investments	105,592	99,731
Restricted cash	972	2,447
Deferred tax assets, long-term portion	1,156	1,631
Deferred finance charges	1,332	1,375
Total assets	<hr/> \$ 4,971,500	<hr/> \$ 4,630,337

(*) Amounts as of December 31, 2007 were derived from the audited consolidated financial statements of Comstar UTS for the years ended December 31, 2007 and 2006 and should be read in conjunction with these statements.

“COMSTAR – United TeleSystems” OJSC
UNAUDITED CONSOLIDATED BALANCE SHEETS (continued)

(US\$ thousand)

	March 31, 2008	December 31, 2007 (*)
Liabilities and shareholders' equity:		
Current liabilities:		
Trade accounts payable, accrued expenses and other current liabilities.....	\$ 241,552	\$ 178,954
Deferred connection fees, current portion.....	37,028	35,787
Subscriber prepayments	51,110	48,767
Debt, current portion	103,553	103,476
Capital lease obligations, current portion.....	10,781	10,360
Derivative financial instrument (put option).....	77,000	88,000
	521,024	465,344
Long-term liabilities:		
Deferred connection fees, net of current portion.....	122,147	117,884
Debt, net of current portion.....	929,189	891,321
Capital lease obligations, net of current portion.....	4,625	6,150
Post-retirement obligations	37,971	35,817
Property, plant and equipment contributions	117,036	112,779
Deferred tax liabilities, long-term portion.....	118,443	114,123
Other long-term liabilities	36,107	31,009
	1,365,518	1,309,083
Total long-term liabilities.....	1,365,518	1,309,083
Total liabilities	1,886,542	1,774,427
Minority interests	845,283	765,005
Shareholders' equity:		
Common stock	23,900	23,900
Treasury stock.....	(857)	(857)
Additional paid-in capital.....	1,425,044	1,425,044
Retained earnings.....	526,516	472,431
Accumulated other comprehensive income	265,072	170,387
	2,239,675	2,090,905
Total shareholders' equity.....	2,239,675	2,090,905
Total liabilities and shareholders' equity.....	\$ 4,971,500	\$ 4,630,337

(*) Amounts as of December 31, 2007 were derived from the audited consolidated financial statements of Comstar UTS for the years ended December 31, 2007 and 2006 and should be read in conjunction with these statements.

“COMSTAR – United TeleSystems” OJSC
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(US\$ thousand)

	Three months ended March 31,	
	2008	2007 (*)
Operating activities:		
Net income	\$ 54,085	\$ 43,669
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortisation	48,915	37,596
Stock-based compensation	(1,794)	1,322
Change in fair value of a derivative financial instrument (call and put option in 2007 and put option in 2008)	(14,369)	(13,500)
Loss from disposal of fixed assets and other non-cash items, net	531	788
Gain on compensation of losses from third parties	(2,619)	(1,502)
Gain from disposal of an affiliate	–	(3,216)
Amortisation of deferred finance charges	100	2,190
Deferred taxes	(1,321)	3,258
Income from affiliates	–	(620)
Foreign currency transactions loss / (gain) on non-operating activities, net	3,999	(1,254)
Postretirement benefits	937	(1,089)
Minority interests	45,442	32,536
Provision for doubtful debts	2,594	758
Inventory obsolescence charge	335	3,344
Changes in operating assets and liabilities:		
Trade receivables	(16,910)	(55,253)
Other receivables and prepaid expenses	(9,789)	(6,830)
Inventories and spare parts	(3,147)	(1,519)
Trade accounts payable, accrued expenses and other current liabilities	42,412	58,318
Deferred connection fees	(1,193)	(3,864)
Subscriber prepayments	199	(6,073)
Net cash provided by operating activities	148,407	89,059

(*) Certain prior year amounts have been reclassified to conform to the 2008 presentation.

“COMSTAR – United TeleSystems” OJSC
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(continued)

(US\$ thousand)

	Three months ended March 31,	
	2008	2007 (*)
Investing activities:		
Purchases of property, plant and equipment.....	\$ (39,910)	\$ (54,662)
Proceeds from sale of property, plant and equipment.....	620	753
Purchases of intangible assets.....	(3,481)	(9,476)
Purchases of long-term investments	(1,617)	–
Proceeds from sale of long-term investments.....	91	20,597
Purchases of short-term investments	(61,616)	(2,265)
Proceeds from sale of short-term investments.....	35,016	21,777
Decrease / (increase) in restricted cash.....	1,534	(5,058)
Net cash used in investing activities.....	(69,363)	(28,334)
Financing activities:		
Proceeds from borrowings.....	553	6,899
Principal payments on borrowings	(7,385)	(7,660)
Principal payments on capital lease obligations	(2,510)	(3,288)
Dividends paid.....	(520)	–
Net cash used in financing activities.....	(9,862)	(4,049)
Effects of foreign currency translation on cash and cash equivalents	9,930	402
Net increase in cash and cash equivalents.....	79,112	57,078
Cash and cash equivalents, beginning of the period	179,794	136,621
Cash and cash equivalents, end of the period.....	\$ 258,906	\$ 193,699

(*) Certain prior year amounts have been reclassified to conform to the 2008 presentation.