



FOR IMMEDIATE RELEASE

September 05, 2006

## **COMSTAR UTS ANNOUNCES SECOND QUARTER 2006 KEY OPERATING DATA**

**Moscow, Russia** – September 05, 2006 – “COMSTAR – United TeleSystems” OJSC (“Comstar UTS”) (LSE: CMST), the leading provider of integrated communications services in Moscow, today announced the key performance indicators for its alternative and traditional fixed line telecommunications business segments for the second quarter ending 30 June 2006.

### **HIGHLIGHTS**

- Broadband Internet subscriber base in Moscow up 73% or 126,927 subscribers year-on-year to the total 301,045 subscribers
- StreamTV subscriber base in Moscow has doubled to 28,556 customers since the end of the first quarter of 2006
- Acquisition of operator Astelit, made in June 2006, added 5% or 361 large corporate subscribers in the regions outside Moscow compared to the end of the first quarter of 2006
- 41,459 new residential subscribers of MGTS increasing Traditional fixed line subscriber base in Moscow by 1% year-on-year to the total 3.63 million subscribers

Eric Franke, Chief Executive Officer of Comstar UTS, commented: “I am pleased to see that the measures introduced by the Company shortly before I joined received a positive reception in the market. Since the introduction of a bundled broadband offering in May 2006 we managed to double our pay - TV subscriber base quarter-on-quarter, despite a seasonal slow-down. I believe that our bundled tariff coupled with the recent rebranding campaign are the key drivers for the growth of this strategically important segment of the business. Our selective approach towards regional expansion-acquisition of Astelit- helped us in acquiring new corporate subscribers and their addition to our regional client base. We are planning to build on the current achievements”.

## ALTERNATIVE SEGMENT

### *Moscow*

	June 30, 2006	June 30, 2005	Change
Residential Subscribers			
Broadband "Stream" Internet.....	301 045	174 118	73%
<i>Of which "Stream" Internet+TV     (double play)*</i> .....	28 556	-	-
Dial-up .....	140 486	249 850	(44%)
Voice .....	5 076	5 014	1%
Total Residential subscribers.....	446 607	428 982	4%
Corporate subscribers .....	32 320	29 517	9%
Operators .....	358	364	(2%)
Total subscribers .....	479 285	458 863	4%
Active telephone lines			
Corporate .....	137 386	119 825	15%
Fixed line Operators .....	120 516	105 328	14%
Mobile Operators .....	325 572	323 571	1%
Residential .....	8 629	7 780	11%
Total Active Telephone lines.....	592 103	556 504	6%
Installed capacity (telephone lines) .....	630 300	598 600	5%
<i>*With</i>			<i>the</i>
ADSL and data transmission channels (realized by alternative operators of Comstar-UTS to corporate subscribers in Moscow).....	27 912	21 499	30%

*introduction of bundled offer in May 2006, StreamTV subscriber base is included in the total number of Broadband Internet subscribers*

Comstar UTS' alternative segment of the business grew much more dynamically compared to the traditional part of the business. The total number of subscribers in the alternative segment in Moscow increased by 20,422 to 479,285 customers which represented a 4% growth year-on-year.

At the end of the second quarter the number of residential subscribers increased by 17,625 year-on-year and reached 446,607 customers. During the year the Company was actively promoting the broadband offering by introducing new services and tariff plans.

These measures included the commercial launch of StreamTV in September of 2005, the introduction of double-play bundle and the launch of multimedia services, such as pay-per-view, gaming portals and radio channels. The total number of our broadband subscribers increased by 126,927 to 301,045 customers, representing 73% growth year-on-year. By the end of the second quarter 2006 Comstar UTS has added 17,738 net broadband subscribers despite traditionally slow season during the summer months from 283,307 subscribers at the end of the first quarter 2006. The total number of Stream TV subscribers, including bundled tariff subscribers, has doubled quarter-on-quarter from 14,271 in the end of the first quarter 2006 and reached 28,556 customers.

The total number of residential dial-up subscribers declined by 44% year-on-year to 140,486 customers, which was in line with the rest of the market. The reduction was offset by a 73% year-on-year growth in broadband internet subscribers.

The total number of corporate subscribers in Moscow rose by 9% to 32,320 customers, representing 2,803 net additions year-on-year. During the first half of 2006 Comstar UTS experienced the lower than expected growth in corporate subscribers which resulted from the changes in the regulation of long distance voice services and the corresponding need to renegotiate the existing contracts. The Company believes that this issue will be resolved by the end of 2006.

The total number of active telephone lines increased by 35,599 to 592,103 year-on-year while the installed capacity increased by 31,700 year-on-year to 630,300.

## ***Regions***

	<b>June 30, 2006</b>	<b>March 31, 2006**</b>	<b>Change June 30, 2006 vs. March 31, 2006</b>	<b>December 31, 2005**</b>	<b>Change June 30, 2006 vs. December 31, 2005</b>
Residential subscribers					
Broadband .....	303	48	531%	43	605%
Dial-up .....	6 461	6 311	2%	7 745	(17%)
Voice .....	76 107	75 746	0%	76 278	0%
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Total Residential subscribers.....	82 871	82 105	1%	84 066	(1%)
Corporate subscribers .....	8 153	7 792	5%	6 847	19%
Operators .....	51	50	2%	36	42%
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Total Subscribers .....	91 075	89 947	1%	90 949	0%

\*\* Revised from the previous results announcement for the two previous quarters due to a delay in reporting by one of the regions. This revision does not have any impact on the previously reported financial results.

The regional operations segment was added to the Comstar UTS' financial results in the fourth quarter of 2005, hence the Company can not provide a relevant year-on-year comparison.

The number of corporate subscribers in the regions increased by 361 to 8,153 customers quarter-on-quarter, which represented a 5% growth compared to the end of

the first quarter of 2006 primarily due to the acquisition of regional operator Astelit in June 2006.

## TRADITIONAL SEGMENT

### *Moscow*

	June 30, 2006	June 30, 2005	Change
Subscribers			
Residential .....	3 553 354	3 511 895	1%
Corporate .....	75 513	76 190	(1%)
Operators .....	214	198	8%
Total .....	<u>3 629 081</u>	<u>3 588 283</u>	1%
Active telephone lines			
Residential .....	3 553 354	3 511 895	1%
Corporate .....	726 668	724 061	0%
Total .....	<u>4 280 022</u>	<u>4 235 956</u>	1%
Installed capacity (telephone lines) ...	4 691 883	4 548 004	3%
Access nodes			
Corporate .....	29 554	31 293	(6%)
Operators .....	184 000	152 039	21%
Total .....	<u>213 554</u>	<u>183 332</u>	16%

The total number of subscribers in Traditional segment amounted to 3,629,081 customers reflecting 1% in relative terms, while in absolute numbers this segment has added a significant number of 40,798 net subscribers. Such an increase resulted from the growth of residential client base by 41,459 year-on-year to 3,553,354 subscribers due to the active development of housing market in Moscow.

The number of corporate subscribers declined year-on-year, primarily due to the migration of corporate customers to the alternative fixed line segment which offers a wider range of services.

Comstar UTS increased its number capacity by 143,879 year-on-year to 4,691,883, while the number of active lines grew by 44,066 in the same period to 4,280,022, enabling the Company to satisfy customers' demand in full in the near future.

Comstar-UTS plans to release its first half 2006 financial results in the beginning of October 2006.

**For further information, please visit [www.comstar-uts.com](http://www.comstar-uts.com) or contact:**

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**Comstar UTS is a leading provider of integrated communications services in Moscow and the Moscow region in terms of revenues and subscribers and also offers communications services in other regions of Russia and the Commonwealth of Independent States. Comstar UTS had 4.9 million subscribers at June 31, 2006. Comstar UTS offers voice, data and Internet, pay-TV and various value-added services to corporate, operator and residential subscribers, using its alternative and traditional fixed-line networks. Comstar UTS had combined operating revenues of US\$ 249.8 million for the first three months of 2006 and Comstar UTS' assets totalled US\$ 2.67 billion at March 31, 2006. Comstar UTS ordinary shares are listed on the Moscow Stock Exchange and on the London Stock Exchange under the symbol "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 you 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.