



FOR IMMEDIATE RELEASE

November 28, 2008

**COMSTAR — UNITED TELESYSTEMS OJSC
FINANCIAL RESULTS FOR THE THIRD QUARTER
AND NINE MONTHS ENDED SEPTEMBER 30, 2008**

Moscow, Russia – November 28, 2008 – “COMSTAR – United TeleSystems” OJSC (“Comstar” or “the Group”) (LSE: CMST), the largest integrated telecommunications provider in Moscow and 66 Russian cities, today announced its unaudited consolidated US GAAP financial results for the third quarter and nine months ended September 30, 2008.

THIRD QUARTER HIGHLIGHTS

- Consolidated revenues up 16% year on year to US\$ 421.6 million when excluding US\$ 9.6 million of non-recurring Federal Budget compensation payments received in 2007
- Adjusted OIBDA¹ up 22% year on year to US\$ 184.8 million with increased margin of 43.8%
- Net income of US\$ 36.4 million compared to net loss of US\$ 68.8 million in 2007
- 60% of corporate subscribers in alternative segment in Moscow migrated to Comstar long-distance network as at end of November 2008
- Moscow corporate subscriber alternative segment ARPU up 34% year on year to US\$ 472.8
- Net cash flow from operations up 15% year on year to US\$ 153.7 million
- Cash capital expenditure² of US\$ 105.4 million
- 21% year on year reduction in net debt³ reduced to US\$ 325.7 million
- Total assets up 19% year on year to US\$ 4.7 billion
- Enterprise value for acquisition of STREAM-TV Group set at US\$ 250.0 million
- Revised Comstar-Direct restructuring plan initiated by means of spinning-off of content production business

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

² Here and below, cash capital expenditure comprises the acquisition of property, plant and equipment, and intangible assets

³ Determined as debt, including capital lease obligations, less cash and cash equivalents and short-term investments

NINE MONTHS HIGHLIGHTS

- Consolidated revenues up 20% year on year to US\$ 1,255.8 million when excluding US\$ 36.5 million of non-recurring Federal Budget compensation payments received in 2007
- Adjusted OIBDA up 21% year on year to US\$ 518.7 million with increased margin of 41.3%
- Net income of US\$ 120.4 million compared to net loss of US\$ 8.0 million in 2007
- Net cash flow from operations up 28% year on year to US\$ 427.9 million
- Cash capital expenditure of US\$ 241.2 million

Sergey Pridantsev, President and Chief Executive Officer, commented: “The results for the third quarter again demonstrate a healthy performance across the business. We are undoubtedly operating in a challenging market environment, but we have continued to focus and deliver on our strategic objectives. The stable incumbent MGTS business in Moscow provides solid and sustainable cash flows, accounting for 60% of Group revenues and 75% of total OIBDA. This supports our high profitability levels, while our alternative segment businesses drive our strong organic revenue growth.

“The consolidation of STREAM-TV’s regional operations from the beginning of 2009 will add at over US\$ 100 million to our top line, double our regional revenues, increase our total residential broadband subscriber base in Russia to over 1 million subscribers, and boost our pay-TV subscriber base to more than 2 million subscribers. Furthermore, we are integrating the regional acquisitions that we have made over the past year and are nearing completion of the build-out of our wireless internet access network in Moscow, and have already switched 60% of our alternative segment corporate subscribers in Moscow to our new long distance network. All in all then, we will have a comprehensive and significantly enhanced range of services to offer customers as we head into 2009.”

Irina Matveeva, Chief Financial Officer, added: “Our balance sheet provides the required level of liquidity for the Group. We have no significant debt repayments scheduled for the rest of 2008 and the acquisition of STREAM-TV will be financed from our existing reserves and facilities, almost all of which is Ruble denominated.”

“We are reprioritizing our capital expenditure plans in light of the current market conditions and postponing less urgent projects to later in 2009 and beyond. We have already reduced our projected 2008 capital expenditure to approximately US\$ 360 million, which is well below the level originally anticipated, and we will also not exceed this level in 2009. As before, we expect to finance these investments from our existing funds and facilities. We have made no other changes to our full year 2008 guidance.”

FINANCIAL SUMMARY

<i>(US\$ millions, Except where stated otherwise)</i>	Q3 2008	Q3 2007	<i>Growth</i>	Q2 2008	<i>Growth</i>	9M 2008	9M 2007	<i>Growth</i>
Revenues	421.6	372.2	13%	417.3	1%	1,255.8	1,080.2	16%
<i>Revenues excluding non-recurring Federal Budget compensation payments</i>	421.6	362.6	16%	417.3	1%	1,255.8	1,043.7	20%
OIBDA	194.9	159.7	22%	159.3	22%	524.5	463.2	13%
Margin	46.2%	42.9%		38.2%		41.8%	42.9%	
Adjusted OIBDA	184.8	151.1	22%	165.4	12%	518.7	429.5	21%
Margin	43.8%	41.7%		39.6%		41.3%	41.2%	
Operating income	142.3	117.7	21%	107.1	33%	370.8	346.2	7%
Margin	33.8%	31.6%		25.7%		29.5%	32.0%	
Change in fair value of call and put option less minority share	(25.4)	(103.8)	(76%)	1.8		(15.6)	(118.3)	(87%)
Costs related to employee stock option programmes, net of revaluation of the purchased call option	(3.4)	(1.0)	241%	(6.1)	(44%)	(7.7)	(2.8)	174%
Net income / (loss)	36.4	(68.8)		29.9	22%	120.4	(8.0)	
Basic EPS (US\$)	0.09	(0.19)		0.07	22%	0.30	(0.02)	
Weighted average number of shares outstanding – basic (000s)	404,457	358,228	13%	404,457	–	404,457	358,228	13%
Cash flow from operations	\$153.7	\$133.5	15%	\$125.8	22%	\$427.9	\$335.0	28%
Cash CAPEX	\$105.4	\$66.8	58%	\$92.4	14%	\$241.2	\$209.6	15%
% of revenues	25.0%	18.0%		22.1%		19.2%	19.4%	
Total Assets	4,717.6	3,963.7	19%	4,975.0	(5%)	4,717.6	3,963.7	19%

OPERATING REVIEW

Group Overview

Comstar generated 16% year on year revenue growth in the third quarter, and 20% growth for the nine month period, when excluding the US\$ 36.5 million of non-recurring compensation payments received from the Federal Budget in the first nine months of 2007. This reflected the mixed effect of the ongoing growth in fixed to mobile traffic, the scaling of the regional business, the 9% regulatory reduction in the price charged by MGTS for its unlimited monthly tariff plan for residential voice services from February 1, 2008, the cancellation by the Regulator of the fixed monthly interconnect service charge from March 1, 2008 and the subsequent 25% increase in the weighted average regulatory per minute charge for operators interconnecting to the MGTS network from July 1, 2008. The appreciation of the Russian ruble against the US dollar reporting currency contributed approximately 5% year on year

growth in the third quarter and 8% growth for the year to date⁴. The depreciation of the ruble from September 2008 adversely impacted quarter on quarter revenue growth by 3%.

Revenues from fixed-to-mobile calls increased by 47% year on year to US\$ 43.6 million in the third quarter and by 56% to US\$ 123.9 million for the year to date, and represented 10% of Group revenues for both periods. Traffic levels were up 37% year on year to 769 million minutes in the quarter, and up 42% to 2,177 million minutes for the year to date.

Operating Expenses⁵	Q3 2008	Q3 2007	Growth (%)	Q2 2008	Growth (%)	9M 2008	9M 2007	Growth (%)
<i>(US\$ millions)</i>								
Employee costs, net of stock-based compensation ..	85.6	88.5	(3%)	91.3	(6%)	270.9	251.2	8%
Stock-based compensation..	(10.1)	1.0	(1123%)	6.1	(267%)	(5.8)	2.8	(307%)
Network traffic.....	53.5	44.2	21%	54.9	(3%)	160.6	115.1	40%
Selling & marketing	14.8	11.1	34%	15.4	(4%)	44.5	26.5	68%
Repair & maintenance.....	18.5	18.1	2%	22.5	(18%)	59.4	49.1	21%
Taxes.....	12.3	9.8	25%	12.1	1%	36.6	31.4	17%
Utility & energy	9.8	7.1	38%	10.7	(8%)	32.8	26.0	26%
Other, net	42.3	32.8	29%	44.9	(6%)	132.3	115.0	15%
Total Operating Expenses	226.7	212.5	7%	257.9	(12%)	731.3	617.0	19%
<i>% of revenues.....</i>	53.8%	57.1%		61.8%		58.2%	57.1%	

Total operating expenses, excluding depreciation and amortisation costs, increased by 7% year on year in the quarter and by 19% for the year to date, which primarily reflected the consolidation of DTN and RTC from the first quarter of 2008, and of Interlink and UTC from the second and the third quarters of 2008, respectively. Total operating costs were however reduced by 12% quarter on quarter in line with both the Group wide initiatives to reduce and optimise all cost items, the decline in stock-based compensation costs due to the decline in the Company's share price, and seasonality effects.

When excluding the US\$ 9.6 million of non-recurring Federal Budget compensation payments received in the third quarter of 2007, and stock-based compensation costs in 2007 and 2008, the Group reported a 22% year on year increase in OIBDA to US\$ 184.8 million in the third quarter, and a substantially increased OIBDA margin of 43.8%. Group OIBDA for the year to date, when excluding the US\$ 36.5 million of Federal Budget payments received in 2007 and stock-based compensation costs in 2007 and 2008, was up 21% year on year to US\$ 518.7 million with an increased margin of 41.3%.

Group depreciation and amortisation charges increased year on year to US\$ 52.6 million in the quarter and to US\$ 153.7 million for the year to date due to the increased property, plant and equipment and intangible asset balances following the acquisitions made in 2007 and 2008, as well as the capital investments made in the underlying business.

Net interest expenses increased by 27% year on year to US\$ 10.9 million in the third quarter, but were reduced by 32% to US\$ 19.7 million for the year to date. This development followed an increase in the interest rate on the Sberbank credit facility from July 2008, the

⁴ The average exchange rate for the period was RuR 24.24615 per US\$ 1 in the third quarter of 2008; RuR 23.6379 per US\$ 1 in the second quarter of 2008; RuR 25.51246 in the third quarter of 2007; RuR 25.86165 per US\$ 1 in the second quarter of 2007; RuR 24.04544 per US\$ 1 for the first nine months of 2008; and RuR 25.89054 per US\$1 for the first nine months of 2007.

⁵ Excluding depreciation and amortisation, net

lower levels of interest-bearing investments during the third quarter of 2008, as well as reduction in the total level of Group indebtedness in the second and third quarters of 2008.

On August 25, 2008, Access Telecommunications Coöperatief U.A. (“Access”, previously known as 2711 Centerville Coöperatief U.A.) initiated the process of exercising its put option to sell 46,232,000 Comstar shares to MGTS Finance S.A. for US\$ 10.0267, which was the weighted average closing price of the Comstar Global Depositary Receipt on the London Stock Exchange for the 90 trading day period up to and including the trading day prior to the date of the exercise of the put option. The option shares represent 11.06% of the total number of issued Comstar shares. The put option was originally issued in part payment for the acquisition of the 25% plus one share stake in regional telecommunications holding company Svyazinvest in December 2006.

The final revaluation of the option for the period up to August 25, 2008 gave rise to non-cash losses of US\$ 45.5 million in the quarter and US\$ 27.9 million for the year to date, compared to non-cash losses of US\$ 186.2 million and US\$ 212.2 million for the respective periods of 2007. The 44% minority interest reduced the total net impact of the revaluation of the instrument on the Group’s net income to a US\$ 25.4 million loss in the quarter and a US\$ 15.6 million loss for the year to date.

In order to hedge the currency exposure resulting from the new employee stock option programme introduced in April 2008, Comstar acquired a phantom call option in the third quarter of 2008 over 9,000,000 Comstar shares from an investment bank for US\$ 19.4 million. The agreement entitles Comstar to receive a payment in the second quarter of 2010 for the 9,000,000 shares, which is equal to the difference between the option exercise price of US\$ 10.2368 and the average of the daily volume-weighted average trading price of the Comstar GDR on the London Stock Exchange for the period between February 1 and March 31, 2010. This hedging instrument is revalued on a quarterly basis and any changes are reported in a separate line in the income statement, which therefore effectively offsets the reported impact on the income statement of the option programme itself. The revaluation of the instrument as at September 30, 2008 resulted in a loss of US\$ 13.5 million, which was almost fully offset by the US\$ 10.1 million reported gain on the employee stock option programme.

Minority interests, which primarily comprise the minority interests in MGTS’s earnings, totaled US\$ 10.1 million in the quarter and US\$ 110.1 million for the year to date. The decline from US\$ 54.6 million in the second quarter of 2008 was primarily caused by the losses incurred by MGTS on the revaluation of the put option in the third quarter, as well as the increased minority interest charge in the second quarter due to the dividends accrued to MGTS minorities. The Group therefore reported net profits of US\$ 36.4 million in the quarter and US\$ 120.4 million for the year to date, compared to net losses of US\$ 68.8 million and US\$ 8.0 million for the same periods of 2007.

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. The operating and financial results for the broadband businesses are included in each of the three following reporting segments.

	Q3 2008	Q3 2007	Growth (%)	Q2 2008	Growth (%)
MOSCOW					
Residential subscribers					
Total number of subscribers (000s)	793	453	75%	783	1%
Premium tariff segment.....	688	453	52%	686	0%
Mass-market segment	105			97	
Total Revenues (US\$ millions)	27.7	25.0	11%	29.9	(8%)
Average monthly revenue per line (US\$).....	11.6	18.8	(38%)	12.8	(10%)
Premium segment	12.4	18.8	(34%)	13.9	(11%)
Mass market segment.....	5.8			4.9	19%
Corporate subscribers					
Number of subscribers (000s).....	51	45	14%	51	2%
Revenues (US\$ millions).....	27	21	32%	26	6%
Average monthly revenue per line (US\$).....	178.7	157.0	14%	173.4	3%
REGIONS					
Residential subscribers					
Number of subscribers (000s).....	61	4	1395%	49	25%
Revenues (US\$ millions).....	3	0	1664%	2.6	17%
Average monthly revenue per line (US\$).....	17.7	12.1	47%	20.2	(12%)
Corporate subscribers					
Number of subscribers (000s).....	16	3	374%	13	26%
Revenues (US\$ millions)	7	2	363%	5.1	43%
Average monthly revenue per line (US\$).....	161	155	4%	142.8	13%
TOTAL					
Number of broadband subscribers (000s).....					
	922	506	82%	895	3%
Revenues (US\$ millions)					
	65.3	47.5	38%	63.4	3%

Broadband in Moscow

The Moscow broadband market is now close to saturation with penetration levels of approximately 55%, and personal computer penetration of approximately 70%. Comstar therefore moved into the second phase of its strategic development plan in September with the focus shifting from premium subscriber acquisition to premium subscriber ARPU and mass market subscriber acquisition. This reflects the greater efficiency of attracting new subscribers at lower ARPU and service levels, and then gradually upselling them to STREAM-branded premium packages and additional services such as IP and HDTV, WiMAX and WiFi. MGTS is actively promoting its 'Voice plus Internet' packages and unique post-paid and per-day tariff plans, in order to attract new subscribers. MGTS will also deploy IP Multimedia Subsystem (IMS) Technology from September 2009, in order to drive mass market subscriber acquisition. The installation of IMS gateways for two million

households will not only enable the Group to increase its broadband subscriber base, but also to reduce the cost of digitalising the MGTS network and to offer a broader range of value-added services.

The total number of broadband subscribers in Moscow increased by 70% year on year to 844 thousand in the quarter. The residential broadband subscriber base in Moscow grew by 75% year on year to 793 thousand customers. 22% of MGTS' voice customers now subscribe for broadband services, compared to 13% in September 2007, and the objective is to increase this level to 33% by the end of 2011.

The number of premium subscribers in Moscow increased by 52% year on year to 688 thousand in the third quarter, and was stable quarter on quarter, in line with the increasingly high penetration levels in Moscow. Premium segment ARPU therefore decreased year on year and quarter on quarter in Ruble terms to RUR 300.6 (US\$ 12.4) in the third quarter from RUR 328.4 (US\$ 13.9) in the second quarter of 2008 and from RUR 479.6 (US\$ 18.8) in the third quarter of 2007, in line with the higher number of subscribers in promotion price periods. The number of double-play (Internet & pay-TV) subscribers grew by 39% year on year to 147 thousand.

Following the introduction of MGTS-branded mass market broadband services in October 2007, the number of mass market subscribers increased to 105 thousand from 97 thousand at the end of the second quarter. MGTS launched a successful promotion campaign in June for 1 and 2 megabit per second speeds, in order to stimulate take-up during the seasonally quieter summer period. The campaign attracted 14 thousand subscribers between June and August. The Mass market subscriber segment generated RUR 140.6 (US\$ 5.8) of ARPU in the third quarter, up 19% quarter on quarter from RUR 115.8 (US\$ 4.9) in the second quarter.

The revised restructuring plan for Comstar-Direct, which was approved by the Comstar-Direct Board of Directors on September 16, 2008, and an Extraordinary General Meeting of Comstar-Direct's shareholders on October 27, 2008, no longer requires the legal merger of Comstar and Comstar-Direct but does achieve all of the other reorganisation targets announced on June 4, 2008. Comstar-Direct will be restructured by establishing and spinning off a new legal entity to take control over the content production part of Comstar-Direct's assets and liabilities in proportion to Sistema Mass Media's 48.18% stake in Comstar-Direct. Comstar will therefore become the 100% owner of Comstar-Direct. Following the spinning off of the content production part of the business to Sistema Mass Media, and in line with the asset management agreement, Comstar will become the owner of the part of Comstar-Direct that provides multi-media services (broadband internet access and pay-TV solutions) and of its subscriber base. All of the corporate procedures related to the reorganisation of Comstar-Direct, including the transfer of employees, are expected to be completed by the end of the first quarter of 2009, and the reorganisation does not require the convening of an EGM of Comstar shareholders.

Broadband in the regions

Comstar's regional residential broadband subscriber base grew by 57 thousand subscribers year on year to a total of 61 thousand subscribers by the end of the third quarter, up from 49 thousand subscribers at the end of the second quarter, which reflected both healthy organic subscriber growth as well as the inclusion of the subscriber bases of the businesses acquired since the end of the third quarter of 2007. ARPU for the segment was up year on year to RUR 429.2 (US\$ 17.7) from RUR 308.7 (US\$ 12.1) in the third quarter of 2007 due to the acquisition of regional operators with higher prevailing tariff levels and down quarter on

quarter from RUR 477.3 (US\$ 20.2) in the second quarter due to new marketing campaigns. The number of pay-TV subscribers in the regions increased by 6% quarter on quarter to 150 thousand customers following new marketing campaigns by DTN in the Southern Federal District.

Enterprise value for acquisition of STREAM-TV Group set at US\$ 250.0 million, of which approximately half is debt. Comstar plans to complete the acquisition by the end of 2008 and to start consolidating STREAM-TV from the date of completion. The acquisition will double the Group's regional revenues, increase the Group's residential broadband subscriber base in Russia to over 1 million subscribers and increase the pay-TV subscriber base to over 2 million subscribers.

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 Comstar Group. MGTS is the owner of the 'last mile' access in Moscow, which is not unbundled, and provides 4.4 million residential and corporate telephony lines. MGTS provides regulated voice services and unregulated mass market broadband services in Moscow.

Operating Highlights

	Q3 2008	Q3 2007	<i>Growth (%)</i>	Q2 2008	<i>Growth (%)</i>	9M 2008	9M 2007	<i>Growth (%)</i>
Installed telephone lines (000s)	4,832	4,842	0%	4,819	0%	4,832	4,842	0%
Residential								
Number of subscribers / active lines (000s).....	3,600	3,582	0%	3,596	0%	3,600	3,582	0%
CPP traffic (millions of minutes)	436	339	29%	438	(1%)	1,273	937	36%
Average monthly revenue per line (US\$).....	11.9	11.5	3%	12.2	(3%)	12.1	11.0	10%
Corporates								
Number of active lines (000s)	769	764	1%	768	0%	769	764	1%
Number of subscribers (000s)....	68	74	(8%)	69	0%	68	74	(8%)
CPP traffic (millions of minutes)	202	147	37%	193	5%	562	384	46%
Average monthly revenue per subscriber (excl. revenue from points of interconnect) (US\$).....	231.6	207.5	12%	238.6	(3%)	262.2	207.8	26%
Number of points of interconnect (000s).....	30	31	(5%)	31	(6%)	30	31	(5%)
Average monthly revenue per point of interconnect (US\$)	216.7	207.2	5%	200.4	8%	201.6	202.0	0%
Operators								
Number of interconnected operators.....	245	229	7%	247	(1%)	245	229	7%
Number of points of interconnect (000s).....	201	213	(6%)	236	(15%)	201	213	(6%)
Average monthly revenue per point of interconnect (US\$).....	n/a	61.9	n/a	55.7	n/a	56.2	48.3	16%
DLD/ILD traffic (millions of minutes)	343	325	6%	340	1%	1,042	1,034	1%
DLD/ILD traffic charges per minute (US\$).....	0.016	0.029	(44%)	0.013	20%	0.014	0.024	(42%)

The total number of active residential lines increased year on year to 3.6 million, while CPP traffic levels were up 29% year on year to 436 million minutes in the third quarter. As at September 30, 51% of MGTS residential subscribers were on the unlimited tariff plan, 28% were on the per-minute plan and the remaining 22% were on a combination of the two plans.

Residential ARPU was consequently up 3% year on year to US\$ 11.9 in the third quarter, compared to US\$ 11.5 in the third quarter of 2007 and declined compared to US\$ 12.2 in the second quarter of 2008 due to ruble depreciation and the seasonal decrease in CPP traffic volumes.

The number of active corporate lines also increased year on year and corporate ARPU was up 12% year on year to US\$ 231.6, compared to US\$ 207.2 in the third quarter of 2007. This followed the introduction of new tariff plans for regulated voice services from February 1, 2008, as well as a 37% year on year increase in CPP traffic levels to 202 million minutes in the quarter. As at September 30, 9% of MGTS corporate subscribers were on the unlimited tariff plan, 6% were on the per-minute plan and the remaining 85% were on a combination of the two plans.

The number of interconnect points with other telecom operators declined 6% year on year and 15% quarter on quarter but the average monthly revenue per point of interconnect in the first nine months of 2008 was US\$ 56.2, compared to US\$ 48.3 in the same period of 2007. This reflected the combined impact of the Regulator's cancellation of the fixed monthly charge per interconnect point with effect from March 1, 2008, and the subsequent 25% increase in the weighted average regulatory per minute charge for operators interconnecting to the MGTS network from July 1, 2008.

Financial Highlights

<i>(US\$ millions)</i>	Q3 2008	Q3 2007	<i>Growth (%)</i>	Q2 2008	<i>Growth (%)</i>	9M 2008	9M 2007	<i>Growth (%)</i>
Revenues								
Residential.....	130.7	135.1	<i>(3%)</i>	131.8	<i>(1%)</i>	396.7	397.7	<i>0%</i>
<i>Including non-recurring compensation from the Federal Budget.....</i>	<i>-</i>	<i>9.6</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>36.5</i>	<i>-</i>
Corporate.....	72.6	66.4	<i>9%</i>	75.0	<i>(3%)</i>	215.1	194.8	<i>10%</i>
Operators.....	87.0	77.0	<i>13%</i>	85.7	<i>1%</i>	260.2	224.8	<i>16%</i>
Total	290.3	278.5	<i>4%</i>	292.5	<i>(1%)</i>	872.0	817.3	<i>7%</i>
Intersegment sales	(36.3)	(31.1)	<i>17%</i>	(40.9)	<i>(11%)</i>	(111.8)	(93.2)	<i>20%</i>
Net Revenues	254.0	247.4	<i>3%</i>	251.7	<i>1%</i>	760.2	724.1	<i>5%</i>
Operating Expenses (excluding depreciation and amortisation)	167.7	138.6	<i>21%</i>	161.8	<i>4%</i>	482.4	411.9	<i>17%</i>
OIBDA	122.5	139.9	<i>(12%)</i>	130.7	<i>(6%)⁶</i>	389.7	405.4	<i>(4%)</i>
<i>Margin (%).....</i>	<i>42.2%</i>	<i>50.2%</i>		<i>44.7%</i>		<i>44.7%</i>	<i>49.6%</i>	
Adjusted OIBDA⁷	122.2	130.3	<i>(6%)</i>	131.8	<i>(7%)</i>	390.6	368.9	<i>6%</i>
<i>Margin (%).....</i>	<i>42.2%</i>	<i>48.5%</i>		<i>45.1%</i>		<i>44.8%</i>	<i>47.2%</i>	

MGTS revenues were up 8% year on year in the third quarter and 12% for the year to date when excluding the non-recurring compensation from the Federal Budget received during 2007. The year on year development in the quarter reflected the increased fixed-to-mobile traffic and CPP volumes, the three new corporate customer tariff plans introduced in

⁶ US\$ 16.5 million of interconnect intercompany costs related to first half of the year were reported in the third quarter

⁷ Excluding US\$ (0.1) million of stock-based compensation costs in Q3 2008, US\$ 1.1 million in Q2 2008 and US\$ 1.0 million for the 9m2008, US \$9.6 million of non-recurring compensation from the Federal Budget in Q3 2007 and US\$ 36.5 million for the 9m2007

February, the 25% increase in the regulatory per minute charge for operators interconnecting to the MGTS network from the beginning of July 2008, and the appreciation of the Russian Ruble against the US Dollar. These factors offset to some extent the regulatory reduction in the price charged by MGTS for its unlimited tariff plan from February 2008, and the cancellation of the monthly interconnect charge from March 2008. The quarter on quarter development reflected the seasonally lower CPP volumes during the third quarter.

Group OIBDA declined both year on year and quarter on quarter in the third quarter when excluding the non-recurring compensation received from the Federal Budget. The decrease reflected the factors mentioned above, as well as lower intersegment sales and higher costs following the introduction of new interconnect agreements under the new interconnect regime. US\$ 16.5 million of intercompany (primarily interconnect) costs related to the first half of the year were reported in the third quarter.

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

	Q3 2008	Q3 2007	<i>Growth (%)</i>	Q2 2008	<i>Growth (%)</i>	9M 2008	9M 2007	<i>Growth (%)</i>
Installed capacity / telephone lines (000s).....	655	643	2%	655	0%	655	643	2%
Residential subscribers								
Number of subscribers (000s).....	727	524	39%	730	0%	727	524	39%
Average monthly revenue per subscriber (US\$).....	12.8	18.0	(29%)	14.2	(10%)	14.1	18.6	(24%)
Corporate subscribers								
Number of subscribers (000s).....	29	32	(9%)	30	(2%)	29	32	(9%)
Average monthly revenue per subscriber (US\$).....	472.8	353.1	34%	456.1	4%	441.3	324.6	36%
Operators								
Number of active lines (000s).....	446	453	(2%)	448	0%	446	453	(2%)
- of which, used by mobile operators (000s)	316	326	(3%)	316	0%	316	326	(3%)

The number of residential subscribers increased by 39% year on year to 727 thousand subscribers and was stable quarter on quarter as described above (“Overview of Broadband Business in Moscow & the Regions”). CPP traffic levels were up 88% year on year to 2 million minutes in the third quarter.

The number of corporate subscribers decreased year on year and quarter on quarter to 29 thousand in line with the consolidation of small clients, whilst CPP traffic levels were up 33% year on year to 89 million minutes in the quarter. Corporate customer ARPU was up year on year and quarter on quarter to US\$ 472.8, from US\$ 456.1 in the second quarter and

US\$ 353.1 in the third quarter of 2007. This followed the consolidation of a number of small and medium sized clients and their accounts, are now seen as one client.

Comstar received the necessary access codes to be able to provide long distance telephony services in August, and started the migration of its corporate subscribers from third-party long-distance networks to Comstar's network. Approximately 60% of all corporate subscribers had been switched to Comstar's long-distance network by the end of November.

Financial Highlights

<i>(US\$ millions)</i>	Q3 2008	Q3 2007	<i>Growth (%)</i>	Q2 2008	<i>Growth (%)</i>	9M 2008	9M 2007	<i>Growth (%)</i>
Revenues								
Corporate.....	58.8	47.2	25%	59.2	(1%)	174.7	134.8	30%
Operators.....	58.0	38.1	52%	36.6	58%	133.9	100.2	34%
Residential.....	28.6	27.8	3%	31.5	(9%)	91.8	86.8	6%
Total	145.3	113.1	28%	127.2	14% ⁸	400.3	321.8	24%
Intersegment sales	(23.1)	(0.2)	10173%	(0.3)	8596%	(25.0)	(0.7)	3588%
Net Revenues	122.3	112.9	8%	127.0	(4%)	375.3	321.1	17%
Operating Expenses (excluding depreciation and amortisation)								
	87.5	93.0	(6%)	110.5	(21%)	300.8	261.9	15%
OIBDA	57.9	20.1	187%	16.7	246%	99.6	59.9	66%
<i>Margin (%)</i>	39.8%	17.8%		13.1%		24.9%	18.6%	
Adjusted OIBDA ⁹	47.9	21.4	127%	21.5	123%	92.6	62.7	48%
<i>Margin (%)</i>	32.9%	18.7%		16.9%		23.1%	19.5%	

Revenues increased by 28% year on year in the quarter and by 24% for the year to date, which primarily reflected the growth in revenues from fixed-to-mobile calls, as well as increased intercompany sales in line with the new interconnect regime. Revenues were up 14% quarter on quarter due to accruals of US\$ 16.5 million related to first half year intercompany revenues in line with change in interconnect regime.

Segment adjusted OIBDA more than doubled year on year in the quarter and compared to the second quarter of 2008, and increased by 48% for the year to date, due to the cost optimization programme. US\$ 16.5 million of intercompany revenues (primarily interconnect) related to the first half of the year were reported in the third quarter.

⁸ Including accruals of US\$ 16.5 million related to first half year intercompany revenues in line with change in interconnect regime

⁹ Excluding US\$ (10.0) million of stock-based compensation costs in the 3Q2008, US\$ 1.0 million in Q3 2007, US\$ 4.8 million in Q2 2008, US\$ 7.0 million in the 9m2008, US\$ 2.8 million in the 9m2007.

3. Alternative segment in the Regions & CIS

Comstar's regional and international business comprises the Group's operations in 66 Russian cities with a combined population of more than 30 million people, and in Ukraine and Armenia.

Operating Highlights

	Q3 2008	Q3 2007	<i>Growth (%)</i>	Q2 2008	<i>Growth (%)</i>	9M 2008	9M 2007	<i>Growth (%)</i>
Residential subscribers								
Number of subscribers (000s).....	498	73	585%	459	9%	498	73	585%
Average monthly revenue per user (US\$)	9.2	10.9	(16%)	9.6	(4%)	9.3	11.2	(18%)
Corporate subscribers								
Number of subscribers (000s).....	41	8	418%	36	15%	41	8	418%
Average monthly revenue per user (US\$)	171.6	227.2	(24%)	170.7	0%	164.0	220.5	(26%)
Operators								
Number of active lines (000s).....	2.1	9.3	(77%)	2.2	(2%)	2.1	9.3	(77%)

The number of residential subscribers in the regions was up 7 times year on year to 498 thousand following the acquisitions of DTN and RTC in the fourth quarter of 2007, Interlink Group in June 2008, and Ural Telephone Company in July 2008. Residential ARPU amounted to US\$ 9.2, compared to US\$ 9.6 in the second quarter and US\$ 10.9 in the third quarter of 2007. The development reflected new marketing campaigns and the acquisition of regional operators with lower prevailing tariff levels.

The number of corporate subscribers was similarly up 5 times year on year and 15% quarter on quarter, with corporate ARPU of US\$ 171.6, compared to US\$ 227.2 in the third quarter of 2007. This again reflected the impact of the acquisition of regional operators with lower prevailing tariff levels. ARPU was stable quarter on quarter due to ruble depreciation, but was up 3% in ruble terms.

Comstar acquired Ural Telephone Company, a leading alternative telecommunications operator in the Ural region, in July. UTC provides local and zonal connection services, as well as broadband internet access based on ADSL and Ethernet technologies for residential and corporate subscribers. UTC has a capacity of 150 thousand telephone numbers in Ekaterinburg, of which 61 thousand are installed numbers. The Company also operates 13 thousand telephone numbers in other towns in the Sverdlovsk region, of which 5.5 thousand are installed numbers. The Company has a modern technical infrastructure and services more than 50 thousand telephone numbers, of which half are provided to corporate subscribers.

Comstar commenced the integration of STREAM-TV Group's regional operations in September. STREAM-TV is the largest pay-TV operator in Russia and provides cable TV and broadband internet access services in 40 Russian cities with a combined population of over 15 million people. The Group's networks pass over 3.6 million households and have over 1.8 million active pay-TV subscribers and over 200 thousand broadband internet subscribers.

Financial Highlights

(US\$ millions)	Q3 2008	Q3 2007	Growth (%)	Q2 2008	Growth (%)	9M 2008	9M 2007	Growth (%)
Revenues								
Residential.....	13.6	2.4	463%	12.2	12%	37.2	7.5	398%
Corporate.....	21.4	5.4	294%	17.9	19%	54.8	15.3	258%
Operators.....	10.3	4.0	159%	8.5	21%	28.1	12.2	130%
Total	45.3	11.8	283%	38.6	17%	120.2	35.0	243%
Operating Expenses (excluding depreciation and amortisation)								
	27.9	10.6	163%	24.9	12%	78.2	31.7	147%
OIBDA	17.4	1.2		13.7	27%	42.0	3.3	
Margin (%).....	38.5%	10.3%		35.5%		35.0%	9.6%	
Adjusted OIBDA ¹⁰	17.4	1.2		13.9	25%	42.2	3.3	
Margin (%).....	38.4%	10.3%		36.1%		35.1%	9.6%	

Revenues increased substantially year on year in both the quarter and for the year to date, and were up 17% quarter on quarter, following both healthy organic growth and the consolidation of the businesses acquired since the end of the third quarter of 2007.

Segment OIBDA consequently increased substantially year on year in both the quarter and for the year to date, and was up 27% quarter on quarter. The OIBDA margin also increased more than threefold in both the quarter and for the year to date, due to the higher prevailing margins in the acquired businesses.

FINANCIAL REVIEW

Net cash generated by operations increased by 15% year on year to US\$ 153.7 million in the quarter and by 28% to US\$ 427.9 million for the year to date.

Net cash used in investing activities amounted to US\$ 156.3 million in the quarter and US\$ 121.4 million for the year to date, which included Group capital expenditure, the acquisitions of Interlink Group in June 2008 and UTC in July 2008, the purchase of the call option hedging the Company's exposure under the employee stock option plan, and the purchase of short-term investments, net of short-term investments maturing in the period. Group cash capital expenditure totaled US\$ 105.4 million in the quarter and US\$ 241.2 million for the year to date, compared to US\$ 66.8 million and US\$ 209.6 million for the respective periods of 2007, and primarily comprised the development of the Moscow broadband network.

Free cash flow generation¹¹ decreased year on year in the quarter from US\$ 66.7 million to US\$ 48.3 million, and increased from US\$ 33.4 million in the second quarter of 2008. Free cash flow for the year to date increased year on year from US\$ 125.4 million to US\$ 186.7 million.

Net cash used in financing activities amounted to US\$ 42.8 million in the quarter and US\$ 134.9 million for the year to date, and included the partial repayment of MGTS ruble-

¹⁰ Excluding US\$ (0.05) million of stock-based compensation costs relating to employee stock option in Q3 2008, US\$ 0.2 in Q2 2008 and US\$ 0.2 million for the 9m2008

¹¹ Calculated as net cash provided by operations less cash CAPEX

denominated bonds, the repayment of other loans and capital lease obligations falling due during the period, and dividend payments. The Group's cash and cash equivalents therefore decreased from US\$ 408.5 million to US\$ 334.8 million during the third quarter.

The Group's total borrowings including capital lease obligations decreased from US\$ 967.6 million to US\$ 896.5 million during the third quarter, whilst the Group's net debt¹² increased from US\$ 294.9 million to US\$ 352.7 million in the quarter. The majority of the debt comprised the ruble-denominated Sberbank loan, which has a current annual interest rate of 9.5%. The Group's total debt to twelve month trailing OIBDA ratio declined to 1.30 times at the end of the period, compared to 1.48 times at the end of the second quarter of 2008.

Access Telecommunications Coöperatief U.A. ("Access", previously known as 2711 Centerville Coöperatief U.A.) initiated the process of exercising its put option to sell 46,232,000 Comstar shares back to Comstar subsidiary MGTS Finance S.A. in August. Comstar announced on November 27 that the transfer of rights in relation to the previously announced exercising of the put option held by Access was completed on November 26, 2008. Comstar subsidiary MGTS Finance S.A.¹³ thereby acquired 46,232,000 Comstar shares, which represent 11.06% of Comstar's total issued ordinary shares.

The shares have been acquired for US\$ 10.03 per share and a total cash consideration of US\$ 463.6 million. US\$ 100.0 million of the consideration has been paid to Access on November 26, 2008, simultaneous with the transfer of rights in relation to the put option. The option shares will be pledged as collateral to Access until January 26, 2009 and guarantees will be provided to Access for the period up until the final payment on March 26, 2009.

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 1596**

US: **+1 480 629 1990**

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: **3943327#**

The replay facility will also be made available at

http://www.comstar-uts.com/en/for_investors/finresults/2008/ in due course.

The slide presentation will be available for download on Comstar UTS' website

http://www.comstar.ru/en/for_investors/presentations/comp/ starting from 3.30 PM (Moscow time) today.

¹² Calculated as total debt less cash and cash equivalents and short-term investments

¹³ MGTS Finance S.A. is a 100%-owned subsidiary of ZAO UTS MGTS, which is a wholly owned subsidiary of OJSC MGTS.

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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 793 thousand residential broadband internet subscribers in Moscow, as well as 61 thousand residential regional and international broadband internet subscribers at the end of September 2008. Comstar generated US\$ 1,255.8 million of revenues and a 41.8% OIBDA margin for the nine months ended September 30, 2008. Comstar's Global Depository 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 and Adjusted OIBDA

	3Q 2008		3Q 2007		2Q 2008		9M 2008		9M 2007	
	US\$ 'mln	% of revs								
Operating profit.....	142.3	33.8%	117.7	31.6%	107.1	25.7%	370.8	29.5%	346.2	32.0%
Add: Depreciation and amortization.....	52.6	12.5%	42.0	11.3%	52.2	12.5%	153.7	12.2%	117.1	10.8%
OIBDA (reported)	194.9	46.2%	159.7	42.9%	159.3	38.2%	524.5	41.8%	463.2	42.9%
Less: non- recurring compensation from the Federal Budget	-	-	(9.6)	(2.6%)	-	-	-	-	(36.5)	(3.4%)
Add back stock- based compensation costs	(10.1)	(2.4%)	1.0	0.3%	6.1	1.5%	(5.8)	(0.5%)	2.8	0.3%
OIBDA (adjusted)	184.8	43.8%	151.1	40.6%	165.4	39.6%	518.7	41.3%	429.5	39.8%

ADJUSTED PRE-TAX INCOME

Adjusted pre-tax income is pre-tax income adjusted for the effect of the change in the fair value of derivative financial instruments (call and put option issued as part payment for the Group's stake in Svyazinvest and the call option purchased in order to hedge against the Company's exposure resulting from new employee stock option program introduced in April 2008). This measure is included in the results statement in order to provide additional information regarding the Group's underlying performance and underlying effective tax rate. While the revaluation of derivative financial instruments is included in the determination of pre-tax income under US GAAP, these items only partially affect the Group's future cash flows and are not under the control of the management, as the fair values of the call and put option and the purchased call option are dependant primarily on the market price of Comstar

UTS GDRs. Revaluation of these financial instruments does not affect tax position of the Group.

	3Q 2008		3Q 2007		2Q 2008		9M 2008		9M 2007	
	US\$ 'mln	% of revenues								
Pre-tax income (reported).....	76.9	18.2%	(84.4)	(22.7%)	107.9	25.9%	312.3	24.9%	104.3	9.7%
Add/(less): change in fair value of call and put option in 2007 and put option in 2008	45.5	10.8%	186.2	50.0%	(3.2)	(0.8%)	27.9	2.2%	212.2	19.6%
Add/(less): change in fair value of purchased call option	13.5	3.2%	–	–	–	–	13.5	1.1%	–	–
Pre-tax income (adjusted).....	135.9	32.2%	101.9	27.4%	104.7	25.1%	353.7	28.2%	316.5	29.3%
Income tax expense.....	33.3	7.9%	30.3	8.1%	23.5	5.6%	84.7	6.7%	92.8	8.6%
Effective tax rate (adjusted)	24.5%		29.8%		22.4%		24.0%		29.3%	

Attachment B

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

(US\$ thousand, except for share and per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Operating revenues	\$ 421,551	\$ 372,224	\$ 1,255,777	\$ 1,080,240
Operating expenses, excluding depreciation and amortisation, net	(226,657)	(212,542)	(731,303)	(617,001)
<i>Net of / (Including) stock-based compensation.....</i>	<i>10,142</i>	<i>(991)</i>	<i>5,820</i>	<i>(2,808)</i>
Depreciation and amortisation	(52,554)	(41,958)	(153,717)	(117,059)
Operating income.....	142,340	117,724	370,757	346,180
Interest income	8,500	3,994	30,266	9,911
Interest expense	(19,353)	(12,513)	(49,968)	(38,952)
Change in fair value of call and put option in 2007 and put option in 2008	(45,508)	(186,224)	(27,940)	(212,224)
Change in fair value of purchased call option	(13,519)	–	(13,519)	–
Foreign currency transactions gain/(loss), net	4,456	(7,345)	2,688	(3,865)
Gain from disposal of an affiliate	–	–	–	3,216
Income / (loss) before income taxes, income from investments and minority interests	76,916	(84,364)	312,284	104,266
Income tax expense	(33,328)	(30,331)	(84,734)	(92,831)
Income from investments	2,993	1,807	2,993	2,427
Minority interests	(10,133)	44,046	(110,136)	(21,877)
Net income / (loss)	\$ 36,448	\$ (68,842)	\$ 120,407	\$ (8,015)
Weighted average number of common shares outstanding – basic.....	404,456,856	358,228,356	404,456,856	358,228,356
Earnings / (loss) per common share – basic	\$ 0.09	\$ (0.19)	\$ 0.30	\$ (0.02)
Weighted average number of common shares outstanding – diluted.....	410,936,244	374,283,492	405,297,382	369,596,675
Earnings / (loss) per common share – diluted	\$ 0.06	\$ (0.18)	\$ 0.27	\$ (0.02)

“COMSTAR – United TeleSystems” OJSC
UNAUDITED CONSOLIDATED BALANCE SHEETS

<i>(US\$ thousand)</i>	September 30, 2008	December 31, 2007 (*)
Assets		
Current assets:		
Cash and cash equivalents	\$ 334,827	\$ 179,794
Short-term investments	235,945	425,929
Trade receivables, net	179,085	163,028
Other receivables and prepaid expenses	115,328	101,668
Inventories and spare parts	42,727	41,328
Deferred tax assets, current portion	30,323	29,910
Total current assets	938,235	941,657
Property, plant and equipment, net	2,003,780	1,907,112
Intangible assets, net	212,310	191,006
Investments in shares of Svyazinvest	1,444,182	1,485,378
Other long-term investments	110,890	99,731
Derivative financial instrument (call option)	5,925	–
Restricted cash	–	2,447
Deferred tax assets, long-term portion	1,237	1,631
Deferred finance charges	1,041	1,375
Total assets	\$ 4,717,600	\$ 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)

<i>(US\$ thousand)</i>	September 30, 2008	December 31, 2007 (*)
Liabilities and shareholders' equity:		
Current liabilities:		
Trade accounts payable, accrued expenses and other current liabilities..... \$	235,527	\$ 178,954
Deferred connection fees, current portion	34,534	35,787
Subscriber prepayments	48,393	48,767
Debt, current portion	92,696	103,476
Capital lease obligations, current portion.....	6,717	10,360
Derivative financial instrument (put option)	116,812	88,000
Total current liabilities	534,679	465,344
Long-term liabilities:		
Deferred connection fees, net of current portion.....	112,484	117,884
Debt, net of current portion	795,461	891,321
Capital lease obligations, net of current portion.....	1,625	6,150
Post-retirement obligations	35,959	35,817
Property, plant and equipment contributions.....	109,136	112,779
Deferred tax liabilities, long-term portion.....	128,108	114,123
Other long-term liabilities	42,083	31,009
Total long-term liabilities	1,224,856	1,309,083
Total liabilities	1,759,535	1,774,427
Minority interests	813,830	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	590,474	472,431
Accumulated other comprehensive income.....	105,674	170,387
Total shareholders' equity	2,144,235	2,090,905
Total liabilities and shareholders' equity \$	4,717,600	\$ 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 September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Operating activities:				
Net income / (loss)	\$ 36,448	\$ (68,842)	\$ 120,407	\$ (8,015)
Adjustments to reconcile net income / (loss) to net cash provided by operations:				
Depreciation and amortisation.....	52,554	41,958	153,717	117,059
Stock-based compensation	(10,142)	991	(5,820)	2,808
Change in fair value of call and put option in 2007 and put option in 2008	45,508	186,224	27,940	212,224
Change in fair value of purchased call option	13,519	–	13,519	–
(Gain) / loss from disposal of fixed assets and assets held for resale and other non-cash items, net	246	1,013	1,891	3,960
Gain on compensation of losses from third parties.....	(3,851)	(3,150)	(9,763)	(7,222)
Gain from disposal of an affiliate.....	–	–	–	(3,216)
Amortisation of deferred finance charges.....	106	41	310	3,849
Deferred taxes.....	4,744	1,900	2,939	8,611
Income from affiliates	–	–	–	(620)
Foreign currency transactions loss / (gain) on non-operating activities, net	(640)	(249)	2,694	(1,338)
Postretirement benefits	787	7,374	2,308	7,581
Minority interests	10,133	(44,046)	110,136	21,877
Provision for doubtful debts	2,153	1,152	7,842	5,052
Inventory obsolescence charge.....	148	–	2,027	3,326
Changes in operating assets and liabilities:				
Trade receivables.....	(8,233)	(6,173)	(26,927)	(73,110)
Other receivables and prepaid expenses	(2,146)	(6,507)	(13,422)	(2,020)
Inventories and spare parts	186	(1,529)	(3,478)	(4,252)
Trade accounts payable, accrued expenses and other current liabilities	15,532	16,580	44,201	53,121
Deferred connection fees.....	(1,397)	3,799	(2,486)	(1,093)
Subscriber prepayments.....	(1,918)	3,013	(124)	(3,582)
Net cash provided by operating activities	153,737	133,549	427,911	335,000

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

(US\$ thousand)

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Investing activities:				
Purchases of property, plant and equipment.....	\$ (101,860)	\$ (57,062)	\$ (228,649)	\$ (183,349)
Proceeds from sale of property, plant and equipment	1,261	74	2,837	2,239
Purchases of intangible assets	(3,565)	(9,757)	(12,573)	(26,279)
Acquisition of subsidiaries, net of cash acquired	(41,877)	(709)	(50,156)	(750)
Acquisition of minority interests	–	–	–	(1,832)
Purchases of long-term investments	(7,024)	–	(8,641)	(9,068)
Proceeds from sale and redemption of long-term investments	–	(9,068)	91	20,605
Purchases of short-term investments	(65,615)	(14,377)	(165,155)	(22,798)
Proceeds from sale and redemption of short-term investments	80,908	26,653	357,795	73,564
Purchase of the call option	(19,422)	–	(19,422)	–
Decrease in restricted cash	940	440	2,476	2,176
Net cash used in investing activities	(156,254)	(63,806)	(121,397)	(145,492)
Financing activities:				
Proceeds from borrowings.....	86	512	3,090	682,542
Principal payments on borrowings	(6,582)	(11,986)	(95,576)	(708,477)
Principal payments on capital lease obligations	(3,045)	(3,389)	(8,615)	(12,343)
Dividends paid	(33,299)	(28,334)	(33,839)	(28,334)
Deferred finance charges.....	–	–	–	(1,492)
Net cash used in financing activities.....	(42,840)	(43,197)	(134,940)	(68,104)
Effects of foreign currency translation on cash and cash equivalents.....	(28,303)	1,793	(16,541)	2,412
Net (decrease) / increase in cash and cash equivalents.....	(73,660)	28,339	155,033	123,816
Cash and cash equivalents, beginning of the period	408,487	232,098	179,794	136,621
Cash and cash equivalents, end of the period.....	\$ 334,827	\$ 260,437	\$ 334,827	\$ 260,437