



FOR IMMEDIATE RELEASE

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**COMSTAR — UNITED TELESYSTEMS OJSC
FINANCIAL RESULTS FOR
THE FOURTH QUARTER AND FULL YEAR 2007**

Moscow, Russia – April 17, 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 fourth quarter and twelve months ended December 31, 2007.

FULL YEAR FINANCIAL HIGHLIGHTS

- Consolidated revenues up 39% year on year to US\$ 1,562.4 million
- OIBDA up 55% year on year to US\$ 663.2 million (excluding US\$ 62.1 million stock bonus awards in Q42006) with increased margin of 42.5%
- Operating income of US\$ 485.3 million with increased margin of 31.1%
- Net income of US\$ 43.8 million
- Cash CAPEX¹ up 13% year on year to US\$ 345.4 million
- Cash flow from operations up 40% year on year to US\$ 488.4 million (excluding stock bonus awards in Q4 2006)
- Total assets up 31% year on year to US\$ 4.6 billion

FOURTH QUARTER FINANCIAL HIGHLIGHTS

- Consolidated revenues up 65% year on year to US\$ 482.1 million
- OIBDA more than doubled year on year to US\$ 200.0 million (excluding US\$ 62.1 million stock bonus awards in Q42006) with increased margin of 41.5%
- Operating income of US\$ 139.2 million with increased margin of 28.9%
- Net income of US\$ 51.8 million
- Cash flow from operations up 46% year on year to US\$ 153.4 million (excluding stock bonus awards in Q4 2006)

FOURTH QUARTER OPERATING HIGHLIGHTS

- 81% year on year growth in Moscow residential broadband internet subscriber base to 651,000, including 122,300 triple-play (voice + broadband internet + pay-TV) subscribers, and ARPU of US\$ 17.5

¹ Cash CAPEX includes cash spent on acquisition of property, plant and equipment and intangible assets.

- 32,900 regional residential broadband internet subscribers and 102,200 regional residential pay-TV subscribers
- 51% of MGTS residential subscribers on unlimited tariff plan at year end
- Acquisition of Digital Telephone Networks and Regional Technical Centre with consolidation of combined full year 2007 revenues of US\$ 80.6 million
- Ground-breaking agreement to build wireless WIMAX network in Moscow
- Completion of Long Distance network build-out in February 2008

Sergey Pridantsev, President and Chief Executive Officer, commented: “We are pleased to report a healthy set of results, which reflect a number of positive changes that we made during 2007. Comstar has now successfully restructured a group of diverse companies into a single, efficient and integrated operator that is fit to compete in the global telecommunications marketplace. We are already the largest and the most profitable fixed-line telecommunications operator in Russia.

“We have developed, and begun to implement, a long-term and highly proactive five point strategy, which is centred around Broadband development, Regional expansion, MGTS, Group structure and Svyazinvest, and which underlines the fact that we are on the competitive offensive in the market place with a unique offering of bundled communications services. We have already achieved a number of important operating and financial milestones during 2007. The strategic objectives are integrated into our forward budgets and operational planning, and we are committed to delivering on the aggressive targets set before us, including the expansion of our residential broadband subscriber base in Moscow to over 1 million customers by the end of 2008 and the doubling of our regional broadband subscriber base.”

Irina Matveeva, Chief Financial Officer, added: “We made significant steps during 2007 to simplify the legal and organizational structure of the Group, in order to streamline our business processes and the efficiency of the overall business. This work is continuing in 2008. Despite this ongoing restructuring process and the changing regulatory environment, we have continued to demonstrate sustainable growth and healthy profitability levels.

“Looking forward, we expect Group revenues to grow organically by 15 to 20% in 2008 when excluding the Federal Budget compensation received in 2007. We also expect to deliver a full year 2008 OIBDA margin of between 38 and 40 per cent, despite the fact that we will not receive any Budget compensation in 2008 and excluding the impact of the new long term incentive plan introduced from April 2008, further acquisitions and any unforeseen regulatory changes. The margin guidance does however include the ongoing investments and start-up projects in the regions, which are expected to be principal drivers of revenue growth and profitability from 2009.

“We launched a number of strategic projects during 2007, including the selective modernization of the ‘last mile’ in Moscow, green-field start-ups in the Moscow suburbs, and the new WiMAX network development in Moscow. We therefore expect 2008 cash capital expenditure to continue to represent approximately 25% of revenues, again when excluding the non-recurring Federal Budget contribution received in 2007.”

FINANCIAL SUMMARY

<i>(US\$ millions)</i>	Q4 2007	Q4 2006	<i>Growth</i> (%)	Q3 2007	<i>Growth</i> (%)	FY 2007	FY 2006	<i>Growth</i> (%)
Revenues	482.1	292.1	65	372.2	30	1,562.4	1,120.2	39
Stock bonus award	-	62.1	-	-	-	-	62.1	-
OIBDA	200.0	35.3	467	159.7	25	663.2	366.5	81
<i>Margin (%)</i>	41.5	12.1	-	42.9	-	42.5	32.7	-
Operating Income	139.2	(4.5)	-	117.7	18	485.3	235.5	106
<i>Margin (%)</i>	28.9	-	-	31.6	-	31.1	21.0	-
Change in fair value of call and put option less minority share	(37.0)	33.4	-	103.8	-	81.3	33.4	-
Impairment of long-term investments	22.7	-	-	-	-	22.7	-	-
Net income	51.8	(63.1)	-	(68.8)	-	43.8	82.5	(47)
Cash Flow from Operations.....	153.4	44.7	243	133.5	15	488.4	288.7	69
Cash CAPEX.....	135.8	100.3	35	66.8	103	345.4	306.5	13
Total Assets	4,630.3	3,537.6	31	3,963.7	17	4,630.3	3,537.6	31

OPERATING REVIEW

Group Overview

Comstar reported 65% year on year revenue growth in the fourth quarter following continued high consumer demand for the MGTS unlimited tariff plan for regulated residential voice services introduced in February 2007, as well as the ongoing revenue boost from fixed-to-mobile calls and the appreciation of the Russian Ruble against the US dollar. The growth also included the consolidation of the full year 2007 results of Digital Telephone Networks South (DTN) and Regional Technical Centre (RTC) in the fourth quarter results, following the completion of the two acquisitions during the fourth quarter. The two operations reported combined full year 2007 revenues of US\$ 80.6 million, up 49.8% year on year. Fourth quarter Group revenues were up 41.5% year on year on a pro-forma² basis.

Group revenues were up 30% in the fourth quarter when compared to the third quarter of 2007, despite the fact that the third quarter revenues included US\$ 9.6 million of compensation from the Federal Budget for previously provided customer discounts³. No

² Newly acquired subsidiaries are consolidated from the beginning of the year in accordance with Comstar's accounting policy. Pro-forma information is adjusted to include the results of the acquired subsidiaries from the date of acquisition – see Attachment C to this statement.

³ MGTS received payments from the Federal Budget by way of reimbursement for discounts provided to certain categories of low income residential subscribers, including pensioners and military veterans, under the terms of pre-2005 legislation. MGTS does not now provide such discounts and receives full tariffs from virtually all of its subscribers.

further compensation is anticipated moving forward. Fourth quarter Group revenues were up 8% quarter on quarter on a pro-forma² basis.

Comstar generated 39% year on year revenue growth for the twelve months ended December 31, 2007, again reflecting the high demand for the unlimited tariff plan, as well as the US\$ 36.6 million of compensation from the Federal Budget (compared to US\$ 25.8 million in 2006), increased revenues of US\$ 118.8 million from fixed-to-mobile calls (compared to US\$ 36.3 million in 2006), higher regional revenues of US\$ 127.7 million or 8% of Group revenues in 2007 (compared to US\$ 39.2 million or 3% of Group revenues in 2006), and the ongoing appreciation of the Russian Ruble against the US dollar⁴.

Operating Expenses	Q4 2007	Q4 2006	Growth	Q3 2007	Growth	FY 2007	FY 2006	Growth
<i>(US\$ millions)</i>								
Employee costs.....	110.1	84.7	30%	89.5	23%	364.1	281.4	29%
Network traffic costs.....	60.6	34.6	75%	44.2	37%	175.6	104.2	68%
Selling & marketing	22.2	11.4	94%	11.1	100%	48.7	35.7	36%
Repairs & maintenance	21.7	11.4	91%	18.1	20%	70.8	72.3	-2%
Taxes	11.9	10.6	12%	9.8	21%	43.2	37.8	14%
Utility & energy costs	12.7	7.6	68%	7.1	79%	38.7	26.6	46%
Other, net.....	43.1	34.5	25%	32.8	31%	158.0	133.6	18%
Total Operating Expenses⁵	282.1	194.7	45%	212.5	33%	899.1	691.6	30%
<i>% of revenues</i>	<i>59%</i>	<i>67%</i>	<i>-</i>	<i>57%</i>	<i>-</i>	<i>58%</i>	<i>62%</i>	<i>-</i>

Group operating expenses increased by 45% year on year in the fourth quarter, and were up 33% quarter on quarter. This increase primarily reflected the scaling of the Group's operations, the inclusion of the full year of expenses for the acquired DTN and RTC businesses, the growing level of Calling Party Pays (CPP) traffic, and the increased level of sales and marketing expenses in line with the accelerated growth of the Moscow broadband subscriber base. However, operating expenses as a percentage of sales declined from 67% to 59% year on year but increased from 57% in the third quarter.

Group OIBDA, excluding the US\$ 62.1 million of non-comparable stock bonus awards in the fourth quarter of 2006, consequently more than doubled year on year, and increased by 25% quarter on quarter, to US\$ 200.0 million. The OIBDA margin increased from 33.3% to 41.5% year on year, and was down from 42.9% in the third quarter. The year on year increase reflected the margin benefit of the introduction by MGTS of the unlimited tariff plan, the contribution of the high margin businesses acquired in the fourth quarter of 2007. The quarter on quarter decline reflected the Federal Budget compensation received in the third quarter.

Group OIBDA for the year, when excluding the non-recurring stock bonus awards in the fourth quarter of 2006, increased by 55% year on year. The full year OIBDA margin increased from 38.3% to 42.5%. When excluding the US\$ 36.6 million and US\$ 25.8 million of compensation from the Federal Budget received in 2007 and 2006, respectively, and the

⁴ The average exchange rate for the period was RuR 24.6499 per US\$ 1 in the fourth quarter of 2007; RuR 26.5905 per US\$ 1 in the fourth quarter of 2006; RuR 25.5157 per US\$ 1 in the third quarter of 2007; RuR 25.577 per US\$ 1 for the twelve months of 2007; and RuR 27.1852 per US\$ 1 for the twelve months of 2006.

⁵ Operating expenses, excluding depreciation and amortisation and stock bonus, net

stock bonus awards in 2006, the OIBDA margin amounted to 41.1% in 2007, compared to 36.8% in 2006.

The Group's depreciation and amortisation charges increased from US\$ 39.7 million in the fourth quarter of 2006 and US\$ 41.9 million in the third quarter of 2007 to US\$ 60.8 million in the fourth quarter and reflected the acquisitions and capital expenditure made during 2007. Underlying Group operating income, excluding the stock bonus awards, increased by 2.4 times year on year in the fourth quarter and by 18% quarter on quarter to US\$ 139.2 million, with an operating margin of 28.9%.

Fourth quarter net interest expenses increased from US\$ 0.6 million to US\$ 8.9 million year on year, and reflected the lower amount of cash and cash equivalents during the period, as well as the increased gearing in the Group's balance sheet.

The Group's fourth quarter 2006 results below the 'Operating Income' line also included a US\$ 60.0 million non-cash charge arising from the revaluation of the call and put option issued in part payment for the acquisition of a 25% plus one share stake in regional telecommunications holding company Svyazinvest in December 2006. The call element of the option was exercised in December 2007, with the substantially less volatile put element remaining in place for up to twenty four months. The revaluation of the instrument gave rise to a US\$ 66.4 million non-cash gain in the fourth quarter of 2007. The 44% minority interest in the revaluation of the call and put option reduced the total net impact of the instrument on the Group's net income by US\$ 26.6 million to US\$ 33.4 million loss in the fourth quarter of 2006 and by US\$ 29.4 million to a US\$ 37.0 million gain in the fourth quarter of 2007. The call and put option adversely affected the 2007 full year results by US\$ 145.9 million before a US\$ 64.6 million positive impact at the minority interest level.

In the fourth quarter Comstar also made a provision for long term investments for the total amount of US\$ 22.7 million.

Group pre-tax profit for the fourth quarter, when excluding the stock bonus awards in 2006, the impact of the revaluation of the call and put option in both periods and impairment of long-term investments in 2007⁶, increased by 109% year on year to US\$ 129.6 million in the fourth quarter, and by 27% from the third quarter. The effective tax rate, when excluding the aforementioned items, was 19.7% in the fourth quarter of 2007 and 26.5% for the full year 2007, compared to 23.5% and 21.4% for the respective periods of the previous year. The lower effective rate in 2006 was primarily due to the non-taxable foreign exchange gains on the IPO proceeds, which were held as cash and short-term investments for a period of time. Such cash and investments were held in the Group's functional currencies in 2007 so did not create such a beneficial effect. However, the 2007 effective rate was positively affected by the US\$ 19.9 million decrease in MGTS' deferred tax liability following the deduction of depreciation charges for certain property, plant and equipment items.

The Group reported a net profit of US\$ 51.8 million in the fourth quarter, compared to a net loss of US\$ 63.1 million for the same period of 2006. Group net income for the year amounted to US\$ 43.8 million compared to US\$ 82.5 million in 2006.

Broadband Business in Moscow & the Regions

⁶ Please refer to Attachment A.

The Broadband business comprises the Group's broadband operations in Moscow and the Russian Regions. Moscow's broadband business was previously primarily reported within the Comstar—Direct business area. The presentation below therefore provides an aggregated breakdown of the broadband business across the Group, but the operating and financial results are included in each of the three business units, in line with the provision of services by each business unit.

	Q4 2007	Q4 2006	Growth	Q3 2007	Growth
Moscow					
Residential subscribers					
Number of subscribers (000s)	651	360	81%	453	44%
Revenues (US\$ millions)	28.9	20.2	43%	24.2	20%
Average monthly revenue per line (US\$)	17.5	19.5	(10%)	17.9	(2%)
Corporate subscribers					
Number of subscribers (000s)	44	14	214%	14	214%
Revenues (US\$ millions)	24.3	8.2	198%	10.9	123%
Average monthly revenue per line (US\$)	276.0	200.7	38%	230.4	20%
Regions					
Residential subscribers					
Number of subscribers (000s)	33	1	-	4	-
Revenues (US\$ millions)	7.7	0.4	-	0.2	-
Average monthly revenue per line (US\$)	19.0	-	-	18.6	-
Corporate subscribers					
Number of subscribers (000s)	15	1	-	3	-
Revenues (US\$ millions)	9.2	1.3	-	1.6	-
Average monthly revenue per line (US\$)	82.5	-	-	163.4	-
Total number of broadband subscribers (000s)	743	376	98%	475	57%
Total revenues from broadband services.....	70,2	30.0	134%	36.8	91%

Broadband is the primary driver of the fixed-line telecommunications business in Russia over the next five years. This reflects the rapidly evolving market environment in both Moscow and the Russian regions. Comstar is therefore investing in technology and marketing, in order to ensure market leadership across Russia through 2011 and beyond. Broadband is rapidly replacing Dial-up in Moscow as a mass market product. Broadband penetration in Moscow is forecast to reach 83% by 2011, compared to an estimated level of 49% at the end of 2007⁷, with broadband infrastructure already covering large parts of the city and now developing in the suburbs. The next few years therefore offer a critical window for signing up residential users to a service that is affordable, easy to use, reliable and simple to upgrade to.

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 services, and selectively modernizing MGTS's unique 'last mile' access in Moscow.

⁷ Penetration is calculated as % of households - source: Company data, Pyramid Research, J'son & Partners

Comstar's Moscow broadband subscriber base grew by 81% in 2007 to 695,000 customers, including 651,000 residential subscribers. This growth was driven primarily by the launch of MGTS's "Broadband in every Home" campaign 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 47% year on year to 122,300 homes.

A Group record of 198,000 residential broadband subscribers were added in the fourth quarter alone, representing 68% of the 291,000 additions for the whole year. 97% of the new subscribers in the fourth quarter chose tariff plans with speeds of not less than 1 megabit per second. Comstar's share of the Moscow broadband market consequently increased to 34% at the end of 2007, compared to 32% at the end of 2006. Comstar's objective is to have a market share of approximately 50% by the end of 2011.

Despite the substantial acceleration in the subscriber intake at the end of the year, monthly broadband residential ARPU in Moscow was US\$ 17.5 in the fourth quarter and US\$ 17.1 for the full year, compared to US\$ 17.9 in the third quarter.

The number of broadband access points used by corporate subscribers in Moscow also more than doubled to 44,000 during 2007, and partly reflected the change in the way that corporate users are serviced with effect from the beginning of the fourth quarter.

The selective modernization of the "last mile", using "fiber to the curb" and ADSL 2+ technologies, provides existing subscribers with more bandwidth and the capacity to deliver high-speed Internet at 24 megabits per second, as well as to offer new value-added services such as High Definition Television. HDTV tests were launched in parts of Moscow after the end of the year in February 2008, with the full commercial launch of such new services on the modernized network anticipated in the summer of 2008. Comstar's committed 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. Furthermore, subscribers will be charged for the services on a single bill.

Comstar's regional broadband subscriber base outside Moscow grew to over 43,400 users by the end of the year, up twenty times year on year. The number of regional residential broadband subscribers increased from 800 at the beginning of the year to 32,900 by the end of 2007.

DTN, which was acquired during the fourth quarter, is the largest alternative telecommunications operator in Russia, and accounts for over 30,000 of Comstar's regional broadband 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 and the Samara, Saratov, Tyumen and Orenburg regions, as well as in the Yamalo-Nenets and Khanti-Mansi Autonomous Areas.

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 has over 4.4 million residential and corporate active lines. MGTS is the Group's provider of regulated voice services and unregulated mass market broadband connection services for residential subscribers in Moscow.

Operating Highlights

	Q4 2007	Q4 2006	Growth	Q3 2007	Growth
Installed telephone lines (000s)	4,795⁸	4,796	0%	4,842	(1%)
Residential					
Number of subscribers / active lines (000s)	3,586	3,572	0%	3,582	0%
Average monthly revenue per line (US\$)	12.2	7.8	56%	11.5	7%
CPP traffic (millions of minutes)	386	272	42%	339	14%
Corporates					
Number of active lines (000s)	767	763	1%	764	0%
Number of subscribers (000s)	67	73	(7%)	74	(9%)
Average monthly revenue per subscriber (excl. revenue from points of interconnect (US\$)	236.8	192.4	23%	207.5	14%
Number of interconnect points (000s)	28	29	(2%)	28	2%
Average monthly revenue per interconnect point (US\$)	198.4	187.6	6%	207.2	(4%)
CPP traffic (millions of minutes)	167	98	70%	147	14%
Operators					
Number of interconnected operators	227	254	(11%)	229	(1%)
Number of interconnect points (000s)	227	188	21%	210	8%
Average monthly revenue per interconnect point (US\$)	63.8	57.5	11%	45.2	41%
DLD/ILD traffic (millions of minutes)	362	553	(35%)	325	12%
DLD/ILD traffic charges per minute (US\$)	0.030	0.016	87%	0.029	3%

MGTS had a total installed capacity of 4.8 million telephone lines in Moscow by the end of 2007, including 4.4 million active residential and corporate lines. MGTS therefore accounted for 97% of the active residential lines in the City, and 21% of the overall Moscow fixed-line telecommunications market in terms of revenues generated in 2007.

MGTS has increased the level of its network digitalization from 13% to 54% over the past five years, and 63% of the network is planned to have been digitalized by the end of 2008. MGTS is also simultaneously and selectively modernizing its 'last-mile' infrastructure, using

⁸The quarter on quarter decline in installed capacity is attributable to the ongoing digitalization of the network and, therefore, the temporary simultaneous existence of analogue and digital lines at the end of the fourth quarter of 2006 and third quarter of 2007.

Fiber-to-the-curb (FTTC) and ADSL2+ technology, in order to exploit technical and marketing synergies by delivering broadband Internet access at higher speeds and providing additional value-added services such as High Definition Television.

MGTS replaced a total of 47 analogue automated telephone stations in 2007 with the resulting introduction of 660,500 new numbers. MGTS plans to install a further 450,000 numbers in 2008. In addition, MGTS also expanded the capacity of its data-exchange network by equipping its automated telephone stations with additional Digital Subscriber Line Access Multiplexers (DSLAMs), in order to accelerate the growth in the broadband subscriber base. As a result, the monitored capacity of the data exchange network reached 822,000 ADSL ports by the end of 2007.

MGTS continued to act as an agent to licensed long-distance operators Rostelecom and MTT during 2007, in order to provide DLD/ILD services to its subscribers. The volume of DLD/ILD traffic decreased year on year due to the regulatory change in the contractual relationships with licensed long distance carriers.

Comstar is also implementing a major restructuring programme at MGTS, in order to enhance business efficiency levels and streamline operating processes. The number of management layers has been reduced, with corporate functions moved to Comstar and non-core services outsourced. In turn, a number of technical personnel have been moved from Comstar to MGTS. The MGTS headcount is being steadily reduced from the more than 15,600 employees at the beginning of 2007 to 13,400 at the year end. The tactical goal is to increase the number of lines per employee from 290 in 2007 up to 900 by the end of the digitalization process.

Financial Highlights

<i>(US\$ millions)</i>	Fourth Quarter			Third Quarter		Full Year		
	2007	2006	<i>Growth</i>	2007	<i>Growth</i>	2007	2006	<i>Growth</i>
Revenues								
Residential	134.1	86.1	<i>56%</i>	135.1	<i>(1%)</i>	531.8	334.6	<i>59%</i>
Corporate	72.0	62.4	<i>15%</i>	66.4	<i>8%</i>	266.8	229.5	<i>16%</i>
Operators	89.1	59.9	<i>49%</i>	77.0	<i>16%</i>	313.9	238.1	<i>32%</i>
Total	295.2	208.4	<i>42%</i>	278.5	<i>6%</i>	1,112.5	802.2	<i>39%</i>
Intersegment sales	(33.9)	(29.8)	<i>14%</i>	(31.1)	<i>9%</i>	(127.0)	(107.3)	<i>18%</i>
Net Revenues	261.3	178.6	<i>46%</i>	247.4	<i>6%</i>	985.4	694.9	<i>42%</i>
Operating Expenses (excluding depreciation and								
amortization)	149.3	124.3	<i>20%</i>	138.6	<i>8%</i>	561.6	446.2	<i>26%</i>
OIBDA	145.9	84.1	<i>74%</i>	139.9	<i>4%</i>	551.3	356.0	<i>55%</i>
Margin (%)	49%	40%	-	50%	-	50%	44%	-

MGTS generated 42% year on year revenue growth in the fourth quarter, which largely reflected the regulated residential voice tariff increases introduced by the Federal Tariff Service in February 2007, as well as 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 2007, with 28% on the 'per minute' plan, and the remaining 22% electing the 'combined' plan. The time limit on the combined plan was increased to 450 minutes at the beginning of December, whilst the price for the unlimited monthly tariff plan

was reduced by 10% from 380 Rubles to 345 Rubles⁹ with effect from February 2008, following changes made by the Regulator in December 2007.

The introduction of CPP from July 2006 also continued to positively impact residential subscriber revenues by contributing US\$ 19.9 million of revenue in the fourth quarter, compared to US\$ 12.9 million for the same period of 2006. Residential CPP traffic levels increased by 14% quarter on quarter from 339 million minutes to 386 million minutes.

Corporate voice revenues were up 15% year on year in the quarter, with corporate CPP traffic increasing by 14% quarter on quarter from 147 million minutes to 167 million minutes and contributing US\$ 10.2 million of revenue in the quarter, compared to US\$ 5.4 million for the same period of 2006.

Revenue from Operators was up 49% year on year in the quarter, which reflected the 55% increase in access node and trunk rental revenues. Long-distance revenues increased by 26% year on year in the quarter as a result of the rise in per minute charges from February 1, 2007 and the introduction of the compensation surcharge.

MGTS therefore reported a 74% year on year increase in fourth quarter OIBDA, and an increased OIBDA margin of 49.4%, which compared to 40.3% in the fourth quarter of 2006 and 50.2% in the third quarter of 2007. The quarter on quarter decline in the OIBDA margin is due to the compensation received from the Federal Budget in the third quarter. When excluding this non-comparable item from the third quarter results, the OIBDA margin increased from 48.5% in the third quarter.

2. Alternative Segment in Moscow (Comstar & Comstar—Direct)

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 Moscow region. This segment includes the Comstar-Direct and Comstar-Moscow operations, which were previously reported as separate business segments, but have been merged with effect from the fourth quarter of 2007 in line with the Group's operational reorganization.

Operating Highlights

	Q4 2007	Q4 2006	Growth	Q3 2007	Growth
Installed capacity / telephone lines (000s).....	655	643	2%	644	2%
Residential subscribers					
Number of subscribers (000s)	660	483	37%	540	22%
Broadband Internet subscribers (000s) ...	595	360	66%	469	28%
-of which, IPTV	122	83	47%	109	12%
Average monthly revenue per Broadband subscriber (US\$).....	18.3	20.0	(8%)	18.2	(1%)
Dial-Up Internet subscribers (000s)	55	113	(51%)	63	(14%)
Average monthly revenue per Dial-Up	5.8	5.6	3%	4.7	23%

⁹ Including 18% VAT, US\$ 15.6 and US\$ 14.1, respectively, using the Bank of Russia exchange rate as at February 1, 2008

subscriber (US\$).....

Corporate subscribers

Number of subscribers (000s)	35	35	1%	36	(1%)
Average monthly revenue per subscriber (US\$).....	504.5	344.6	46%	434.2	16%

Operators

Number of active lines (000s)	442	442	0%	442	0%
-of which, used by mobile operators (000s).....	326	326	0%	326	0%

The number of residential subscribers increased by 37% year on year to 660,000 at the end of 2007 following the rapid growth in the residential broadband subscriber base.

The corporate subscriber base was stable year on year at 35,000, despite the competitive disadvantage under which Comstar operated by providing long-distance services as an agent to licensed DLD/ILD operators, and therefore having to change the contracts with all of its corporate subscribers.

The major achievement in this respect occurred after the end of the reporting period in February 2008 when Comstar completed the construction of its own domestic and international long-distance network. The US\$ 14 million investment to build out the network will enable Comstar to strengthen its corporate client service offering by providing its own long-distance services.

A fixed exchange rate of 28.7 Russian Rubles per US dollar was established during the year, in order to offset the fact that a large proportion of services provided to corporate and high-income clients are priced in US dollars following earlier periods of high inflation in Russia.

Comstar is also developing its alternative fixed-line business in the priority region around Moscow City. The Moscow Region is the fastest growing regional telecommunications market in Russia and there is a clear overlap in the existing and potential customer base. The region has a population of 6.6 million people and 2.5 million residential households. Fixed line telephony penetration is growing fast but remains low at 26%, with broadband penetration at only 6%.

New property development and rising personal income levels are the key drivers of growth, and provide the impetus for the rapid emergence of 'Triple-Play' residential service offerings. Comstar had a 2.7% share of the estimated US\$ 378 million combined traditional and alternative fixed-line telecommunications market (in terms of revenues) in the Moscow suburbs by the end of 2007. Comstar intends to significantly grow this market share.

Comstar had already established points of presence in 26 out of the 36 regional districts by the end of 2007, and had also implemented a major marketing program to increase the number of subscribers using wireless broadband technology as an interim solution whilst the network is built. Comstar expects to be present in all districts by the end of 2008.

Comstar is also in the process of merging all of its Moscow and Moscow Region operating companies into a single entity. Contrast-Telecom, Telmos and MTU-Inform were integrated during 2007, and Golden Line and Port Telecom will be integrated in the first half of 2008.

Financial Highlights

(US\$ millions)	Fourth Quarter			Third Quarter		Full Year		
	2007	2006	Growth	2007	Growth	2007	2006	Growth
Revenues								
Corporate	55.1	38.7	42%	47.2	17%	189.9	169.2	12%
Operators	42.0	32.9	28%	38.1	10%	142.2	119.1	19%
Residential	33.5	25.9	30%	27.8	21%	120.3	100.3	20%
Total	130.7	97.5	34%	113.1	16%	452.5	388.6	16%
Intersegment sales	(2.6)	(0.5)	-	(0.2)	-	(3.3)	(2.5)	32%
Net Revenues	128.1	96.9	32%	112.9	13%	449.2	386.1	16%
Operating Expenses (excluding depreciation and								
amortization and stock bonus) ..	113.9	82.3	38%	93.0	22%	376.4	316.4	19%
OIBDA	16.8	15.2	11%	20.1	(16%)	76.1	72.2	5%
<i>Margin (%)</i>	13%	16%	-	18%	-	17%	19%	-

The combined value of the fixed-line telecommunications market in Moscow, including both traditional and alternative services, was estimated at US\$ 5.2¹⁰ billion in 2007. Comstar's 2007 revenues represented an 8% share of this market, or 29% when including MGTS, which makes the Group the clear market leader.

Comstar's Alternative Segment revenues in Moscow increased by 34% year on year in the fourth quarter, due primarily to the rapid increase in the broadband residential subscriber base, growing CPP traffic and the appreciation of the Russian Ruble against the US dollar.

CPP revenues from calls to mobile users contributed US\$ 4.8 million of corporate and residential voice revenue in the quarter, compared to approximately US\$ 4.2 million in the third quarter of 2007 and US\$ 1.8 million in the fourth quarter of 2006.

Segment OIBDA increased by 11% year on year following the changes in the management and organizational structure. The OIBDA margin decreased to 13% from 16% in the fourth quarter of 2006, primarily as a result of the reclassification of the existing stock option plan from equity to liability, which resulted in an approximately US\$ 6.2 million catch-up adjustment to fair value of the non-vested options accrued to date, which was recorded in the fourth quarter of 2007.

3. Alternative segment in the regions & CIS (Comstar)

Comstar's regional and international business comprises the Group's operations in the Russian regions (5 federal regions: Central, North-West, South, Volga and Ural), and in Ukraine and Armenia.

Comstar completed the acquisition of 100% of DTN, the largest alternative fixed line telecommunications company in Russia and operating in the Southern Federal District, for a total cash consideration of RUB 4.1 billion (approximately US\$ 167.4 million) in November 2007. Comstar also completed the acquisition of 87.5% of RTC, an alternative fixed line telecommunications operator in the Khanty-Mansi region, for a total cash consideration of

¹⁰Source: Direct Info

US\$ 21.0 million in December 2007. Both businesses significantly enhance Comstar's presence in key regions of Russia, which are showing strong growth and increasing penetration levels.

Operating Highlights

	Q4 2007	Q4 2006	<i>Growth</i>	Q3 2007	<i>Growth</i>
Residential subscribers					
Number of subscribers (000s)	423	75	<i>466%</i>	83	<i>408%</i>
Average monthly revenue per user (US\$)	7.8	11.0	<i>(29)%</i>	9.6	<i>(19)%</i>
Corporate subscribers					
Number of subscribers (000s)	42	6	<i>604%</i>	11	<i>269%</i>
Average monthly revenue per user (US\$)	112.2	381.5	<i>(71)%</i>	165.5	<i>(32)%</i>
Operators					
Number of active lines (000s)	9.2	8.1	<i>13%</i>	9.3	<i>(1)%</i>

Comstar is developing its alternative business in Russia's regional markets and the CIS as an integral part of the overall corporate development strategy. Internet and broadband penetration levels outside Moscow are low but increasing rapidly, underlining the long-term attraction of the regional markets. The share of dial-up access is simultaneously expected to fall from 28% at the end of 2007 to 15% by the end of 2010.

Comstar's broadband strategy also extends to the Russian regions, where Comstar had 43,400 broadband users at the end of 2007. The Pay-TV subscriber base reached 102,200 subscribers at the end of the year following the acquisition of DTN. Comstar has 68,800 dial-up subscribers outside Moscow.

A new branch was opened in St. Petersburg in August, in order to boost the market share of Comstar's existing Astelit subsidiary, whilst Comstar also acquired 100% of the shares of alternative operator Sochitelecomservice, located in 2014 Olympics host city Sochi in the Krasnodar Region, for US\$ 0.75 million in August. Sochitelecomservice and DTN will subsequently be integrated into Comstar's Southern regional Branch. Alongside the organic development of the existing regional operations, Comstar is also expanding into target markets through the acquisition of market-leading Competitive Local Exchange Carriers, with a particular focus on the Southern, Volga and Ural Federal Districts. The acquisitions of DTN and RTC in the fourth quarter demonstrate this commitment, and significantly add to Comstar's regional footprint.

Comstar also expanded its license coverage in 2007 by obtaining licenses for IP Voice Data transmission, including WiMAX services, in the twenty largest regions in Russia in January 2007.

Comstar continued to invest in regional network infrastructure during 2007. Comstar's Saratov branch launched an NGN network in September, with 22 access points covering the whole of the city, as well as a telematics access network based on ADSL2+ technology with 37 access points and 5,000 ports.

Comstar's Tyumenftegazsvyaz (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, after the end of the period in January 2008. Comstar plans to increase the number of broadband access points by 10,000 ports in 2008.

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

Comstar announced after the end of the period 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.

Financial Highlights

<i>(US\$ millions)</i>	Fourth Quarter			Third Quarter			Full Year		
	2007	2006	<i>Growth</i>	2007	<i>Growth</i>	2007	2006	<i>Growth</i>	
Revenues									
Residential.....	31.5	2.5	<i>1178%</i>	2.4	<i>1223%</i>	38.9	9.7	<i>301%</i>	
Corporate.....	37.6	6.6	<i>472%</i>	5.4	<i>593%</i>	52.9	19.9	<i>166%</i>	
Operators.....	22.9	7.4	<i>209%</i>	4.0	<i>474%</i>	35.1	9.3	<i>276%</i>	
Other.....	0.8	0.1	<i>612%</i>	-	-	0.9	0.3	<i>208%</i>	
Total.....	92.7	16.6	<i>460%</i>	11.8	<i>684%</i>	127.7	39.2	<i>226%</i>	
Operating Expenses (excluding depreciation and									
amortization).....	55.9	16.9	<i>230%</i>	10.6	<i>427%</i>	87.5	35.2	<i>149%</i>	
OIBDA.....	36.8	(0.4)	-	1.2	-	40.2	4.0	-	
Margin (%).....	39.7%	(2.3%)	-	<i>10.3%</i>	-	31.5%	10.3%	-	

Revenues increased by almost 6 times year on year in the fourth quarter, primarily as a result of the two largest acquisitions of controlling stakes in Comstar's history, with the subsequent recognition of the full year results of the two operations in the fourth quarter. 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. DTN increased its revenues by 60% year on year to US\$ 60.3 million and reported on OIBDA margin of 51.5% in 2007. RTC had revenues of US\$ 20.3 million, up 26% year on year, with an OIBDA margin of 22.4% in 2007. As a result of the consolidation of these assets and ongoing restructuring and conversion of subsidiaries into branches Comstar's OIBDA margin outside Moscow significantly improved year on year to 31.5%, and the combined operations were profitable for the year.

FINANCIAL REVIEW

Group net cash provided by operations increased by 46% year on year to US\$ 153.4 million in the fourth quarter, when excluding the stock bonus awards in the fourth quarter of 2006, and was up from US\$ 133.5 million in the third quarter.

Net cash used in investing activities increased to US\$ 714.4 million in the fourth quarter in line with higher capital expenditure levels, as well as the acquisition of the DTN and RTC businesses and the US\$ 424.9 million purchase of short term investments. Group capital expenditure increased by 35% year on year and by 103% quarter on quarter to US\$ 135.8 million, and primarily comprised the ongoing digitalization process, the development of Next

Generation Network infrastructure at MGTS, the modernization of the “last mile”, and the development of DLD/ILD network. Total capital expenditure for the twelve month period amounted to US\$ 345.4 million, despite the development of Comstar’s own long-distance network and the modernization of the “last mile” access in Moscow.

Net cash from financing activities totaled US\$ 471.7 million in the quarter, and primarily comprised the US\$ 322.2 million in proceeds from the exercise of the call option in December 2007, and the US\$ 158.4 million of monies drawn down from the existing credit facility provided by Sberbank.

The Group’s cash and cash equivalents increased in the quarter to US\$ 179.8 million, whilst total Group borrowings, including capital lease obligations, increased to US\$ 1,011.3 million. The Group’s net debt position therefore increased to US\$ 831.5 million, but the Group’s total debt to twelve month trailing OIBDA ratio¹¹ continued to decline to 1.4 times, compared to 1.7 times as at September 30, 2007.

Comstar accounts for its 25% plus one share holding in Svyazinvest at cost on the Group’s balance sheet. The investment has already proved highly successful, with the value of the stake, based on the combined market value of the listed Svyazinvest subsidiaries, having risen by 51% from US\$ 1.6 billion at the date of purchase on December 11, 2006 to US\$ 2.4 billion at the end of 2007.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

On January 24, 2008 Comstar announced that it signed an agreement with Cisco for the delivery of equipment to build NGN multi-service network in Ukraine. Kvazar Mikro, a subsidiary of SITRONICS, will act as a subcontractor for the installation and launch of the network.

On January 29, 2008 Comstar and SKYLINK, mobile broadband Internet and voice services provider in 31 constituent entities of the Russian Federation, signed agreements to join efforts for services and products implementation in Moscow. Under the agreements, at the first phase of cooperation the companies will promote each other’s services: Moscow sales offices of both companies will offer both SKYLINK and Stream full package products. The second phase implies introduction of converged services, developing of more flexible charging and reward programs for subscribers of Comstar and SKYLINK.

On January 30, 2008 Comstar announced that Tyumenftegazsvyaz JSC (TNGS), the leading competitive operator in the Tyumen Region, a member of COMSTAR-UTS Group, completed the first phase of the microwave backbone (MB) construction in the Khanty-Mansiysk Autonomous Okrug (KMAO). The backbone is expected to go across the KMAO and the Yamalo-Nenets Autonomous Okrug (YNAO).

On January 31, 2008 Comstar announced that it started building a wireless broadband network based on the 802.16e standard WiMAX technology in the Republic of Armenia. The project is expected to be completed in the second part of 2008.

¹¹ Calculated as total debt, as at the balance sheet date, divided by OIBDA for the twelve months preceding the balance sheet date.

On February 14, 2008 Comstar announced that Comstar-Direct has soft-launched the TV-on-Demand service.

On February 27, 2008 – Comstar announced that Comstar-Direct soft-launched the High-Definition Television (“HDTV”) service.

On February 28, 2008 Comstar announced that it completed building its inter-city and international network. The total volume of capital investments in the project amounted to approximately US\$ 14 million. Comstar applied to the Ministry for Information Technologies and Communications of the Russian Federation to receive access codes for providing long distance services.

On February 29, 2008 Comstar announced that its Board of Directors adopted the Comstar Group strategy on technology, finance and marketing.

On March 3, 2008 Comstar announced that COMSTAR-Ukraine is the first to have launched an interactive digital TV (IP-TV) service in Odessa.

On March 28, 2008 Comstar announced that it completed the design phase of its launch of a telecommunications and multimedia FTTB network in 2014 Olympic host city Sochi in the south of Russia.

On March 31, 2008 Comstar announced that its Board of Directors approved the introduction of a long-term incentive programme for the Company’s management team. The programme is set to run from April 1, 2008 with a two year vesting period. The programme participants are defined by the Board of Directors every two years starting from the launch of the programme. A total of 151 managers will participate in the scheme during 2008-2010, including the Company’s CEO and a wide range of parent and subsidiary company management team members.

Comstar was a communication service provider for the summit between the Presidents of Russia and the USA in Sochi on April 6, 2008.

Following the Extraordinary General Meeting of its Shareholders on April 14, 2008, the new Board of Directors of the Company was elected. The shareholders approved the new Board of Directors as follows: Anatoly Akimenko, Vice President of Access Industries, Anna Goldin, Vice President for Legal Issues and Head of Legal Group of Sistema, Sergey Drozdov, Senior Vice President, Head of Property Group of Sistema, Dietmar Kuhnt, Member of Supervisory Boards of Allianz-Versicherungs-AG, BDO Deutsche Warentreuhand AG, Dresdner Bank AG, GEA Group AG, Hapag Lloyd AG, Hochtief AG and TUI AG; Independent Director of Comstar UTS, Andrey Matyukhov, Director of Portfolio Strategy Department of Strategy and Development Division of Sistema, Sergey Pridantsev, President and CEO of Comstar UTS, Yngve Redling, Chairman of the Swedish-Russian bilateral working group for Information Technology, Independent Director of Comstar UTS, Vitaly Savelyev, First Vice President, Head of Telecommunications Asset Management Division of Sistema, Dmitry Ustinov, Head of Financial Department of Finance and Investments Division of Sistema. Mr. Savelyev was elected as Chairman of Comstar’s Board of Directors.

On April 15 2008 Comstar accomplished re-organization of ZAO Golden Line in the form of legal merger with COMSTAR-UTS OJSC.

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 8609 3823

US: +1 866 388 1926

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 8609 0289

US: +1 866 676 5865

PIN: 211387#

The replay facility will also be made available at http://www.comstar-uts.com/en/for_investors/finresults/2007/ 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 695,000 broadband subscribers in Moscow. Comstar had 3.6 million residential subscribers in Moscow, including 651,000 residential broadband internet subscribers in Moscow, 102,000 corporate subscribers in Moscow, and approximately 448,000 regional and international subscribers including 33,000 residential broadband internet subscribers and 102,000 residential pay-TV subscribers, at the end of 2007. Comstar generated US\$ 1,562.4 million of revenues and a 42.5% OIBDA margin for the twelve months ended December 31, 2007. 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.

Attachment A

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

	4Q 2007		4Q 2006		3Q2007		FY 2007		FY 2006	
	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues
Operating profit / (loss).....	139.2	28.9%	(4.5)	(1.5)%	117.7	31.6%	485.3	31.1%	235.5	21.0%
Add:										
Depreciation and amortization.....	60.8	12.6%	39.7	13.6%	42.0	11.3%	177.9	11.4%	130.9	11.7%
OIBDA (reported).....	200.0	41.5%	35.3	12.1%	159.7	42.9%	663.2	42.5%	366.5	32.7%
Add: stock bonus...	-	-	62.1	21.3%	-	-	-	-	62.1	5.5%
OIBDA (excluding the effect of stock bonus).....	200.0	41.5%	97.4	33.3%	159.7	42.9%	663.2	42.5%	428.6	38.3%

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.

	4Q 2007		4Q 2006		3Q2007		FY 2007		FY 2006	
	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues
Pre-tax income / (loss) (reported)	173.3	35.9%	(60.2)	(20.6%)	(84.4)	(22.7%)	277.5	17.8%	216.9	19.4%
Add: impairment of long-term investments	22.7	4.7%	-	-	-	-	22.7	1.5%	-	-
Add: stock bonus	-	-	62.1	21.3%	-	-	-	-	62.1	5.5%
Add: change in fair value of financial instrument (call and put option)	(66.4)	(13.8)%	60.0	20.5%	186.2	50.0%	145.9	9.3%	60.0	5.4%
Pre-tax income (adjusted)	129.6	26.9%	61.9	21.2%	101.9	27.4%	446.1	28.6%	339.0	30.3%

Attachment B

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

<i>(US\$ thousand, except for share and per share amounts)</i>	Three months ended December 31,		Years ended December 31,	
	2007	2006 (*)	2007	2006 (*)
Operating revenues.....	\$ 482,145	\$ 292,054	\$ 1,562,385	\$ 1,120,247
Operating expenses, excluding depreciation and amortisation and stock bonus, net.....	(282,144)	(194,658)	(899,145)	(699,246)
Depreciation and amortisation.....	(60,848)	(39,731)	(177,907)	(130,939)
Stock bonus.....	–	(62,139)	–	(62,139)
Other operating gains.....	–	–	–	7,616
Operating income / (loss).....	139,153	(4,474)	485,333	235,539
Interest income.....	5,769	7,790	15,680	43,537
Interest expense.....	(14,660)	(8,385)	(53,613)	(22,145)
Change in fair value of derivative financial instrument (call and put option).....	66,364	(60,000)	(145,859)	(60,000)
Impairment of long-term investments.....	(22,691)	–	(22,691)	–
Foreign currency transactions (loss)/gain, net.....	(663)	4,875	(4,528)	19,938
Gain from disposal of an affiliate.....	–	–	3,216	–
Income / (loss) before income taxes, income from affiliates and minority interests.....	173,272	(60,194)	277,538	216,869
Income tax expense.....	(25,537)	(14,583)	(118,368)	(72,422)
Income from affiliates.....	276	1,246	2,703	3,292
Minority interests.....	(96,183)	10,408	(118,060)	(65,243)
Net income / (loss).....	\$ 51,828	\$ (63,123)	\$ 43,813	\$ 82,496
Weighted average number of common shares outstanding – basic.....	404,456,856	358,854,278	369,880,471	345,805,894
Earnings / (loss) per common share – basic.....	\$ 0.13	\$ (0.18)	\$ 0.12	\$ 0.24
Weighted average number of common shares outstanding – diluted.....	425,236,318	358,854,278	387,235,812	346,083,856
Earnings / (loss) per common share – diluted.....	\$ 0.12	\$ (0.18)	\$ 0.11	\$ 0.24

(*) Amounts for the year ended December 31, 2006 were derived from the audited consolidated financial statements of Comstar UTS as of December 31, 2006, 2005 and 2004 and for the years then ended and should be read in conjunction with these statements. Certain prior year amounts have been reclassified to conform to the 2007 presentation.

“COMSTAR – United TeleSystems” OJSC
UNAUDITED CONSOLIDATED BALANCE SHEETS

<i>(US\$ thousand)</i>	December 31, 2007	December 31, 2006 (*)
Assets		
Current assets:		
Cash and cash equivalents.....	\$ 179,794	\$ 136,621
Short-term investments	425,929	67,662
Trade receivables, net.....	163,028	95,868
Other receivables and prepaid expenses.....	101,668	87,654
Inventories and spare parts.....	41,328	33,740
Deferred tax assets, current portion.....	29,910	23,545
Total current assets.....	941,657	445,090
Property, plant and equipment, net.....	1,907,112	1,477,329
Intangible assets, net	191,006	91,835
Long-term investments.....	1,585,109	1,508,790
Restricted cash	2,447	4,008
Deferred tax assets, long-term portion	1,631	6,725
Deferred finance charges.....	1,375	3,808
Total assets	\$ 4,630,337	\$ 3,537,585

(*) Amounts as of December 31, 2006 were derived from the audited consolidated financial statements of Comstar UTS as of December 31, 2006, 2005 and 2004 and for the years then ended and should be read in conjunction with these statements.

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

<i>(US\$ thousand)</i>	December 31, 2007	December 31, 2006 (*)
Liabilities and shareholders' equity:		
Current liabilities:		
Accounts payable.....	\$ 55,321	\$ 51,023
Deferred connection fees, current portion	35,787	39,812
Subscriber prepayments.....	48,767	45,540
Accrued expenses and other current liabilities	99,279	49,631
Taxes payable	24,354	12,999
Debt, current portion.....	103,476	777,837
Capital lease obligations, current portion	10,360	14,107
Derivative financial instrument (call and put option)	88,000	150,000
Total current liabilities.....	465,344	1,140,949
Long-term liabilities:		
Deferred connection fees, net of current portion	117,884	109,040
Debt, net of current portion	891,321	33,529
Capital lease obligations, net of current portion	6,150	17,467
Post-retirement obligations.....	35,817	10,182
Property, plant and equipment contributions.....	112,779	103,793
Deferred tax liabilities, long-term portion	114,123	47,619
Other long-term liabilities.....	31,009	8,066
Total long-term liabilities	1,309,083	329,696
Total liabilities.....	1,774,427	1,470,645
Minority interests.....	765,005	496,745
Shareholders' equity:		
Share capital	23,900	23,900
Treasury stock	(857)	(4,004)
Additional paid-in capital	1,425,044	1,064,225
Retained earnings	472,431	433,145
Accumulated other comprehensive income	170,387	52,929
Total shareholders' equity	2,090,905	1,570,195
Total liabilities and shareholders' equity	\$ 4,630,337	\$ 3,537,585

(*) Amounts as of December 31, 2006 were derived from the audited consolidated financial statements of Comstar UTS as of December 31, 2006, 2005 and 2004 and for the years then ended and should be read in conjunction with these statements.

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

(US\$ thousand)

	Three months ended December 31,		Years ended December 31,	
	2007	2006 (*)	2007	2006 (*)
Operating activities:				
Net income / (loss)	\$ 51,828	\$ (63,123)	\$ 43,813	\$ 82,496
Adjustments to reconcile net income / (loss) to net cash provided by operations:				
Depreciation and amortisation	60,848	39,731	177,907	130,939
Stock-based compensation.....	7,489	2,746	10,297	2,746
Change in fair value of derivative financial instrument (call and put option)	(66,364)	60,000	145,859	60,000
Effect of purchase accounting from the beginning of the year, net.....	(30,884)	–	(30,884)	–
Impairment of long-term investments	22,691	–	22,691	–
(Gain) / loss from disposal of fixed assets and assets held for resale and other non-cash items, net.....	(2,447)	1,378	1,514	(2,812)
Gain on compensation of losses from third parties....	(3,556)	(4,226)	(10,778)	(9,217)
Gain from disposal of an affiliate	–	–	(3,216)	–
Amortisation of deferred finance charges.....	170	301	4,019	301
Deferred taxes	2,123	604	10,734	(653)
Income from affiliates.....	–	(1,246)	(620)	(3,292)
Foreign currency transactions loss / (gain) on non-operating activities, net	245	4,345	(1,093)	(5,172)
Postretirement benefits	(9)	(2,718)	7,572	(7,125)
Minority interests	96,183	(10,408)	118,060	65,243
Provision for doubtful debts	342	3,878	5,394	11,717
Inventory obsolescence charge	1,606	–	4,932	2,735
Changes in operating assets and liabilities:				
Trade receivables	21,569	5,710	(51,541)	(46,938)
Other receivables and prepaid expenses	11,872	(4,586)	9,852	(6,276)
Inventories and spare parts	(4,532)	2,209	(8,784)	(6,710)
Accounts payable.....	(9,234)	16,373	(2,766)	30,527
Deferred connection fees	(2,871)	(4,932)	(3,964)	(7,445)
Subscriber prepayments	2,565	4,010	(1,017)	2,574
Taxes payable	(10)	(1,378)	3,669	(6,391)
Accrued expenses and other current liabilities.....	(6,268)	(3,950)	36,706	1,472
Net cash provided by operating activities	153,356	44,718	488,356	288,719

(*) Amounts for the year ended December 31, 2006 were derived from the audited consolidated financial statements of Comstar UTS as of December 31, 2006, 2005 and 2004 and for the years then ended and should be read in conjunction with these statements. Certain prior year amounts have been reclassified to conform to the 2007 presentation.

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

(US\$ thousand)

	Three months ended December 31,		Years ended December 31,	
	2007	2006 (*)	2007	2006 (*)
Investing activities:				
Purchases of property, plant and equipment	\$ (120,067)	\$ (89,872)	\$ (303,416)	\$ (280,298)
Proceeds from sale of property, plant and equipment and assets held for resale	2,451	660	4,690	29,661
Purchases of intangible assets	(15,734)	(10,438)	(42,013)	(26,160)
Acquisition of subsidiaries, net of cash acquired	(182,412)	(7,594)	(183,162)	(20,050)
Acquisition of minority interests	–	(33,811)	(1,832)	(184,052)
Purchases of long-term investments	(12,314)	(1,300,000)	(21,382)	(1,300,000)
Proceeds from sale of long-term investments	16,175	–	36,780	–
Purchases of short-term investments	(424,908)	(87,158)	(447,707)	(586,614)
Proceeds from sale of short-term investments	23,010	455,825	96,575	602,249
(Increase) / decrease in restricted cash	(615)	59	1,561	(1,736)
Net cash used in investing activities	(714,414)	(1,072,329)	(859,906)	(1,767,000)
Financing activities:				
Proceeds from borrowings	166,988	1,340,162	849,530	1,503,995
Principal payments on borrowings	(3,984)	(680,119)	(712,461)	(896,155)
Principal payments on capital lease obligations	(4,851)	(3,277)	(17,194)	(13,455)
Proceeds from issuance of common stock, net of issuance costs	322,237	–	322,237	975,519
Acquisition of treasury stock, net of stock bonus granted	(32)	(13,810)	(32)	(13,810)
Dividends paid	(8,697)	–	(37,031)	(1,662)
Contributions from minority shareholders of subsidiaries	–	–	–	510
Deferred finance charges	–	(4,050)	(1,492)	(4,050)
Net cash provided by financing activities	471,661	638,906	403,557	1,550,892
Effects of foreign currency translation on cash and cash equivalents	8,754	(451)	11,166	2,049
Net increase / (decrease) in cash and cash equivalents	(80,643)	(389,156)	43,173	74,660
Cash and cash equivalents, beginning of the period ...	260,437	525,777	136,621	61,961
Cash and cash equivalents, end of the period	\$ 179,794	\$ 136,621	\$ 179,794	\$ 136,621

(*) Amounts for the year ended December 31, 2006 were derived from the audited consolidated financial statements of Comstar UTS as of December 31, 2006, 2005 and 2004 and for the years then ended and should be read in conjunction with these statements. Certain prior year amounts have been reclassified to conform to the 2007 presentation.

Attachment C

**“COMSTAR – United TeleSystems” OJSC
UNAUDITED CONSOLIDATED
PRO FORMA (*) INCOME STATEMENTS**

<i>(US\$ thousand, except for share and per share amounts)</i>	Three months ended December 31,		Years ended December 31,	
	2007	2006	2007	2006
	(pro forma)	(pro forma)	(pro forma)	(pro forma)
Operating revenues.....	\$ 401,581	\$ 283,792	\$ 1,481,522	\$ 1,110,269
Operating expenses, excluding depreciation and amortisation and stock bonus, net.....	(237,164)	(186,879)	(853,961)	(689,671)
Depreciation and amortisation.....	(53,710)	(39,209)	(170,752)	(130,155)
Stock bonus.....	–	(62,139)	–	(62,139)
Other operating gains.....	–	–	–	7,616
Operating income / (loss).....	110,707	(4,435)	456,809	235,920
Interest income.....	5,141	7,788	15,052	43,536
Interest expense.....	(14,489)	(8,282)	(53,440)	(22,042)
Change in fair value of derivative financial instrument (call and put option).....	66,364	(60,000)	(145,859)	(60,000)
Impairment of long-term investments.....	(22,691)	–	(22,691)	–
Foreign currency transactions (loss)/gain, net.....	(678)	4,813	(4,543)	19,885
Gain from disposal of an affiliate.....	–	–	3,216	–
Income / (loss) before income taxes, income from affiliates and minority interests.....	144,354	(60,116)	248,544	217,299
Income tax expense.....	(18,188)	(14,576)	(111,001)	(72,479)
Income from affiliates.....	264	1,246	2,691	3,292
Minority interests.....	(74,602)	10,323	(96,421)	(65,616)
Net income / (loss).....	\$ 51,828	\$ (63,123)	\$ 43,813	\$ 82,496
Weighted average number of common shares outstanding – basic.....	404,456,856	358,854,278	369,880,471	345,805,894
Earnings / (loss) per common share – basic.....	\$ 0.13	\$ (0.18)	\$ 0.12	\$ 0.24
Weighted average number of common shares outstanding – diluted.....	425,236,318	358,854,278	387,235,812	346,083,856
Earnings / (loss) per common share – diluted.....	\$ 0.12	\$ (0.18)	\$ 0.11	\$ 0.24

(*) Unaudited consolidated pro forma income statements are prepared on the basis of consolidation of the income statements of the acquired companies from the date of acquisition selected for accounting purposes and not from the beginning of the year (current policy of Comstar).