



FOR IMMEDIATE RELEASE

COMSTAR UTS ANNOUNCES FIRST QUARTER 2006 FINANCIAL RESULTS

Moscow, Russia – July 12 , 2006 – “COMSTAR – United TeleSystems” OJSC (“Comstar UTS”) (LSE: CMST) today announced its unaudited consolidated US GAAP financial results for the three months ended March 31, 2006.

HIGHLIGHTS

- Consolidated revenues up 22% year on year to US\$ 249.8 million
- Alternative Segment Revenues (including inter-segment revenues) up 27% year on year to US\$ 99.6 million
- Traditional Segment Revenues (including inter-segment revenues) up 20% year on year to US\$ 175.6 million
- OIBDA¹ up 21% year on year to US\$ 102.3 million
- Operating income up 20% to US\$75.4 million
- Net income up 39% year on year to US\$ 39.1 million

Semyon Rabovsky, Chief Executive Officer of Comstar UTS, commented: “We have continued to focus on the development of our broadband offering, which, together with the increasing tariffs, were the major growth drivers in the first quarter of 2006. Regional acquisitions completed at the end of 2005 contributed to the 27% top line growth rate in our alternative segment, whilst residential broadband service revenues almost tripled year on year following strong subscriber intake and increasing ARPU. We are now focusing on geographical expansion and extending our broadband offering moving forward”

Nikolay Tokarev, Chief Financial Officer, added: “Our margins have recovered from the last quarter of 2005, which was largely due to marketing expenses returning to more normal levels following the increased expenditure during the launch of our StreamTV services.”

¹OIBDA is defined as operating income before depreciation and amortization. Please see the Attachment A to this statement for a full definition of OIBDA and a reconciliation of OIBDA to operating income.

KEY FINANCIAL INDICATORS

(US\$ million)	1Q 2006	1Q 2005	Change
Revenue			
Alternative Segment.....	99.6	78.3	27%
Traditional Segment.....	175.6	146.3	20%
Inter-segment Sales.....	(25.4)	(20.0)	26%
	<hr/>	<hr/>	
Total Consolidated Revenue.....	249.8	204.6	22%
OIBDA.....	102.3	84.8	21%
<i>OIBDA margin</i>	40.9%	41.5%	
Operating Income.....	75.4	62.8	20%
<i>Operating margin</i>	30.2%	30.7%	
Net Income.....	39.1	28.2	39%
<i>Net margin</i>	15.7%	13.8%	

22% year on year revenue growth was the result of solid growth in data and Internet services in both the residential and corporate segments. An increase in fees for regulated services and continued regional expansion also contributed to the revenue growth.

The Group achieved high profitability levels with the first quarter OIBDA margin remaining at the same level of 40.9% .

Net income in the first quarter of 2006 grew faster than revenues due to increased interest income, which accrued from funds raised during the IPO, the recognition of foreign exchange gains on ruble-denominated net monetary assets, and from the reduction in the Group's effective income tax rate.

Net cash used in investing activities was US\$ 191.8 million for the first quarter of 2006 and reflected cash paid for capital expenditures of US\$ 51.1 million, as well as the acquisition of interests in subsidiaries for a total consideration of US\$ 137.3 million, which included the acquisition of additional stakes in principal subsidiary MGTS from its minority shareholders.

Alternative segment

(US\$ million)	1Q 2006	1Q 2005	Change
Moscow metropolitan area			
Corporate			
Voice.....	17.5	18.2	(3%)
Data and internet.....	17.8	15.0	19%
Value-added services.....	2.1	1.3	59%
Other.....	0.9	1.2	(27%)
Total.....	<u>38.3</u>	<u>35.7</u>	7%
Residential			
Voice.....	0.5	0.5	3%
Data and internet: broadband	17.4	6.3	176%
Data and internet: dial-up.....	3.3	5.6	(41%)
Other.....	2.7	0.5	426%
Total.....	<u>23.9</u>	<u>12.9</u>	85%
Operators.....	27.6	27.3	1%
Other revenues	1.6	2.4	(35%)
Other regions of the Russian Federation.....	8.2	-	
Total revenues from the Alternative Segment.....	<u>99.6</u>	<u>78.3</u>	27%
Intersegment revenue.....	0.2	0.2	45%

Alternative segment revenues grew by 27% year on year, with strong revenue growth in the segment being driven by high demand for broadband internet services in Moscow, as well as the Group's regional expansion via acquisitions, made at the end of 2005.

Corporate subscriber revenues were up 7% year on year to US\$ 38.3 million. A 3% decline in revenues from voice services was fully offset by a 19% growth in data and Internet services. The decline in revenues from voice services was due to the decrease in long-distance traffic, carried by Comstar UTS, caused by changes in regulation, as well as by the continuing decline in voice tariffs.

Revenues from residential subscribers were up 85% year on year to US\$ 23.9 million. Broadband Internet access revenues almost tripled year on year in the first three months of 2006 to US\$ 17.4 million, from US\$ 6.3 million in the first quarter of 2005, while sales of dial-up access services continued to decline in line with the Group's expectations. The number of broadband internet access subscribers grew to 283,307 by the end of the first quarter of 2006 from 140,316 at the end of the first quarter 2005. The average revenue per user of broadband access service increased by 16% year on year to US\$ 19.9 per month in the first quarter of 2006 from US\$ 17.2 per month in the first quarter of 2005. The recently launched StreamTV services contributed US\$ 0.7 million of revenues in the first quarter of 2006. The total number

of StreamTV subscribers at the end of the first quarter 2006 was 14,271 with an average revenue per user per month of US\$ 22.3.

Revenues from operators were up marginally year on year to US\$ 27.6 million. The growth in revenues from data and Internet, as well as from local interconnect services was counterbalanced by a continuing decline in low margin transit traffic caused by changes in regulation.

Traditional segment

(US\$ millions)	1Q 2006	1Q 2005	Change
Residential			
Voice	64.7	54.7	18%
Payphones.....	0.3	0.9	(65%)
Additional telecommunications services.....	2.6	2.0	33%
Other.....	0.5	0.3	41%
Total	68.1	57.9	18%
Corporates			
Voice.....	33.5	34.6	(3%)
Access node / Trunk rental	10.2	5.6	84%
Additional telecommunication services.....	3.0	2.7	10%
Other.....	4.2	2.5	69%
Total	50.9	45.4	12%
Operators.....	56.6	43.0	32%
Total revenues from the Traditional Segment.....	175.6	146.3	20%
Intersegment revenue.....	25.1	19.9	26%

Revenues from the Group's traditional telecommunications segment were up 20% year on year to US\$ 175.6 million.

Revenues from residential subscribers were up 18% year on year to US\$ 68.1 million, which was primarily due to an increase in regulated tariffs in October 2005 from RUR 170 (or approximately US\$ 6.1¹) to RUR 200 (or approximately US\$ 7.2¹).

Corporate subscriber revenues were up 12% year on year to US\$ 50.9 million.

Revenues from operators grew by 32% year on year to US\$ 56.6 million in the first three months of 2006 due to both strong volume growth and price increases for local interconnect and local loop. Significant portion of revenue growth in this segment was generated by intersegment sales of capacity to our Stream broadband division.

¹ As at March 31, 2006 exchange rate. Both amounts include 18% VAT.

RECENT EVENTS FOLLOWING THE END OF THE REPORTING PERIOD

In order to further consolidate the company's ownership in MGTS and in compliance with the applicable law, Comstar UTS made a second mandatory offering to all MGTS shareholders at the end of March 2006. The results of the second mandatory offering are currently being processed.

In May 2006, Comstar UTS and MTS launched a re-branding campaign in order to create a unified brand as a basis for further convergence of telecommunication services.

On June 15, 2006 Comstar UTS announced plans to expand its presence in the Ukrainian fixed line market. The Group signed an agreement with Neotel LLP, its Ukrainian business partner, which specifies that both parties will participate in the development of Comstar's subsidiary - TVT Ukraine. Comstar UTS plans to build a proprietary NGN (MPLS) multi-service network of around 135 thousand ports and announced its plans to invest over US \$10 million in the development of its business in the Ukraine during 2006. The network will cover the largest Ukrainian cities.

In June of 2006, Comstar UTS established a unified corporate centre and is in the process of optimizing the organizational structure of the company, in order to increase the operating efficiency of the group's consolidated assets and to eliminate internal competition.

On June 30, 2006, Comstar UTS held its annual general meeting of shareholders. An annual dividend payment of approximately US\$2.3 million for the financial year ended December 31, 2005 was approved.

In July 2006, the Group announced acquisition of Astelit, a fixed-line operator in the Moscow and St. Petersburg corporate markets with a client base that includes a number of foreign embassies and large corporate accounts. The acquisition is in line with the strategy of purchasing businesses with existing customer bases in the lucrative high-end corporate segment, and up selling existing services to these clients.

REGULATORY DEVELOPMENTS

On May 18, 2005 the Government of the Russian Federation approved new Rules for Traffic Routing in the Public Telephone Network with subsequent amendments adopted on June 30, 2005 and December 29, 2005. According to the rules, only newly licensed operators which meet specific license requirements ("Approved LD Operators or Providers") are allowed to provide long-distance voice service to customers. Those operators who provided long-distance services to customers under the old licensing regime, but have no new license or have not completed the license requirements, must therefore allow direct contracting between their customers and Approved LD Operators. Operators which provide local connectivity to customers, but have no long-distance routing capability under the new licensing regime, will charge Approved LD Providers for termination and initiation fees for every minute of inbound and outbound long-distance traffic. The rules are effective January 1, 2006.

Since August, 2005, Comstar UTS has been changing its contractual relationships with end users, other operators and Approved LD Providers, in order to bring the contractual base in line with the new legislation. This process was substantially completed by June 30, 2006.

On October 19, 2005, the Government of the Russian Federation introduced the Governmental Regulation of Tariffs for Interconnect and Traffic Routing Charged by Operators with Substantial Positions in the Public Network. Under these rules, the prices that are charged by Comstar UTS to other operators for local interconnect are subject to governmental regulation.

On June 19, 2006, the Federal Service for Oversight in Telecommunications (“Rossvyaznadzor”) issued Tariffs for Interconnect and Traffic Exchange applicable to traffic exchange by “operators with substantial positions in the public telephone network”. These tariffs specifically apply to traffic exchanges with MGTS – an incumbent operator within the Comstar UTS group. Tariffs of Comstar UTS itself – as an entity controlling an incumbent operator - has not been approved yet.

The tariffs applied by substantial operators consist of two parts – a fixed fee and per minute charge for every minute of inbound and outbound traffic while, in the past, Comstar-UTS and MGTS have usually charged only a fixed fee. The precise effect of the new tariffs on Comstar-UTS’s financial result thus depends on the balance of traffic between the Group’s operations and interconnected operators.

On June 29, 2006, Federal Service for Tariffs has also approved tariffs for local calls from fixed to mobile networks. The approval of these tariffs was necessary due to introduction in the Russian Federation of the ‘calling party pays’ (“CPP”) principle from July 1, 2006. Introduction of the CPP principle creates an additional source of revenue for Comstar UTS.

CONFERENCE CALL INFORMATION

The company will host a conference call today at 5 PM (Moscow time). To participate in the conference call, please dial in on the following numbers:

UK: + 44 20 7138 0835

US: +1 718 354 1172

International: +44 20 7138 0835

A replay facility will also be made available and can be accessed using the numbers below:

UK: +44 20 7806 1970

US: +1 718 354 1112

International: +44 20 7806 1970

The replay access pin code is 8640263#

Attachment A

NON-GAAP FINANCIAL MEASURES

This results statement includes financial information prepared in accordance with United States Generally Accepted Accounting Principles (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 amortization 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 net income as a measure of operating performance, or to cash flows from operating activities as a measure of liquidity. While depreciation and amortization are considered operating costs under 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:

	1Q 2006		1Q 2005	
	US\$ 'mln	% of operating revenues	US\$ 'mln	% of operating revenues
Operating profit.....	75.4	30.2%	62.8	30.7%
Add: Depreciation and amortization.....	26.9	10.8%	22.0	10.7%
OIBDA.....	<u>102.3</u>	<u>41.0%</u>	<u>84.8</u>	<u>41.4%</u>

Attachment B

**“COMSTAR – United TeleSystems” OJSC
CONSOLIDATED AND COMBINED INCOME STATEMENTS**

	Unaudited March 31, 2006	Unaudited March 31, 2005
Operating revenues.....	\$ 249,839	\$ 204,558
Operating expenses.....	(174,464)	(141,757)
OPERATING PROFIT.....	<u>75,375</u>	<u>62,801</u>
Interest income.....	8,408	2,205
Interest expense	(6,808)	(4,229)
Currency transaction gain.....	5,419	2,081
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTERESTS.....	<u>82,394</u>	<u>62,858</u>
Income tax expense.....	(16,604)	(15,488)
Income from affiliates.....	625	-
Minority interests.....	(27,276)	(19,129)
NET INCOME.....	<u>\$ 39,139</u>	<u>\$ 28,241</u>

“COMSTAR – United TeleSystems” OJSC
CONSOLIDATED AND COMBINED BALANCE SHEETS

(US\$ thousands)	Unaudited March 31, 2006	Audited December 31, 2005
Assets		
Current assets:		
Cash and cash equivalents.....	\$ 916,725	\$ 74,639
Short-term investments	119,467	116,134
Trade receivables, net	98,106	78,310
Other receivables and prepaid expenses.....	81,218	80,572
Inventories and spare parts	26,964	26,881
Assets held for resale	15,821	15,260
Deferred tax assets, current portion.....	16,567	13,432
Total current assets.....	1,274,868	405,228
Property, plant and equipment, net.....	1,212,950	1,144,149
Intangible assets, net	143,832	55,355
Long-term investments	35,996	30,510
Restricted cash.....	2,272	2,272
Deferred tax assets, long-term portion	4,929	3,847
Total assets.....	\$ 2,674,847	\$ 1,641,361

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

Liabilities and shareholders' equity:

Current liabilities:

Accounts payable.....	\$ 31,793	\$ 28,707
Deferred connection fees, current portion.....	42,557	42,598
Subscriber prepayments.....	45,180	41,228
Accrued expenses and other current liabilities.....	46,832	43,409
Taxes payable.....	20,740	17,837
Debt, current portion.....	77,899	86,617
Capital lease obligations, current portion	12,558	14,050
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Total current liabilities.....	277,559	274,446

Long-term liabilities:

Deferred connection fees, net of current portion.....	112,023	110,514
Debt, net of current portion.....	98,462	102,184
Capital lease obligations, net of current portion	25,853	30,765
Post-retirement obligations	16,441	16,216
Property, plant and equipment contributions	106,421	102,746
Deferred tax liabilities, long-term portion	34,522	9,005
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Total long-term liabilities.....	393,722	371,430

Total liabilities.....	<hr/>	<hr/>
	671,281	645,876

Minority interests	491,666	516,114
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Shareholders' equity:

Share capital	23,900	18,982
Treasury stock.....	(3,929)	(3,929)
Additional paid-in capital.....	1,072,142	100,051
Retained earnings.....	391,786	352,647
Accumulated other comprehensive income.....	28,001	11,620
	<hr/>	<hr/>
Total shareholders' equity.....	1,511,900	479,371

Total liabilities and shareholders' equity.....	<hr/>	<hr/>
	\$ 2,674,847	\$ 1,641,361

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

(US\$ thousands)	Unaudited March 31, 2006	Unaudited March 31, 2005
Operating activities:		
Net income.....	\$ 39,139	\$ 28,241
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization.....	26,879	22,027
Gain from disposal of fixed assets.....	(845)	-
Deferred taxes.....	(6)	(1,325)
Income from affiliates.....	(625)	-
Foreign currency transactions loss/(gain) on non-operating activities.....	(4,361)	(2,467)
Postretirement benefits.....	(371)	616
Minority interests.....	27,276	19,129
Provision for doubtful debts.....	2,687	1,249
Inventory obsolescence charge.....	750	-
Changes in operating assets and liabilities:		
Trade receivables.....	(20,662)	(17,643)
Other receivables and prepaid expenses.....	(1,104)	4,891
Inventories and spare parts.....	(300)	(608)
Accounts payable.....	2,556	2,957
Deferred connection fees.....	(2,339)	4,644
Subscriber prepayments.....	1,958	139
Taxes payable.....	2,416	3,491
Accrued expenses and other current liabilities.....	6,868	11,048
Net cash provided by operations.....	<u>79,916</u>	<u>76,389</u>
Investing activities:		
Purchases of property, plant and equipment.....	(51,149)	(32,888)
Proceeds from sale of property, plant and equipment.....	1,989	-
Purchases of intangible assets.....	(788)	-
Acquisition of interests in a subsidiary.....	(137,255)	-
Purchases of short-term investments.....	(52,473)	(27,208)
Proceeds from sale of short-term investments.....	47,843	24,349
Decrease in restricted cash.....	-	2,284
Net cash used in investing activities.....	<u>(191,833)</u>	<u>(33,463)</u>

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

Financing activities:

Contributions from the controlling shareholder.....	-	-
Proceeds from issuance of common stock.....	977,009	-
Proceeds from borrowings.....	150,150	14,562
Principal payments on borrowings.....	(167,754)	(63,967)
Principal payments on capital lease obligations.....	(6,495)	(740)
Dividends and other distributions to shareholders.....	-	-
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Net cash used in financing activities.....	952,910	(50,145)
Effects of foreign currency translation on cash and cash equivalents.....	1,093	(82)
Increase in cash and cash equivalents.....	842,086	(7,301)
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Cash and cash equivalents, beginning of the period.....	74,639	67,436
Cash and cash equivalents, end of the period.....	\$ 916,725	\$ 60,135

For further information, please visit 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 4.2 million subscribers at December 31, 2005. 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\$ 907.6 million for the full year 2005 and Comstar UTS' assets totalled US\$ 1.64 billion at December 31, 2005. 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.