



FOR IMMEDIATE RELEASE

May 26, 2009

## **COMSTAR — UNITED TELESYSTEMS OJSC FINANCIAL RESULTS FOR THE FIRST QUARTER OF 2009**

**Moscow, Russia** – May 26, 2009 – “COMSTAR – United TeleSystems” OJSC (“Comstar” or “the Group”) (LSE: CMST), the largest integrated telecommunications provider in Moscow and 69 Russian cities, today announced its unaudited consolidated US GAAP<sup>1</sup> financial results for the three months ended March 31, 2009.

### **FIRST QUARTER HIGHLIGHTS**

- Consolidated revenues up 12% year on year in ruble terms to US\$ 334.4 million<sup>2</sup>
- OIBDA<sup>3</sup> up 4% year on year in ruble terms to US\$ 126.4 million and OIBDA margin of 37.8%
- Underlying net income attributable to Comstar-UTS declined 8% year on year in ruble terms to US\$ 38.8 million when excluding foreign exchange losses<sup>4</sup>
- Cash flow from operations of US\$ 99.2 million
- Cash capital expenditure<sup>5</sup> of US\$ 59.7 million
- Total assets of US\$ 3.4 billion
- Residential broadband ARPU in Moscow up 5% quarter on quarter to RUR 323

### **DELIVERY IN LINE WITH STRATEGIC GOALS**

- Test launch of Mobile WiMAX network in Moscow & full commercial launch on May 1, 2009
- Rated number one broadband internet provider in Moscow in terms of customer loyalty<sup>6</sup>
- Commenced extensive restructuring of regional assets to be legally merged and consolidated under Comstar Regions CJSC
- Completion of acquisition of STREAM-TV Group of regional operators
- Anti-crisis broadband internet limited tariff plans launched in Moscow
- Average 8% increase in MGTS regulated ruble tariffs from March 1, 2009
- Average 12% increase in ruble tariffs for unregulated services in Moscow from March 1, 2009
- 40% increase in regulated per minute ruble charge for operators interconnected to Comstar network in Moscow from the second quarter of 2009

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<sup>1</sup> Except for presentation of comparative financial information which has not been restated to reflect retrospective combination of the financial statements of STREAM-TV, which is a departure from US GAAP (see detailed explanation below)

<sup>2</sup> The average exchange rate for the period was 33.93 Russian Rubles (RUR) per US\$ 1 in the first quarter of 2009; RUR 27.27 per US\$ 1 in the fourth quarter of 2008; and RUR 24.26 per US\$ 1 in the first quarter of 2008

<sup>3</sup> Here and below, please refer to Attachment A to this statement for a full definition of OIBDA

<sup>4</sup> Here and below, please refer to Attachment A to this statement for a full definition of underlying net income attributable to Comstar-UTS

<sup>5</sup> Here and below, cash capital expenditure comprises purchases of property, plant and equipment, and intangible assets

<sup>6</sup> NPS, Net Promoters Score. According to Romir

Sergey Pridantsev, President and Chief Executive Officer, commented: “The results for the first quarter again demonstrate the resilient nature of our business in challenging market conditions. The business performed well over the period and we have continued to deliver on the objectives set out in our five year “Five Angles of Attack” strategy. The investment case remains the same but the strategic priorities for this year have been modified to meet the challenges presented by the current environment – to ensure financial stability by maximizing cash flows and optimizing investments, in order to service and repay debt, and to focus on maintaining and developing the existing subscriber base and integrating the regional assets.”

Irina Matveeva, Chief Financial Officer, added: “Our primary focus in 2009 remains to increase the utilization of our existing capacity. We still expect total 2009 CAPEX to represent approximately 6% of Group revenues and to comprise maintenance CAPEX, investments in subscriber acquisition and up-selling, and selective regional development projects. The majority of these projects are planned for the first half of the year, with lower levels of investment currently planned for the second half of the year. CAPEX represented 18% of revenues in the first quarter and included the payments for the projects implemented during 2008.”

“We expect to generate low single digit percentage point organic ruble revenue growth in 2009. This growth will primarily be driven by the regulated and non-regulated tariff increases from the beginning of March. The normalised long-term OIBDA margin for our business is 35-40%. The 2009 Group OIBDA margin will be impacted by the consolidation of the lower margin STREAM-TV business and the economic downturn, which will be offset to an extent by the tariff increases, and continues to be subject to seasonal fluctuations.”

## Consolidation and Combination of STREAM-TV

In accordance with the provisions of FASB Statement No. 141 “Business Combinations” and FASB Statement No. 154 “Accounting Changes and Error Corrections – A Replacement of APB Opinion No. 20 and FASB Statement No.3”, and given that Comstar and Sistema Mass Media are commonly controlled, the Group’s consolidated financial information for the periods prior to the acquisition of STREAM-TV Group shall be restated as if STREAM-TV had been owned and consolidated in the prior periods. Scrutiny and restatement of STREAM-TV quarterly financial information to conform it to Comstar accounting policies is currently underway, therefore, comparative financial information for the respective quarters of 2008 is presented in this report as it was reported in 2008, which is a departure from US GAAP. Management expects to eliminate this departure when reporting 2009 full year results.

## Net income (Noncontrolling interests)

Until December 31, 2008, Comstar reported net income attributable to noncontrolling interest as a deduction in arriving at consolidated net income. With effect from January 1, 2009, Comstar has adopted the new mandatory provisions of FASB Statement No. 160 (As Amended) “Noncontrolling Interests in Consolidated Financial Statements”, which requires that consolidated net income be reported to include the amounts attributable both to the parent and to the noncontrolling interest. Comstar has therefore reported net income before the amounts attributable to the noncontrolling shareholders of its subsidiaries, and the latter amounts (previously referred to as “minority interests”) are separately disclosed. All comparative financial information has been restated in accordance with this new policy.

## FINANCIAL SUMMARY

	<i>(RUR millions, except where stated otherwise)</i>					<i>(US\$ millions, except where stated otherwise)</i>				
	Q1 2009	Q1 2008	Growth	Q4 2008	Growth	Q1 2009	Q1 2008	Growth	Q4 2008	Growth
Revenues.....	<b>11,343</b>	10,114	12%	10,684	6%	<b>334.4</b>	417.0	(20%)	391.9	(15%)
OIBDA.....	<b>4,291</b>	4,134	4%	4,496	(5%)	<b>126.4</b>	170.2	(26%)	165.0	(23%)
Margin (%).....	<b>37.8%</b>	40.9%	(7%)	42.1%		<b>37.8%</b>	40.8%		42.1%	
Operating income.....	<b>2,798</b>	2,949	(5%)	3,357	(17%)	<b>82.2</b>	121.3	(32%)	123.1	(33%)
Margin (%).....	<b>24.7%</b>	29.2%		31.4%		<b>24.6%</b>	29.1%		31.4%	
Net income attributable to Comstar-UTS .....	<b>494</b>	1,312	(62%)	1,628	(70%)	<b>12.6</b>	54.1	(77%)	59.2	(79%)
Basic EPS.....	<b>RUR 1.4</b>	RUR 3.2	(57%)	RUR 4.2	(114%)	<b>US\$ 0.04</b>	US\$ 0.13	(74%)	US\$ 0.15	(77%)
Basic weighted average number of shares outstanding (000s) .....	<b>358,225</b>	404,457	(11%)	386,366	(7%)	<b>358,225</b>	404,457	(11%)	386,366	(7%)
Cash flow from operations.....	<b>3,460</b>	3,598	(4%)	4,524	(24%)	<b>99.2</b>	148.4	(33%)	165.7	(40%)
Cash CAPEX .....	<b>2,024</b>	1,052	92%	3,074	(34%)	<b>59.7</b>	43.4	38%	112.8	(47%)
% of revenues.....	<b>17.8%</b>	10.4%		28.8%		<b>17.8%</b>	10.4%		28.8%	
Total Assets .....	<b>116,017</b>	116,908	(1%)	123,152	(6%)	<b>3,410.9</b>	4,971.5	(31%)	4,191.7	(19%)

## OPERATING REVIEW

### Group Overview

Comstar generated 12% year on year ruble revenue growth in the first quarter, which reflected:

- the consolidation of STREAM-TV from the first quarter of 2009 and Interlink and UTC in the second and the third quarters of 2008, respectively, which contributed RUR 954 million of revenue in the first quarter of 2009
- growing 'Calling Party Pays' volumes
- the average 8% regulatory ruble price increase for MGTS residential and corporate voice services from March 1, 2009
- the average 12% ruble price increase for Comstar residential and corporate services from March 1, 2009
- the launch of direct sales of long distance voice services on Comstar's proprietary network from October 2008

Revenues from fixed-to-mobile calls increased by 20% year on year to RUR 1,086 million in the first quarter and represented 10% of Group revenues. Traffic levels were up 18% year on year to 781 million minutes in the quarter.

The significant weakening of the Russian ruble currency against the US dollar since September 2008 adversely affected the Group's US dollar reported results.

Operating Expenses <sup>7</sup>	<i>(RUR millions)</i>					<i>(US\$ millions)</i>				
	Q1 2009	Q1 2008	Growth	Q4 2008	Growth	Q1 2009	Q1 2008	Growth	Q4 2008	Growth
Employee costs .....	<b>2,754</b>	2,238	23%	2,110	31%	<b>81.3</b>	92.2	(12%)	77.3	5%
Network traffic.....	<b>1,537</b>	1,267	21%	1,571	(2%)	<b>45.3</b>	52.2	(13%)	57.5	(21%)
Selling & marketing .....	<b>345</b>	347	(0%)	379	(9%)	<b>10.1</b>	14.3	(29%)	14.0	(27%)
Repairs & maintenance..	<b>406</b>	444	(9%)	424	(4%)	<b>11.9</b>	18.4	(35%)	15.6	(24%)
Taxes.....	<b>328</b>	296	11%	339	(3%)	<b>9.7</b>	12.2	(21%)	12.4	(22%)
Utilities .....	<b>400</b>	297	34%	317	26%	<b>11.8</b>	12.3	(4%)	11.6	1%
Other, net .....	<b>1,282</b>	1,090	18%	1,048	22%	<b>37.9</b>	45.0	(16%)	38.5	(2%)
<b>Total .....</b>	<b>7,052</b>	5,980	18%	6,188	14%	<b>208.0</b>	246.7	(16%)	226.8	(8%)
<i>% of revenues.....</i>	<b>62.2%</b>	59.1%		57.9%		<b>62.2%</b>	59.2%		57.9%	

Total operating expenses, when excluding depreciation and amortisation costs, increased by 18% year on year in ruble terms. The consolidation of STREAM-TV, from January 1, 2009 and of Interlink and UTC from the second and the third quarters of 2008, respectively, contributed RUR 691 million of operating expenses (excluding depreciation and amortisation costs) in the first quarter of 2009. The organic increase in operating expenditure also reflected the increase in network traffic costs due to the higher volume of fixed-to-mobile calls, costs associated with the new long distance network, an increase in bad provisions by RUR 187 million and the increase in regulated utility prices.

Group OIBDA was up 4% year on year in ruble terms with an OIBDA margin of 37.8%. This reflected the consolidation of the lower margin STREAM-TV business, which was partially offset by the tariff increases and the ongoing cost optimization programme.

<sup>7</sup> Excluding depreciation and amortisation, net

Group depreciation and amortisation charges increased by 26% year on year in ruble terms due to the increase in property, plant and equipment and intangible asset balances, which was in line with the organic growth of the Group and the consolidation of the acquired businesses.

Interest expenses tripled year on year in ruble terms following the increase in the interest rate payable on the Sberbank credit facility from 7.6% to 9.5% in July 2008 and to 13.35% in January 2009, the drawing down of the remaining RUR 4.5 billion from the Sberbank facility during the fourth quarter of 2008, and the interest payable on the remaining US\$ 263.6 million of obligations paid to Access Telecommunications Cooperatief U.A. (“Access”) during the first quarter of 2009. The lower level of interest income reflected the decrease in the Group’s average cash balances and short term investments over the period.

The Group’s results for the first quarter included a RUR 799 million (US\$ 26.2 million) currency transactions loss following the depreciation of the ruble against the dollar and primarily relating to the US dollar denominated promissory note issued by MGTS Finance S.A.<sup>8</sup> to Access and fully redeemed in the first quarter of 2009. The Group also recorded a RUR 150 million (US\$ 4.3 million) reversal of a portion of an impairment of long-term investments related to loans granted to Sky Link, which were partially written-off in 2007. The cash repayment of the respective loans occurred in April 2009.

The Group’s tax charges reflected the net impact of the reduction in the Russian corporate tax rate from 24% to 20% from the beginning of 2009, the non-deductible foreign exchange losses on the US dollar denominated promissory note, and the non-taxable gains from the revaluation of the put option held by Access in the first quarter of 2008. When excluding the latter two non-recurring effects, the Group’s underlying effective tax rate<sup>9</sup> decreased year on year from 25% to 21% both in ruble and US dollar terms.

Net income attributable to minority interests, which primarily comprise the amounts attributable to the minority shareholders of MGTS, totalled RUR 101 million (US\$ 1.3 million) in the quarter. The Group therefore reported underlying net income attributable to Comstar, when excluding the foreign currency transactions losses, of RUR 1,293 million (US\$ 38.8 million) in the first quarter of 2009, compared to RUR 1,406 million (US\$ 58.0 million) in the first quarter of 2008 and RUR 1,719 million (US\$ 62.9 million) in the fourth quarter of 2008.

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<sup>8</sup> MGTS Finance S.A. is a 100% owned subsidiary of ZAO UTS MGTS, which is a wholly-owned subsidiary of OJSC MGTS

<sup>9</sup> Here and below, please refer to Attachment A to this statement for a full definition of underlying effective tax rate

## Overview of Broadband Internet & Pay-TV Business Potential in Moscow & the Regions

This section covers the Group's development potential in the broadband internet and pay-TV markets in Russia. The operating and financial results for these broadband businesses are included in each of the three following reporting segments.

	<u>Q1 2009</u>	<u>Q1 2008</u>	<u>Growth</u>	<u>Q4 2008</u>	<u>Growth</u>
<b>MOSCOW</b>					
<b>Residential segment</b>					
MGTS Voice subscribers (000s)	<b>3,595</b>	3,569	1%	3,591	0%
ARPU (US\$).....	<b>8.8</b>	12.1	(27%)	10.7	(17%)
ARPU (RUR) .....	<b>299</b>	293	2%	291	3%
Broadband internet subscribers <sup>10</sup> (000s) .....	<b>795</b>	750	6%	784	1%
ARPU (US\$).....	<b>9.5</b>	13.4	(29%)	11.2	(15%)
ARPU (RUR) .....	<b>323</b>	325	(1%)	307	5%
Premium subscribers <sup>11</sup> (000s) .....	<b>635</b>	664	(4%)	664	(4%)
ARPU (US\$).....	<b>10.1</b>	14.6	(31%)	11.8	(14%)
ARPU (RUR) .....	<b>342</b>	355	(4%)	321	6%
Mass-market subscribers (000s)	<b>160</b>	87	85%	120	33%
ARPU (US\$).....	<b>6.8</b>	2.8	139%	7.8	(13%)
ARPU (RUR) .....	<b>231</b>	69	237%	214	8%
Pay-TV subscribers <sup>12</sup> (000s)	<b>137</b>	135	2%	146	(6%)
ARPU (US\$).....	<b>14.6</b>	22.9	(36%)	17.1	(14%)
ARPU (RUR) .....	<b>496</b>	556	(11%)	466	6%
<b>Corporate segment</b>					
Corporate broadband internet subscribers (000s)	<b>51</b>	49	5%	51	(1%)
ARPU (US\$).....	<b>112.8</b>	169.5	(33%)	154.7	(27%)
ARPU (RUR) .....	<b>3,830</b>	4,111	(7%)	4,211	(9%)
<b>REGIONS</b>					
<b>Residential segment</b>					
Households passed <sup>13</sup> (000s)	<b>3,718</b>	129	2778%	137	2607%
Pay-TV subscribers (000s)	<b>1,953</b>	107	1720%	153	1174%
ARPU (US\$).....	<b>3.0</b>	2.9	5%	3.4	(10%)
ARPU (RUR) .....	<b>103</b>	70	47%	92	12%
Premium subscribers (000s) .....	<b>1,575</b>	107	1368%	153	927%
ARPU (US\$).....	<b>3.7</b>	2.9	28%	3.4	10%
ARPU (RUR) .....	<b>126</b>	70	78%	92	37%
Social subscribers (000s)	<b>378</b>	0	0%	0	0%
ARPU (US\$).....	<b>0.4</b>	0.0		0.0	
ARPU (RUR) .....	<b>12</b>	0	0%	0	0%
Broadband internet subscribers <sup>14</sup> (000s) .....	<b>310</b>	40	681%	73	328%
ARPU (US\$).....	<b>9.0</b>	22.5	(60%)	15.8	(43%)

<sup>10</sup> Subscribers of Voice + Broadband Internet service

<sup>11</sup> Including Broadband Internet, Pay-TV (IPTV and HDTV), VOD and other value added services

<sup>12</sup> Including subscribers of Voice + Broadband Internet + Pay-TV service

<sup>13</sup> Including STREAM-TV and Comstar branches

<sup>14</sup> Including subscribers of Pay-TV + Broadband Internet service

	<b>Q1 2009</b>	Q1 2008	<i>Growth</i>	Q4 2008	<i>Growth</i>
ARPU (RUR) .....	<b>306</b>	547	(44%)	432	(29%)
Voice subscribers (000s)	<b>261</b>	215	22%	258	1%
ARPU (US\$).....	<b>9.0</b>	9.9	(9%)	11.0	(18%)
ARPU (RUR) .....	<b>307</b>	241	27%	300	2%
<b>Corporate segment</b>					
Corporate broadband internet subscribers (000s)	<b>18</b>	12	51%	17	4%
ARPU (US\$).....	<b>110.5</b>	131.1	(16%)	133.4	(17%)
ARPU (RUR) .....	<b>3,718</b>	3,178	17%	3,632	2%
<b>TOTAL NUMBER OF BROADBAND INTERNET</b>					
<b>SUBSCRIBERS (000s) .....</b>	<b>1,174</b>	850	38%	925	27%

## Broadband in Moscow

The Moscow broadband market is now close to saturation with household penetration levels of approximately 62%, and personal computer household penetration of over 70%. Comstar therefore moved into the second phase of its strategic development in September 2008 with the focus shifting to premium ARPU growth and mass market subscriber acquisition.

Comstar is targeting the promotion of its broadband internet services on MGTS' 3.6 million residential fixed-line subscribers (97% of Moscow households). The Group aims to switch 33% of MGTS' fixed-line telephony subscribers to double-play services by the end of 2011 and thereby secure an approximately 50% share of the Moscow broadband market. 22% of MGTS voice customers already subscribed for broadband internet services at the end of the first quarter.

The Group's subscriber base has continued to migrate, with lower ARPU subscribers switching to more attractive MGTS package offerings in the current economic environment. This is reflected in the significant increase in the number of double-play subscribers in the mass market segment. Premium segment ARPU continued to increase in line with the focus on up-selling customers to additional services.

The number of triple-play subscribers (voice, broadband internet & pay-TV) decreased quarter on quarter due to customers optimizing their spending in the adverse economic climate.

Following the full commercial launch of mobile WiMAX services in May, Comstar's subscribers now have access to a seamless telecommunications space. The WiMAX network of over 170 base stations currently provides coverage of around 80% of Moscow. The WiMAX services are provided on the Group's own backbone network in Moscow.

Customers require a RUR 4,600 WiMAX-modem in order to access the service and residential subscribers are offered services in line with limited tariff plans, which are priced between RUR 300 and RUR 700 depending on the prepaid data transmission volume (from 1 to 5 Gigabits per month). The prepaid data transmission volume amounts to 1.5 – 7.5 Gigabits per month for STREAM's existing subscribers, depending on the preferred tariff plan. The charge for data transmission volumes exceeding the prepaid level varies from RUR 0.5 to RUR 3.00 per additional Megabit for third party subscribers, and from RUR 0.5 to RUR 2.00 for STREAM subscribers.

## **Broadband in the Regions**

Following the consolidation of STREAM-TV Group, the Group's target residential audience for triple-play services in the regions increased from 137 thousand to 3.7 million homes passed.

Over 50% of the potential households, or 1.9 million active subscribers, were using pay-TV services by the end of the first quarter of 2009. This included 378 thousand subscribers to low-cost packages comprising 20 TV channels. Pay-TV subscribers using pay-TV packages are more likely to switch to extended offerings, which drives pay-TV premium ARPU growth.

The residential broadband subscriber base totaled 310 thousand at the end of the quarter. From January 1, 2009 till March 31, 2009 combined residential broadband subscriber base of Comstar-UTS and STREAM-TV in the regions grew by 12%. Over 30% of the households passed are able to receive broadband internet services and the Group is selectively upgrading STREAM-TV's networks, in order to further enlarge the potential subscriber base. Demand for broadband internet access is only currently limited by the relatively low level of personal computer penetration in the regions. The Group is also offering local and long-distance telephony services to those households that do not have personal computers.



## SEGMENTAL OPERATING REVIEW

### 1. Traditional Segment in Moscow

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

#### *Operating Highlights*

	<b>Q1 2009</b>	Q1 2008	<i>Growth</i>	Q4 2008	<i>Growth</i>
Installed telephone lines (000s).....	<b>4,856</b>	4,812	1%	4 851	0%
<b>Residential</b>					
Number of subscribers / active lines (000s) .....	<b>3,595</b>	3,569	1%	3,591	0%
CPP traffic (millions of minutes) .....	<b>464</b>	398	16%	472	(2%)
ARPU (US\$).....	<b>9.1</b>	12.2	(25%)	10.9	(17%)
ARPU (RUR).....	<b>309</b>	296	5%	298	4%
<b>Corporates</b>					
Number of active lines (000s).....	<b>765</b>	787	(3%)	769	(1%)
Number of subscribers (000s).....	<b>96</b>	89	8%	96	0%
CPP traffic (millions of minutes).....	<b>194</b>	167	16%	209	(7%)
ARPU (excl. revenue from points of interconnect) (US\$) .....	<b>179.2</b>	188.1	(5%)	179.7	(0%)
ARPU (excl. revenue from points of interconnect) (RUR) .....	<b>6,077</b>	4,562	33%	4,900	24%
Number of points of interconnect (000s) .....	<b>30</b>	32	(7%)	29	0%
Average monthly revenue per point of interconnect (US\$).....	<b>155.7</b>	186.9	(17%)	195.4	(20%)
Average monthly revenue per point of interconnect (RUR) .....	<b>5,271</b>	4,532	16%	5,324	(1%)
<b>Operators</b>					
Number of interconnected operators .....	<b>247</b>	243	2%	247	0%
Number of points of interconnect (000s) .....	<b>222</b>	230	(3%)	223	(0%)
Average monthly revenue per point of interconnect (US\$).....	<b>33.3</b>	67.3	(51%)	35.1	(5%)
Average monthly revenue per point of interconnect (RUR) .....	<b>1,129</b>	1,631	(31%)	950	19%
DLD/ILD traffic (millions of minutes) .....	<b>390</b>	359	8%	378	3%
DLD/ILD traffic charges per minute (US\$) .....	<b>0.012</b>	0.013	(12%)	0.015	(23%)
DLD/ILD traffic charges per minute (RUR).....	<b>0.4</b>	0.3	24%	0.4	(4%)

## Financial Highlights

	<i>(RUR millions)</i>					<i>(US\$ millions)</i>				
	Q1 2009	Q1 2008	Growth	Q4 2008	Growth	Q1 2009	Q1 2008	Growth	Q4 2008	Growth
<b>Revenues</b>										
Residential .....	<b>3,374</b>	3,234	4%	3,279	3%	<b>99.5</b>	133.3	(25%)	120.3	(17%)
Corporate .....	<b>1,817</b>	1,636	11%	1,888	(4%)	<b>53.6</b>	67.5	(21%)	69.2	(23%)
Operators.....	<b>1,960</b>	2,122	(8%)	2,099	(7%)	<b>57.7</b>	87.5	(34%)	77.1	(25%)
<b>Total .....</b>	<b>7,152</b>	6,992	2%	7,265	(2%)	<b>210.8</b>	288.3	(27%)	266.6	(21%)
Intersegment sales.....	<b>(743)</b>	(816)	(9%)	(882)	(16%)	<b>(21.9)</b>	(33.7)	(35%)	(32.5)	(33%)
<b>Net Revenues .....</b>	<b>6,408</b>	6,176	4%	6,383	0%	<b>188.9</b>	254.6	(26%)	234.1	(19%)
<b>Operating Expenses<sup>15</sup>.....</b>	<b>3,971</b>	3,706	7%	3,806	4%	<b>117.1</b>	152.8	(23%)	139.6	(16%)
<b>OIBDA .....</b>	<b>3,180</b>	3,286	(3%)	3,459	(8%)	<b>93.8</b>	135.4	(31%)	127.0	(26%)
<i>Margin (%) .....</i>	<b>44.5%</b>	47.0%		47.6%		<b>44.5%</b>	47.0%		47.6%	

Ruble revenues were up 2% year on year, which reflected the growing level of CPP traffic, as well as the 8% average regulatory ruble price increase for MGTS residential and corporate voice services tariffs from the beginning of March 2009. Ruble revenues were down 2% quarter on quarter due to the reduction in traffic volumes from interconnected operators. Intersegment sales decreased by 9% year on year in ruble terms and 16% quarter on quarter, which was in line with the change in the interconnect regime from the beginning of March 2008 and the reduction in traffic from interconnected operators.

Operating expenses, excluding depreciation and amortisation charges, were up 7% year on year and 4% quarter on quarter, which was primarily due to the net effect of the reduction in headcount, increase in network traffic costs, an increase in bad provisions and the increase in regulated utility prices.

OIBDA therefore declined by 3% year on year in ruble terms and the OIBDA margin was lower at 44.5%.

## 2. Alternative Segment in Moscow

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

### Operating Highlights

	Q1 2009	Q1 2008	Growth	Q4 2008	Growth
Installed capacity / telephone lines (000s) .....	<b>653</b>	652	0%	653	0%
<b>Residential subscribers</b>					
Number of subscribers (000s) .....	<b>666</b>	715	(7%)	699	(5%)
ARPU (US\$) .....	<b>10.8</b>	15.2	(29%)	12.2	(11%)
ARPU (RUR) .....	<b>367</b>	369	(0%)	332	11%
<b>Corporate subscribers</b>					
Number of subscribers (000s) .....	<b>29</b>	33	(11%)	30	(1%)

<sup>15</sup> Excluding depreciation and amortisation charges

	Q1 2009	Q1 2008	Growth	Q4 2008	Growth
ARPU (US\$) .....	<b>358.9</b>	392.3	(8%)	441.1	(19%)
ARPU (RUR) .....	<b>12,199</b>	9,513	28%	12,021	1%
DLD/ILD traffic (millions of minutes) .....	<b>32</b>	0	0%	19	71%
DLD/ILD traffic charges per minute (US\$) .....	<b>0.15</b>	0	0%	0.18	(20%)
DLD/ILD traffic charges per minute (RUR).....	<b>4.9</b>	0	0%	4.9	(0%)
<b>Operators</b>					
Number of active lines (000s).....	<b>438</b>	448	(2%)	437	0%
- of which, used by mobile operators (000s).....	<b>307</b>	316	(3%)	307	0%
DLD/ILD traffic (millions of minutes) .....	<b>5</b>	41	(88%)	28	(82%)
DLD/ILD traffic charges per minute (US\$) .....	<b>0.06</b>	0.10	(32%)	0.08	(23%)
DLD/ILD traffic charges per minute (RUR).....	<b>2.20</b>	2.31	(5%)	2.30	(4%)

### Financial Highlights

	(RUR millions)					(US\$ millions)				
	Q1 2009	Q1 2008	Growth	Q4 2008	Growth	Q1 2009	Q1 2008	Growth	Q4 2008	Growth
<b>Revenues</b>										
Corporate .....	<b>1,486</b>	1,374	8%	1,493	(0%)	<b>43.8</b>	56.7	(23%)	54.8	(20%)
Operators.....	<b>819</b>	955	(14%)	1,040	(21%)	<b>24.2</b>	39.3	(39%)	38.1	(37%)
Residential .....	<b>772</b>	771	0%	715	8%	<b>22.7</b>	31.8	(28%)	26.2	(13%)
<b>Total</b> .....	<b>3,077</b>	3,100	(1%)	3,248	(5%)	<b>90.7</b>	127.8	(29%)	119.2	(24%)
Intersegment sales.....	<b>(98)</b>	(41)	139%	(164)	(40%)	<b>(2.9)</b>	(1.7)	72%	(6.0)	(52%)
<b>Net Revenues</b> .....	<b>2,979</b>	3,059	(3%)	3,084	(3%)	<b>87.8</b>	126.1	(30%)	113.2	(22%)
<b>Operating</b>										
<b>Expenses</b> <sup>16</sup> .....	<b>2,495</b>	2,488	0%	2,599	(4%)	<b>73.5</b>	102.8	(29%)	95.3	(23%)
<b>OIBDA</b> .....	<b>582</b>	611	(5%)	649	(10%)	<b>17.2</b>	25.0	(31%)	23.8	(28%)
<b>Margin (%)</b> .....	<b>18.9%</b>	19.7%		20.0%		<b>19.0%</b>	19.6%		20.0%	

Ruble revenues were flat year on year and up quarter on quarter due to the net effect of increasing long-distance traffic volumes passing through Comstar's proprietary long-distance network, and the decrease in revenues from operators due to the cancellation of monthly charges per point of interconnect from March 1, 2008. The year on year development also reflected the migration of residential subscribers to lower tariff plans in the prevailing economic environment.

Operating expenses, excluding depreciation and amortisation charges, were flat year on year and down quarter on quarter due to the ongoing cost optimization programme.

OIBDA was down 5% year on year in ruble terms and the OIBDA margin was lower at 18.9% in ruble terms.

<sup>16</sup> Excluding depreciation and amortisation charges

### 3. Alternative segment in the Regions & CIS

Comstar's regional and international business comprises the Group's operations in 69 Russian cities with a combined population of more than 30 million people, and in Ukraine and Armenia.

#### Operating Highlights

	Q1 2009	Q1 2008	Growth	Q4 2008	Growth
<b>Residential subscribers</b>					
Number of subscribers <sup>17</sup> (000s) .....	2,532	414	512%	505	402%
ARPU (US\$) .....	4.4	9.1	(51%)	9.48	(53%)
ARPU (RUR) .....	151	221	(32%)	259	(42%)
<b>Corporate subscribers</b>					
Number of subscribers (000s) .....	46	35	30%	44	3%
ARPU (US\$) .....	115.9	148.3	(22%)	155.3	(25%)
ARPU (RUR) .....	3,920	3,568	10%	4,229	(7%)
<b>Operators</b>					
Number of active lines (000s) .....	2	2	(7%)	2	0%

#### Financial Highlights

	(RUR millions)					(US\$ millions)				
	Q1 2009	Q1 2008	Growth	Q4 2008	Growth	Q1 2009	Q1 2008	Growth	Q4 2008	Growth
<b>Revenues</b>										
Residential .....	1,159	276	320%	398	191%	34.1	11.4	200%	14.6	134%
Corporate .....	539	378	43%	540	(0%)	15.9	15.6	2%	19.8	(20%)
Operators.....	286	226	27%	279	3%	8.4	9.3	(9%)	10.2	(18%)
<b>Total</b> .....	<b>1,984</b>	<b>879</b>	<b>126%</b>	<b>1,217</b>	<b>63%</b>	<b>58.5</b>	<b>36.3</b>	<b>61%</b>	<b>44.7</b>	<b>31%</b>
Intersegment sales.....	(29)	–	–	–	–	(0.8)	–	–	–	–
<b>Net Revenues</b> .....	<b>1,955</b>	<b>879</b>	<b>122%</b>	<b>1,217</b>	<b>61%</b>	<b>57.7</b>	<b>36.3</b>	<b>59%</b>	<b>44.7</b>	<b>29%</b>
<b>Operating Expenses</b> <sup>18</sup> .....										
	1,424	615	131%	828	72%	42.2	25.4	66%	30.4	39%
<b>OIBDA</b> .....	<b>560</b>	<b>264</b>	<b>112%</b>	<b>389</b>	<b>44%</b>	<b>16.3</b>	<b>10.9</b>	<b>49%</b>	<b>14.3</b>	<b>14%</b>
<b>Margin (%)</b> .....	<b>28.2%</b>	<b>30.1%</b>		<b>31.9%</b>		<b>27.9%</b>	<b>30.1%</b>		<b>32.0%</b>	

Ruble revenues more than doubled year on year, which primarily reflected the consolidation of STREAM-TV, Interlink and UTC. Operating expenses, excluding depreciation and amortisation charges, more than doubled for the same reason and the OIBDA margin decreased year on year to 28.2% due to the lower prevailing margins in the acquired businesses.

<sup>17</sup> Including all kinds of services

<sup>18</sup> Excluding depreciation and amortisation charges

## **FINANCIAL REVIEW**

Net cash generated by operations decreased by 4% year on year to RUR 3.5 billion due to the net effect of the interest paid to Sberbank which increased due to increase both in loan principal and interest rate, and cash inflow from a reduction in net working capital.

Net cash provided by investing activities amounted to RUR 6.9 billion in the quarter and included the proceeds from the redemption of short-term investments. Group cash capital expenditure totaled RUR 2.0 billion and primarily comprised the final payments for the FTTx project, investments in subscriber acquisition and up-selling and investments in the WiMAX project in Moscow.

Free cash flow<sup>19</sup> generation therefore decreased year on year to RUR 1.4 billion in the first quarter of 2009.

Net cash used in financing activities amounted to RUR 9.3 billion, and primarily comprised the US\$ 263.6 million of final payments to Access, and the final payment of RUR 103 million for the acquisition of STREAM-TV Group.

The Group's cash and cash equivalents and short term investments therefore amounted to RUR 4.0 billion at the end of the first quarter.

The Group's total borrowings including capital lease obligations amounted to RUR 29.9 billion at the end of the first quarter, compared to RUR 37.5 billion at the end of 2008. The borrowings primarily comprised the RUR 26.0 billion Sberbank credit facility and STREAM-TV's RUR 2.2 billion ruble debt to Sistema Mass Media.

The Group's net debt<sup>20</sup> therefore decreased from RUR 26.2 billion to RUR 25.9 billion during the quarter. The interest rate payable on the Sberbank facility increased from 7.6% to 9.5% from July 2008 and to 13.35% per annum from the beginning of January 2009. Approximately 96% of the Group's total debt was ruble denominated at the end of the first quarter of 2009 and the Group's total debt stood at 1.7 times annualized quarterly OIBDA.

The Group owned 59,716,004 of its own shares, which are accounted for as treasury stock, at the end of the period. These comprised the 11,510,500 shares held by MGTS; the 46,232,000 shares acquired by MGTS Finance S.A. from Access; the 1,970,004 shares repurchased in November 2008 from the participants in the 2006 share option programme; and the 3,500 shares acquired from a shareholder who voted against the legal merger of certain Comstar subsidiaries in 2007.

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<sup>19</sup> Calculated as net cash provided by operations less cash CAPEX

<sup>20</sup> Calculated as total debt less cash and cash equivalents and short term investments

## **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 8515 2302**

US: +**1480 629 9692**

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

UK / International: + **44 20 7154 2833**

US: + **1 303 590 3030**

PIN: **4079925#**

The replay facility will also be made available at [http://www.comstar.ru/en/for\\_investors/finresults/2009/1q/](http://www.comstar.ru/en/for_investors/finresults/2009/1q/) in due course.

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

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**Comstar-UTS is the leading fixed-line telecommunications company in Moscow. Comstar provides voice, data, television and other value-added services to residential and corporate subscribers and operators, using its extensive backbone network and exclusive last mile access to 97% of Moscow households. The Company also offers communications services in five Russian regions, Armenia and Ukraine. Comstar had 3.6 million residential subscribers and 795 thousand residential broadband internet subscribers in Moscow, as well as 310 thousand residential regional and international broadband internet subscribers and 1.9 million residential regional pay-TV subscribers at the end of March 2009. Comstar generated US\$ 334.4 million of revenues and a 37.8% OIBDA margin for the three months ended March 31, 2009. Comstar's Global Depositary Receipts are listed on the London Stock Exchange (ticker: CMST).**

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

## NON-GAAP FINANCIAL MEASURES

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

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

## Reconciliation of OIBDA

	Q1 2009		Q1 2008		Q4 2008		Q1 2009		Q1 2008		Q4 2008	
	RUR 'mln	% of revs	RUR 'mln	% of revs	RUR 'mln	% of revs	US\$ 'mln	% of revs	US\$ 'mln	% of revs	US\$ 'mln	% of revs
Operating profit .....	2,798	24.7%	2,949	29.2%	3,357	31.4%	82.2	24.6%	121.3	29.1%	123.1	31.4%
Add: Depreciation and amortisation .....	1,493	13.2%	1,185	11.7%	1,139	10.7%	44.1	13.2%	48.9	11.7%	42.0	10.7%
<b>OIBDA</b> .....	<b>4,291</b>	<b>37.8%</b>	<b>4,134</b>	<b>40.9%</b>	<b>4,496</b>	<b>42.1%</b>	<b>126.4</b>	<b>37.8%</b>	<b>170.2</b>	<b>40.8%</b>	<b>165.0</b>	<b>42.1%</b>

**Underlying net income attributable to Comstar-UTS** is net income attributable to Comstar-UTS before foreign transactions losses. This measure is included in this results statement in order to provide additional information regarding the Group's underlying performance. Underlying net income attributable to Comstar-UTS can be reconciled to the Group's consolidated statements as follows:

	<i>(RUR millions)</i>					<i>(US\$ millions)</i>				
	Q1 2009	Q1 2008	Growth	Q4 2008	Growth	Q1 2009	Q1 2008	Growth	Q4 2008	Growth
Net income attributable to Comstar-UTS (reported) .....	<b>494</b>	1,312	(62%)	1,628	(70%)	<b>12.6</b>	54.1	(77%)	59.2	(79%)
Add back foreign currency transactions losses, net.....	<b>799</b>	94	750%	91	776%	<b>26.2</b>	3.9	570%	3.7	611%
<b>Net income attributable to Comstar- UTS (underlying)</b> .....	<b>1,293</b>	1,406	(8%)	1,719	(25%)	<b>38.8</b>	58.0	(33%)	62.9	(38%)

**Underlying effective tax rate** is income tax expense adjusted for the effect of change in statutory tax rate divided by income before taxes adjusted for the non-deductible effects of revaluation of put option and foreign currency transactions. This measure is included in this results statement in order to provide additional information regarding the Group's effective tax rate without the effect of major items that comprise income before taxes but have no tax effect, or adjustments to income tax expense. Underlying effective tax rate can be reconciled to the Group's consolidated statements as follows:

	<i>(RUR millions)</i>					<i>(US\$ millions)</i>				
	<b>Q1 2009</b>	Q1 2008	<i>Growth</i>	Q4 2008	<i>Growth</i>	<b>Q1 2009</b>	Q1 2008	<i>Growth</i>	Q4 2008	<i>Growth</i>
Income before taxes (reported) .....	<b>1,113</b>	3,097	<i>(64%)</i>	2,815	<i>(60%)</i>	<b>29.0</b>	127.4	<i>(77%)</i>	103.2	<i>(72%)</i>
Less change in fair value of put option .....	-	(349)		-		-	(14.4)		-	
Add back non-deductible portion of foreign currency transactions losses, net.....	<b>1,300</b>	-		796	<i>63%</i>	<b>41.6</b>	-		28.8	<i>45%</i>
<b>Income before taxes (adjusted) .....</b>	<b>2,413</b>	2,748	<i>(12%)</i>	3,610	<i>(33%)</i>	<b>70.6</b>	113.1	<i>(38%)</i>	132.0	<i>(47%)</i>
Income tax expense (reported) .....	<b>518</b>	685		577	<i>(10%)</i>	<b>15.1</b>	27.9	<i>(46%)</i>	21.4	<i>(29%)</i>
Add back effect of change in statutory tax rate .....	-	-		442		-	-		15.7	
<b>Income tax expense (adjusted) .....</b>	<b>518</b>	685		1,019	<i>(49%)</i>	<b>15.1</b>	27.9	<i>(46%)</i>	37.1	<i>(59%)</i>
<b>Underlying effective tax rate .....</b>	<b>21%</b>	25%		28%		<b>21%</b>	25%		28%	



Attachment B

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

	Three months ended March 31,		Three months ended March 31,	
	2009	2008 (*)	2009	2008 (*)
	<i>(RUR million, except for share and per share amounts)</i>		<i>(US\$ thousand, except for share and per share amounts)</i>	
Operating revenues .....	11,343	10,114	\$ 334,371	\$ 416,955
Operating expenses, excluding depreciation and amortisation, net .....	(7,052)	(5,980)	(208,008)	(246,707)
Depreciation and amortisation .....	(1,493)	(1,185)	(44,132)	(48,915)
<b>Operating income</b> .....	<b>2,798</b>	<b>2,949</b>	<b>82,231</b>	<b>121,333</b>
Interest income .....	246	258	7,381	10,670
Interest expense .....	(1,145)	(365)	(33,890)	(15,035)
Change in fair value of put option .....	–	349	–	14,369
Change in fair value of purchased call option .....	(137)	–	(4,810)	–
Reversal of impairment of long-term investments .....	150	–	4,329	–
Foreign currency transactions loss, net .....	(799)	(94)	(26,211)	(3,914)
<b>Income before income taxes</b> .....	<b>1,113</b>	<b>3,097</b>	<b>29,030</b>	<b>127,423</b>
Income tax expense .....	(518)	(685)	(15,091)	(27,896)
<b>Net income</b> .....	<b>595</b>	<b>2,412</b>	<b>13,939</b>	<b>99,527</b>
Less: net income attributable to the noncontrolling interest .....	(101)	(1,100)	(1,340)	(45,442)
<b>Net income attributable to Comstar-UTS</b> .....	<b>494</b>	<b>1,312</b>	<b>\$ 12,599</b>	<b>\$ 54,085</b>
Weighted average number of common shares outstanding – basic .....	358,224,856	404,456,856	358,224,856	404,456,856
Earnings per common share – basic .....	RUR 1.4	RUR 3.2	US\$ 0.04	US\$ 0.13
Weighted average number of common shares outstanding – diluted .....	358,224,856	406,090,181	358,224,856	406,090,181
Earnings per common share – diluted .....	RUR 1.4	RUR 3.2	US\$ 0.04	US\$ 0.13

(\*) As reported in 2008 without the effect of combination of Stream-TV entities. Net income attributable to the noncontrolling interest was reclassified pursuant to the provisions of SFAS No. 160 (As Amended), “Noncontrolling Interests in Consolidated Financial Statements”.

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

	March 31, 2009	December 31, 2008 (*)	March 31, 2009	December 31, 2008 (*)
<b>Assets</b>	<i>(RUR million)</i>		<i>(US\$ thousand)</i>	
<b>Current assets:</b>				
Cash and cash equivalents .....	2,929	1,821	\$ 86,114	\$ 61,974
Short-term investments .....	1,046	9,478	30,754	322,606
Trade receivables, net .....	5,098	4,891	149,890	166,478
Other receivables, prepaid expenses and other current assets .....	2,645	2,327	77,764	79,197
Inventories and spare parts .....	1,088	966	31,983	32,952
Deferred tax assets, current portion .....	738	327	21,688	11,142
<b>Total current assets .....</b>	<b>13,544</b>	<b>19,810</b>	<b>398,193</b>	<b>674,349</b>
Property, plant and equipment, net .....	53,836	54,532	1,582,777	1,856,064
Intangible assets, net .....	9,339	9,505	274,568	323,499
Investments in shares of Svyazinvest .....	36,460	36,460	1,071,942	1,240,977
Other long-term investments .....	2,792	2,660	82,083	90,509
Other long-term assets .....	46	185	1,340	6,308
<b>Total assets .....</b>	<b>116,017</b>	<b>123,152</b>	<b>\$ 3,410,903</b>	<b>\$ 4,191,706</b>

(\*) The amounts as of December 31, 2008 were restated due to combination of Stream-TV.

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

	March 31, 2009	December 31, 2008 (*)	March 31, 2009	December 31, 2008 (*)
	<i>(RUR million)</i>		<i>(US\$ thousand)</i>	
<b>Liabilities and shareholders' equity:</b>				
Current liabilities:				
Trade accounts payable, accrued expenses and other current liabilities .....	7,515	7,940	\$ 220,939	\$ 270,243
Deferred connection fees, current portion .....	915	917	26,891	31,216
Subscriber prepayments .....	1,210	1,272	35,565	43,311
Debt, current portion .....	8,177	15,052	240,392	512,324
Capital lease obligations, current portion .....	137	163	4,022	5,563
Total current liabilities .....	17,954	25,344	527,809	862,657
Long-term liabilities:				
Deferred connection fees, net of current portion .....	2,971	3,019	87,349	102,764
Debt, net of current portion .....	21,559	22,214	633,847	756,099
Capital lease obligations, net of current portion .....	8	30	227	1,021
Post-retirement obligations .....	867	859	25,485	29,250
Property, plant and equipment contributions .....	2,726	2,738	80,148	93,197
Deferred tax liabilities, long-term portion .....	3,477	3,018	102,213	102,712
Payable to Sistema Hals .....	1,124	1,081	33,044	36,807
Other long-term liabilities .....	95	55	2,799	1,874
Total long-term liabilities .....	32,827	33,014	965,112	1,123,724
Total liabilities .....	50,781	58,358	1,492,921	1,986,381
Shareholders' equity:				
Comstar-UTS shareholders' equity:				
Common stock .....	418	443	23,900	24,728
Treasury stock .....	(60)	(60)	(2,545)	(2,545)
Additional paid-in capital .....	27,881	29,783	1,004,736	1,072,015
Prepayment for the acquisition of Stream-TV .....	–	(2,461)	–	(86,842)
Retained earnings .....	18,780	18,923	662,077	675,512
Accumulated other comprehensive loss .....	(2,569)	(2,515)	(381,310)	(181,434)
Total Comstar-UTS shareholders' equity .....	44,450	44,113	1,306,858	1,501,434
Noncontrolling interest .....	20,786	20,681	611,124	703,891
Total shareholders' equity .....	65,236	64,794	1,917,982	2,205,325
<b>Total liabilities and shareholders' equity .....</b>	<b>116,017</b>	<b>123,152</b>	<b>\$ 3,410,903</b>	<b>\$ 4,191,706</b>

(\*) The amounts as of December 31, 2008 were restated due to combination of Stream-TV. Equity attributable to the noncontrolling interest was reclassified pursuant to the provisions of SFAS No. 160 (As Amended), “Noncontrolling Interests in Consolidated Financial Statements”.

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

	Three months ended March 31,		Three months ended March 31,	
	2009	2008 (*)	2009	2008 (*)
	<i>(RUR million)</i>		<i>(US\$ thousand)</i>	
<b>Operating activities:</b>				
Net income .....	595	2,412	\$ 13,939	\$ 99,527
Adjustments to reconcile net income to net cash provided by operations:				
Depreciation and amortisation.....	1,493	1,185	44,132	48,915
Stock-based compensation .....	40	(44)	1,069	(1,794)
Change in fair value of put option .....	–	(349)	–	(14,369)
Change in fair value of purchased call option .....	137	–	4,810	–
Reversal of impairment of long-term investments .....	(150)	–	(4,329)	–
Loss from disposal of fixed assets and other non- cash items, net.....	29	13	858	531
Compensation of losses from third parties .....	(36)	(64)	(1,057)	(2,619)
Amortisation of deferred finance charges.....	3	2	80	100
Deferred taxes.....	39	(32)	1,026	(1,321)
Foreign currency transactions loss on non- operating activities, net.....	755	99	22,245	3,999
Postretirement benefits .....	16	23	484	937
Provision for doubtful debts .....	232	63	6,846	2,594
Inventory obsolescence charge.....	–	8	–	335
Changes in operating assets and liabilities:				
Trade receivables.....	(439)	(410)	(12,949)	(16,910)
Other receivables, prepaid expenses and other current assets.....	(318)	(237)	(9,364)	(9,789)
Inventories and spare parts .....	(120)	(76)	(3,530)	(3,147)
Trade accounts payable, accrued expenses and other current liabilities .....	1,298	1,029	38,266	42,412
Deferred connection fees.....	(51)	(29)	(1,495)	(1,193)
Subscriber prepayments.....	(63)	5	(1,851)	199
<b>Net cash provided by operating activities .....</b>	<b>3,460</b>	<b>3,598</b>	<b>\$ 99,180</b>	<b>\$ 148,407</b>

(\*) As reported in 2008 without the effect of combination of Stream-TV entities. Presentation of the operating activities section has been adjusted to conform to new income statement presentation pursuant to the provisions of SFAS No. 160 (As Amended), “Noncontrolling Interests in Consolidated Financial Statements”.

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

	Three months ended March 31,		Three months ended March 31,	
	2009	2008 (*)	2009	2008 (*)
	<i>(RUR million)</i>		<i>(US\$ thousand)</i>	
<b>Investing activities:</b>				
Purchases of property, plant and equipment.....	(1,840)	(968)	\$ (54,234)	\$ (39,910)
Proceeds from sale of property, plant and equipment .....	22	15	642	620
Purchases of intangible assets .....	(184)	(84)	(5,430)	(3,481)
Acquisition of minority interests in existing subsidiaries .....	(28)	–	(816)	–
Purchases of long-term investments .....	(14)	(39)	(413)	(1,617)
Proceeds from sale and redemption of long-term investments .....	–	2	–	91
Purchases of short-term investments .....	–	(1,495)	–	(61,616)
Proceeds from sale and redemption of short-term investments .....	8,915	849	261,945	35,016
Decrease in restricted cash .....	–	37	–	1,534
<b>Net cash provided by / (used in) investing activities ....</b>	<b>6,871</b>	<b>(1,683)</b>	<b>201,694</b>	<b>(69,363)</b>
<b>Financing activities:</b>				
Acquisition of Stream-TV .....	(103)	–	(3,044)	–
Proceeds from borrowings.....	56	13	1,641	553
Principal payments on borrowings .....	(9,153)	(179)	(266,964)	(7,385)
Principal payments on capital lease obligations .....	(61)	(61)	(1,810)	(2,510)
Dividends paid.....	(0)	(13)	(3)	(520)
<b>Net cash used in financing activities.....</b>	<b>(9,261)</b>	<b>(240)</b>	<b>(270,180)</b>	<b>(9,862)</b>
Effects of foreign currency translation on cash and cash equivalents .....	38	–	(6,554)	9,930
<b>Net increase in cash and cash equivalents .....</b>	<b>1,108</b>	<b>1,675</b>	<b>24,140</b>	<b>79,112</b>
Cash and cash equivalents, beginning of the period .....	1,821	4,413	61,974	179,794
<b>Cash and cash equivalents, end of the period.....</b>	<b>2,929</b>	<b>6,088</b>	<b>\$ 86,114</b>	<b>\$ 258,906</b>

(\*) As reported in 2008 without the effect of combination of Stream-TV entities.