



FOR IMMEDIATE RELEASE

August 27, 2009

**COMSTAR — UNITED TELESYSTEMS OJSC  
FINANCIAL RESULTS FOR THE SECOND QUARTER AND FIRST HALF OF 2009**

**Moscow, Russia** – August 27, 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 quarter and six months ended June 30, 2009.

**SECOND QUARTER HIGHLIGHTS**

- Consolidated revenues up 19% year on year and 3% quarter on quarter in ruble terms to US\$ 363.6 million<sup>2</sup>
- OIBDA<sup>3</sup> up 28% year on year and 12% quarter on quarter in ruble terms to US\$ 149.3 million with increased OIBDA margin of 41.1%
- Net income attributable to Comstar-UTS up 36% year on year and doubled quarter on quarter in ruble terms to US\$ 30.0 million
- Cash flow from operations up 12% year on year and down 4% quarter on quarter in ruble terms to US\$ 102.2 million
- Cash capital expenditure<sup>4</sup> of US\$ 15.5 million
- Total assets of US\$ 3.7 billion
- Residential broadband ARPU in Moscow up 2% quarter on quarter to RUR 330
- Residential broadband subscriber base in Moscow up 11 thousand since June 30, 2009 to 802 thousand as at August 16, 2009
- DLD/ILD traffic passed through Comstar’ proprietary network increased by 50% quarter on quarter to 71.8 million minutes

**HALF YEAR HIGHLIGHTS**

- Consolidated revenues up 15% year on year in ruble terms to US\$ 698.0 million
- OIBDA up 15% year on year in ruble terms to US\$ 275.7 million with stable OIBDA margin of 39.5%
- Net income attributable to Comstar-UTS down 28% year on year in ruble terms to US\$ 42.6 million
- Cash flow from operations up 3% year on year in ruble terms to US\$ 201.4 million
- Cash capital expenditure of US\$ 75.2 million

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<sup>1</sup> Except for the presentation of comparative financial information that has not been restated to reflect the 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 periods were:

32.21 Russian Rubles (RUR) per US\$ 1 in the second quarter of 2009; RUR 33.93 per US\$ 1 in the first quarter of 2009;  
RUR 23.63 per US\$ 1 in the second quarter of 2008; RUR 33.07 per US\$ 1 in the first six months of 2009;  
and RUR 23.94 per US\$ 1 in the first six months 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, cash capital expenditure comprises purchases of property, plant and equipment, and intangible assets

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

- Broadband development
  - Commercial launch of mobile WiMax network in Moscow
  - 1,000 “Comstar-FON” WiFi hot spots in Moscow
  - Residential broadband sales launched in Tver, Kaluga, Tambov, Balakovo and Mirny
- Restructuring of regional operations
  - 7 largest regional subsidiaries merged into “Comstar-Regions” in August 2009
  - STREAM-TV headcount reduced by 12% to 2.9 thousand from since the beginning of 2009
  - New organizational structure for Comstar-Regions created with common standards for cash management, budgeting, financial and management reporting introduced across STREAM-TV Group
- 42% increase in weighted average regulated per minute ruble charge for operators interconnected to Comstar network in Moscow from the second quarter of 2009
- 17% increase in weighted average regulated per minute ruble charge for operators interconnected to MGTS network in Moscow from September 2009

Sergey Pridantsev, President and Chief Executive Officer, commented: “Our second quarter results once again demonstrate the resilience of our business in adverse economic conditions. The investment case remains the same but we revised our strategic priorities for 2009 at the beginning of the year, in order to meet the challenges presented by the current environment. As before, our core objective this year is to maximize cash flows and optimize our investment programmes. We have significantly enhanced the profitability of the Group during the first half of the year following the various cost reduction measures that we have taken. We have also managed to maintain and even grow our subscriber base despite a lower level of investment in marketing. We have not seen any significant impact on churn levels from the increase in tariffs that we introduced from March, which again shows that there is little price elasticity. Furthermore, the stabilization of the dollar/ruble exchange rate has reduced the fluctuation in bad debt levels.”

Irina Matveeva, Chief Financial Officer, added: “We have continued to grow despite the economic downturn, with healthy subscriber acquisition and ARPU levels. Organic year on year revenue growth in the quarter was 9% in ruble terms. Our strict cost control measures enabled us to actually increase our OIBDA margin during the second quarter. We generated RUR 2.8 billion of free cash flow during the second quarter of 2009 and had over RUR 6 billion of cash, cash equivalents and short term investments at the end of June.”

## 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’s historical quarterly financial information, in order to conform it to Comstar’s accounting policies, is currently underway, so the comparative financial information for the second quarter and first six months of 2008 have been presented in this report as it was reported in 2008, which is a departure from US GAAP. Management expects to eliminate this departure when Comstar is reporting full year 2009 results.

## FINANCIAL SUMMARY

<i>RUR millions, except where stated otherwise</i>	Q2 2009	Q2 2008	Growth	Q1 2009	Growth	1H 2009	1H 2008	Growth
Revenues.....	<b>11,702</b>	9,858	19%	11,343	3%	<b>23,045</b>	19,972	15%
OIBDA.....	<b>4,803</b>	3,764	28%	4,291	12%	<b>9,094</b>	7,898	15%
Margin (%).....	<b>41.0%</b>	38.2%		37.8%		<b>39.5%</b>	39.5%	
Operating income.....	<b>3,378</b>	2,529	34%	2,798	21%	<b>6,176</b>	5,478	13%
Margin (%).....	<b>28.9%</b>	25.7%		24.7%		<b>26.8%</b>	27.4%	
Net income attributable to Comstar-UTS .....	<b>958</b>	703	36%	494	94%	<b>1,452</b>	2,015	(28%)
Basic EPS (RUR) .....	<b>2.7</b>	1.7	54%	1.4	94%	<b>4.1</b>	5.0	(19%)
Basic weighted average number of shares outstanding (000s) .....	<b>358,225</b>	404,457	(11%)	358,225	0%	<b>358,225</b>	404,457	(11%)
Cash flow from operations.....	<b>3,308</b>	2,966	12%	3,460	(4%)	<b>6,768</b>	6,564	3%
Cash CAPEX .....	<b>500</b>	2,213	(77%)	2,024	(75%)	<b>2,524</b>	3,265	(23%)
% of revenues.....	<b>4.3%</b>	22.4%		17.8%		<b>11.0%</b>	16.3%	
Total Assets .....	<b>116,591</b>	116,701	(0%)	116,017	0%	<b>116,591</b>	116,701	0%

<i>US\$ millions, except where stated otherwise</i>	<b>Q2 2009</b>	Q2 2008	<i>Growth</i>	Q1 2009	<i>Growth</i>	<b>1H 2009</b>	1H 2008	<i>Growth</i>
Revenues.....	<b>363.6</b>	417.3	(13%)	334.4	9%	<b>698.0</b>	834.2	(16%)
OIBDA.....	<b>149.3</b>	159.3	(6%)	126.4	18%	<b>275.7</b>	329.6	(16%)
Margin (%).....	<b>41.1%</b>	38.2%		37.8%		<b>39.5%</b>	39.5%	
Operating income.....	<b>105.1</b>	107.1	(2%)	82.2	28%	<b>187.3</b>	228.4	(18%)
Margin (%).....	<b>28.9%</b>	25.7%		24.6%		<b>26.8%</b>	27.4%	
Net income attributable to Comstar-UTS .....	<b>30.0</b>	29.9	0%	12.6	138%	<b>42.6</b>	84.0	(49%)
Basic EPS (US\$).....	<b>0.08</b>	0.07	13%	0.04	138%	<b>0.12</b>	0.21	(43%)
Basic weighted average number of shares outstanding (000s).....	<b>358,225</b>	404,457	(11%)	358,225	0%	<b>358,225</b>	404,457	(11%)
Cash flow from operations.....	<b>102.2</b>	125.8	(19%)	99.2	3%	<b>201.4</b>	274.2	(27%)
Cash CAPEX .....	<b>15.5</b>	92.4	(83%)	59.7	(74%)	<b>75.2</b>	135.8	(45%)
% of revenues.....	<b>4.3%</b>	22.1%		17.8%		<b>10.8%</b>	16.3%	
Total Assets .....	<b>3,726.1</b>	4,975.0	(25%)	3,410.9	9%	<b>3,726.1</b>	4,975.0	(25%)

## **OPERATING REVIEW**

### **Group Overview**

Comstar generated 19% year on year ruble revenue growth in the second quarter, which reflected:

- the consolidation of STREAM-TV from the first quarter of 2009 and Interlink and UTC from the second and the third quarters of 2008, respectively, all of which contributed a combined RUR 972 million of revenue in the second 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, which contributed RUR 339 million of revenue in the second quarter of 2009

The underlying or organic ruble revenue growth when excluding the newly consolidated STREAM-TV, Interlink and UTC results, was 9%.

Revenues from fixed-to-mobile calls increased by 20% year on year to RUR 1,222 million in the second quarter and represented 10% of Group revenues, whilst traffic levels were up 13% year on year to 844 million minutes.

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

<b>Operating Expenses<sup>5</sup>, RUR millions</b>	<b>Q2 2009</b>	<b>Q2 2008</b>	<b>Growth</b>	<b>Q1 2009</b>	<b>Growth</b>	<b>1H 2009</b>	<b>1H 2008</b>	<b>Growth</b>
Employee costs .....	<b>2,589</b>	2,302	12%	2,754	(6%)	<b>5,342</b>	4,540	18%
Network traffic.....	<b>1,602</b>	1,297	23%	1,537	4%	<b>3,139</b>	2,564	22%
Selling & marketing.....	<b>300</b>	364	(18%)	345	(13%)	<b>645</b>	710	(9%)
Repairs & maintenance.....	<b>447</b>	533	(16%)	406	10%	<b>853</b>	977	(13%)
Taxes.....	<b>339</b>	286	19%	328	3%	<b>667</b>	582	15%
Utilities .....	<b>316</b>	252	25%	400	(21%)	<b>716</b>	549	30%
Other, net .....	<b>1,307</b>	1,061	23%	1,282	2%	<b>2,589</b>	2,151	20%
<b>Total</b> .....	<b>6,899</b>	6,094	13%	7,052	(2%)	<b>13,951</b>	12,074	16%
<i>% of revenues</i> .....	<b>59.0%</b>	61.8%		62.2%		<b>60.5%</b>	60.5%	

<b>Operating Expenses<sup>6</sup>, US\$ millions</b>	<b>Q2 2009</b>	<b>Q2 2008</b>	<b>Growth</b>	<b>Q1 2008</b>	<b>Growth</b>	<b>1H 2009</b>	<b>1H 2008</b>	<b>Growth</b>
Employee costs .....	<b>80.2</b>	97.4	(18%)	81.3	(1%)	<b>161.5</b>	189.6	(15%)
Network traffic.....	<b>49.8</b>	54.9	(9%)	45.3	10%	<b>95.0</b>	107.1	(11%)
Selling & marketing.....	<b>9.3</b>	15.4	(40%)	10.1	(8%)	<b>19.4</b>	29.7	(35%)
Repairs & maintenance.....	<b>14.0</b>	22.5	(38%)	11.9	18%	<b>25.8</b>	40.9	(37%)
Taxes.....	<b>10.5</b>	12.1	(13%)	9.7	9%	<b>20.2</b>	24.3	(17%)
Utilities .....	<b>9.8</b>	10.7	(8%)	11.8	(17%)	<b>21.6</b>	22.9	(6%)
Other, net .....	<b>40.7</b>	44.9	(9%)	37.9	7%	<b>78.6</b>	89.9	(13%)
<b>Total</b> .....	<b>214.2</b>	257.9	(17%)	208.0	3%	<b>422.3</b>	504.6	(16%)
<i>% of revenues</i> .....	<b>58.9%</b>	61.8%		62.2%		<b>60.5%</b>	60.5%	

Total operating expenses, when excluding depreciation and amortisation costs, decreased by 2% quarter on quarter in ruble terms due to the implementation of the previously announced cost optimization programmes. In addition, the decrease reflected lower employee costs as the vacation period began and in line with the operational integration of STREAM-TV and the resulting headcount reduction in the regions, as well as reduced advertising and marketing expenses and the seasonal decline in utility costs. Total operating expenses, when excluding depreciation and amortisation costs, increased by 13% year on year in ruble terms in the second quarter due to the consolidation of STREAM-TV from January 1, 2009, and of Interlink and UTC from the second and the third quarters of 2008, respectively. The newly consolidated companies contributed RUR 830 million of operating expenses (excluding depreciation and amortisation costs) in the second quarter of 2009. Organic operating expenses (excluding depreciation and amortisation costs) were down 0.4% year on year in ruble terms in the second quarter.

Group OIBDA was up 28% year on year in ruble terms in the second quarter, and 12% quarter on quarter, with an increased OIBDA margin of 41.0%. The increase was achieved despite the consolidation of the lower margin STREAM-TV business, which was offset by the tariff increases and the ongoing cost optimization programme.

Group depreciation and amortisation charges were up 15% year on year and down 5% quarter on quarter in ruble terms in the second quarter. The year on year increase reflected 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. The quarter on quarter decrease reflected the fact that certain equipment items have now been fully depreciated.

Interest expenses doubled year on year in ruble terms in the second quarter 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

<sup>5</sup> Excluding depreciation and amortisation, net

<sup>6</sup> Excluding depreciation and amortisation, net

January 2009, as well as the drawing down of the remaining RUR 4.5 billion of monies from the Sberbank facility during the fourth quarter of 2008. Interest expenses decreased by 24% quarter on quarter due to the full payment of the obligation under the Access put option by the end of the first quarter of 2009. The lower level of interest income reflected the decrease in the Group's average cash and short-term investments balances over the period.

The Group's income tax charges decreased year on year in line with the reduction in the Russian corporate income tax rate from 24% to 20% from the beginning of 2009.

Net income attributable to the noncontrolling interests, which primarily comprise the amounts attributable to the minority shareholders of MGTS, totalled RUR 1,1 billion (US\$ 33.5 million) in the quarter. Net income attributable to Comstar therefore increased by 36% year on year and almost doubled quarter on quarter to RUR 1.0 billion (US\$ 30.0 million) in the second quarter.

## 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.

	Q2 2009	Q2 2008	Growth	Q1 2009	Growth	1H 2009	1H 2008	Growth
<b>MOSCOW</b>								
<b>Residential segment</b>								
MGTS Voice subscribers (000s) .....	3,600	3,575	1%	3,595	0%	3,600	3,575	1%
ARPU (US\$) .....	9.7	12.0	(19%)	8.8	11%	9.3	12.0	(23%)
ARPU (RUR) .....	314	283	11%	299	5%	306	288	6%
Broadband internet subscribers <sup>7</sup> (000s) .....	791	783	1%	795	0%	791	783	1%
ARPU (US\$) .....	10.2	12.8	(20%)	9.5	7%	9.9	13.1	(25%)
ARPU (RUR) .....	330	303	9%	323	2%	326	314	4%
Premium subscribers <sup>8</sup> (000s) .....	608	686	(11%)	635	(4%)	608	686	(11%)
ARPU (US\$) .....	11.1	13.9	(20%)	10.1	10%	10.6	14.3	(26%)
ARPU (RUR) .....	358	329	9%	342	5%	350	341	2%
Mass-market subscribers (000s).....	182	97	89%	160	14%	182	97	89%
ARPU (US\$).....	7.1	4.9	45%	6.8	4%	7.0	4.0	75%
ARPU (RUR).....	228	116	97%	231	(2%)	229	95	142%
Pay-TV subscribers <sup>9</sup> (000s) .....	133	147	(10%)	137	(3%)	133	147	(10%)
ARPU (US\$).....	17.1	21.4	(20%)	14.6	17%	15.8	22.1	(29%)
ARPU (RUR).....	550	506	9%	496	11%	522	530	(2%)
<b>Corporate segment</b>								
Corporate broadband internet subscribers (000s).....	48	51	(6%)	51	(6%)	48	51	(6%)
ARPU (US\$) .....	128.1	173.4	(26%)	112.8	14%	120.3	171.5	(30%)
ARPU (RUR) .....	4,118	4,096	1%	3,830	8%	3,971	4,104	(3%)
<b>REGIONS</b>								
<b>Residential segment</b>								
Households passed <sup>10</sup> (000s) .....	3,919	212	1,744%	3,866	1%	3,919	212	1,744%
Pay-TV subscribers (000s).....	1,953	142	1,278%	1,953	0%	1,953	142	1,278%
ARPU (US\$) .....	3.3	3.2	4%	3.0	9%	3.2	3.0	4%
ARPU (RUR) .....	106	75	42%	103	3%	105	73	44%
Premium subscribers (000s).....	1,579	142	1,015%	1,575	0%	1,579	142	1,015%
ARPU (US\$).....	4.0	3.2	26%	3.7	8%	3.8	3.0	27%
ARPU (RUR).....	129	75	72%	126	2%	127	73	75%
Social subscribers (000s) .....	374	0	0%	378	0%	374	0	0%
ARPU (US\$).....	0.4	0.0	0%	0.4	0%	0.4	0	0%
ARPU (RUR).....	13	0	0%	12	0%	13	0	0%
Broadband internet subscribers <sup>11</sup> (000s) .....	324	49	565%	310	4%	324	49	565%
ARPU (US\$) .....	9.5	20.2	(53%)	9.0	6%	9.3	21.3	(56%)
ARPU (RUR) .....	307	477	(36%)	306	0%	306	509	(40%)

<sup>7</sup> Subscribers of Voice + Broadband Internet service

<sup>8</sup> Including Broadband Internet, Pay-TV (IPTV and HDTV), VOD and other value added services

<sup>9</sup> Including subscribers of Voice + Broadband Internet + Pay-TV service

<sup>10</sup> Including STREAM-TV and Comstar branches

<sup>11</sup> Including subscribers of Pay-TV + Broadband Internet service

	Q2 2009	Q2 2008	Growth	Q1 2009	Growth	1H 2009	1H 2008	Growth
Voice subscribers (000s).....	262	226	16%	261	0%	262	226	16%
ARPU (US\$) .....	8.0	10.8	(26%)	9.0	(12%)	8.5	10.4	(18%)
ARPU (RUR) .....	255	255	0%	307	(17%)	281	248	13%
<b>Corporate segment</b>								
Corporate broadband internet subscribers (000s).....	18	13	40%	18	2%	18	13	40%
ARPU (US\$) .....	112.0	142.8	(22%)	110.5	1%	111.2	137.1	(19%)
ARPU (RUR) .....	3,606	3,373	7%	3,718	(3%)	3,661	3,279	12%
<b>TOTAL NUMBER OF BROADBAND INTERNET SUBSCRIBERS (000s).....</b>								
	<b>1,181</b>	895	32%	1,174	1%	<b>1,181</b>	895	32%

## Broadband in Moscow

The Group continued to rationalize its broadband subscriber base in Moscow. As a result of the tariff increase in March, part of Comstar's subscriber base has continued to migrate, with lower ARPU subscribers switching from Comstar 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. The number of premium segment subscribers decreased quarter on quarter in line with the migration to the mass-market offering by MGTS and seasonal churn levels. Premium segment ARPU continued to increase in line with the focus on increasing the loyalty of higher ARPU subscribers and up-selling customers to additional services.

The number of triple-play subscribers (voice, broadband internet & pay-TV) decreased by 3% quarter on quarter to 133 thousand due to customers optimizing their spending in the adverse economic climate, while pay-TV ARPU in rubles increased by 11% over the same period due to the churning out of lower ARPU subscribers using mass-market TV packages with a limited number of channels.

## Broadband in the Regions

The regional operations now cover 69 cities with a combined population of over 30 million. Comstar's regional subsidiaries have historically been applying various technologies to provide their services. The Group's regional networks pass around 3.9 million of households outside the Moscow region. Around 0.5 million of the households passed in the regions are connected with MMDS technology which will be fully substituted by FTTB technology in the process of the network modernization. 2.3 million of the passed households are internet ready, with 1.2 million of these households passed by the networks which do not require a further modernization to provide high-speed internet access. 1.1 million of the households are internet ready, but the network should be modernized to increase the service quality. The remaining households passed by the Comstar's networks which are not capable of receiving internet connection will be partly modernized depending on demand for such services and required investment levels. Comstar's goal is to have 80% of the households passed broadband ready by 2011.

Over 50% of the potential households, or 2.0 million active subscribers, were using pay-TV services by the end of the second quarter of 2009. This included 374 thousand subscribers to low-cost packages comprising 20 TV channels. Pay-TV subscribers are more likely to switch to extended offerings, which drives pay-TV premium ARPU growth.

The residential broadband subscriber base increased by 4% quarter on quarter to 324 thousand at the end of the quarter.



## 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, unregulated mass market broadband internet services in Moscow and IP TV and DLD/ILD services as an agent to Comstar.

#### *Operating Highlights*

	<b>Q2</b>	Q2		Q1		<b>1H</b>	1H	
	<b>2009</b>	2008	<i>Growth</i>	2009	<i>Growth</i>	<b>2009</b>	2008	<i>Growth</i>
Installed telephone lines (000s).....	<b>4,856</b>	4,812	1%	4,856	0%	<b>4,856</b>	4,812	1%
<b>Residential</b>								
Number of subscribers / active lines (000s) .....	<b>3,600</b>	3,575	1%	3,595	0%	<b>3,600</b>	3,595	0%
CPP traffic (millions of minutes) .....	<b>492</b>	438	12%	464	6%	<b>956</b>	837	14%
ARPU (US\$).....	<b>10.1</b>	12.2	(17%)	9.1	11%	<b>9.6</b>	12.3	(22%)
ARPU (RUR).....	<b>326</b>	296	10%	309	5%	<b>318</b>	294	8%
<b>Corporates</b>								
Number of active lines (000s).....	<b>762</b>	790	(4%)	765	0%	<b>762</b>	790	(4%)
Number of subscribers (000s).....	<b>70</b>	90	(23%)	96	(27%)	<b>70</b>	90	(23%)
CPP traffic (millions of minutes).....	<b>222</b>	193	15%	194	14%	<b>416</b>	360	16%
ARPU (excl. revenue from points of interconnect) (US\$).....	<b>169.0</b>	177.9	(5%)	131.3	29%	<b>148.8</b>	182.3	(18%)
ARPU (excl. revenue from points of interconnect) (RUR).....	<b>5,442</b>	4,436	23%	4,457	22%	<b>4,914</b>	4,484	10%
Number of points of interconnect (000s) .....	<b>30</b>	31	(6%)	30	0%	<b>30</b>	31	(6%)
Average monthly revenue per point of interconnect (US\$).....	<b>165.1</b>	200.4	(18%)	155.7	6%	<b>160.4</b>	194.4	(17%)
Average monthly revenue per point of interconnect (RUR).....	<b>5,314</b>	4,735	12%	5,271	1%	<b>5,292</b>	4,651	14%
<b>Operators</b>								
Number of interconnected operators .....	<b>267</b>	247	8%	247	8%	<b>267</b>	247	8%
Number of points of interconnect (000s) .....	<b>223</b>	236	(6%)	222	0%	<b>223</b>	236	(6%)
Average monthly revenue per point of interconnect (US\$).....	<b>36.4</b>	55.7	(35%)	33.3	9%	<b>34.9</b>	61.5	(43%)
Average monthly revenue per point of interconnect (RUR).....	<b>1,171</b>	1,316	(11%)	1,129	4%	<b>1,150</b>	1,473	(22%)

## Financial Highlights

<i>RUR millions</i>	Q2 2009	Q2 2008	Growth	Q1 2009	Growth	1H 2009	1H 2008	Growth
<b>Revenues</b>								
Residential .....	<b>3,561</b>	3,091	15%	3,374	6%	<b>6,936</b>	6,325	10%
Corporate .....	<b>1,888</b>	1,772	7%	1,817	4%	<b>3,705</b>	3,408	9%
Operators.....	<b>1,855</b>	2,026	(8%)	1,960	(5%)	<b>3,815</b>	4,148	(8%)
<b>Total</b> .....	<b>7,304</b>	6,889	6%	7,152	2%	<b>14,456</b>	13,881	4%
Intersegment sales.....	<b>(679)</b>	(943)	(28%)	(743)	(9%)	<b>(1,422)</b>	(1,760)	(19%)
<b>Net Revenues</b> .....	<b>6,626</b>	5,945	11%	6,408	3%	<b>13,034</b>	12,122	8%
<b>Operating Expenses</b> <sup>12</sup> .....	<b>3,817</b>	3,822	(0%)	3,971	(4%)	<b>7,788</b>	7,529	3%
<b>OIBDA</b> .....	<b>3,488</b>	3,067	14%	3,180	10%	<b>6,668</b>	6,353	5%
<b>Margin (%)</b> .....	<b>47.7%</b>	44.5%		44.5%		<b>46.1%</b>	45.8%	

<i>US\$ millions</i>	Q2 2009	Q2 2008	Growth	Q1 2009	Growth	1H 2009	1H 2008	Growth
<b>Revenues</b>								
Residential .....	<b>110.7</b>	130.9	(15%)	99.5	11%	<b>210.2</b>	264.2	(20%)
Corporate .....	<b>58.6</b>	75.0	(22%)	53.6	9%	<b>112.2</b>	142.4	(21%)
Operators.....	<b>57.6</b>	85.7	(33%)	57.7	(0%)	<b>115.4</b>	173.3	(33%)
<b>Total</b> .....	<b>226.9</b>	291.6	(22%)	210.8	8%	<b>437.8</b>	579.9	(25%)
Intersegment sales.....	<b>(21.3)</b>	(39.9)	(47%)	(21.9)	(3%)	<b>(43.2)</b>	(73.6)	(41%)
<b>Net Revenues</b> .....	<b>205.7</b>	251.7	(18%)	188.9	9%	<b>394.6</b>	506.2	(22%)
<b>Operating Expenses</b> <sup>13</sup> .....	<b>118.6</b>	161.8	(27%)	117.1	1%	<b>235.7</b>	314.6	(25%)
<b>OIBDA</b> .....	<b>108.3</b>	129.8	(17%)	93.8	16%	<b>202.1</b>	265.3	(24%)
<b>Margin (%)</b> .....	<b>47.7%</b>	44.5%		44.5%		<b>46.2%</b>	45.7%	

Ruble revenues were up 6% year on year and 2% quarter on quarter in the second quarter, which reflected the 8% average regulatory ruble price increase for MGTS residential and corporate voice services tariffs from the beginning of March 2009 and the growing level of CPP traffic. The revenue growth in ruble terms was achieved despite the reduction in traffic volumes from interconnected operators. Intersegment sales decreased by 28% year on year and 9% quarter on quarter in ruble terms, which was in line with the change in the interconnect regime from the beginning of March 2008.

Operating expenses, excluding depreciation and amortisation charges, marginally decreased year on year and were down 4% quarter on quarter. The year on year decrease was primarily due to the net effect of a decrease in selling and marketing expenses and bad debt expenses, headcount reductions, and the increase in network traffic costs and regulated utility prices. Quarter on quarter decrease was driven by reduction in employee costs due to both reduction in headcount and seasonality factor, seasonal decrease in utility costs and a decrease in bad debt expense, net of increase in repair and maintenance costs.

Segment OIBDA therefore rose by 14% year on year in ruble terms, with an increased OIBDA margin of 47.7%.

<sup>12</sup> Excluding depreciation and amortisation charges

<sup>13</sup> Excluding depreciation and amortisation charges

## 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

	Q2 2009	Q2 2008	Growth	Q1 2009	Growth	1H 2009	1H 2008	Growth
Installed capacity / telephone lines (000s) .....	<b>658</b>	652	1%	653	1%	<b>658</b>	652	1%
<b>Residential subscribers</b>								
Number of subscribers (000s) .....	<b>632</b>	730	(13%)	666	(5%)	<b>632</b>	730	(13%)
ARPU (US\$) .....	<b>12.9</b>	14.3	(10%)	10.8	19%	<b>11.8</b>	14.7	(20%)
ARPU (RUR) .....	<b>416</b>	337	24%	367	13%	<b>391</b>	353	11%
<b>Corporate subscribers</b>								
Number of subscribers (000s) .....	<b>28</b>	30	(6%)	29	(4%)	<b>28</b>	30	(6%)
ARPU (US\$) .....	<b>430.1</b>	447.7	(4%)	358.9	20%	<b>394.2</b>	418.9	(6%)
ARPU (RUR) .....	<b>13,833</b>	10,575	31%	12,199	13%	<b>13,009</b>	10,023	30%
<b>Operators</b>								
Number of active lines (000s) .....	<b>438</b>	448	(2%)	438	0%	<b>438</b>	448	(2%)
– of which, used by mobile operators (000s) ...	<b>307</b>	316	(3%)	307	0%	<b>307</b>	316	(3%)

### Financial Highlights

RUR millions	Q2 2009	Q2 2008	Growth	Q1 2009	Growth	1H 2009	1H 2008	Growth
<b>Revenues</b>								
Corporate .....	<b>1,613</b>	1,398	15%	1,486	9%	<b>3,099</b>	2,772	12%
Operators .....	<b>851</b>	864	(2%)	819	4%	<b>1,670</b>	1,819	(8%)
Residential .....	<b>810</b>	744	9%	772	5%	<b>1,581</b>	1,514	4%
<b>Total</b> .....	<b>3,273</b>	3,006	9%	3,077	6%	<b>6,350</b>	6,106	4%
Intersegment sales .....	<b>(156)</b>	(6)	2391%	(98)	60%	<b>(254)</b>	(47)	438%
<b>Net Revenues</b> .....	<b>3,117</b>	3,000	4%	2,979	5%	<b>6,097</b>	6,059	1%
<b>Operating Expenses</b> <sup>14</sup> .....	<b>2,452</b>	2,612	(6%)	2,495	(2%)	<b>4,946</b>	5,100	(3%)
<b>OIBDA</b> .....	<b>822</b>	394	108%	582	41%	<b>1,404</b>	1,006	40%
<b>Margin (%)</b> .....	<b>25.1%</b>	13.1%		18.9%		<b>22.1%</b>	16.5%	

US\$ millions	Q2 2009	Q2 2008	Growth	Q1 2009	Growth	1H 2009	1H 2008	Growth
<b>Revenues</b>								
Corporate .....	<b>50.1</b>	59.2	(15%)	43.8	15%	<b>93.9</b>	115.8	(19%)
Operators .....	<b>26.5</b>	36.6	(28%)	24.2	10%	<b>50.6</b>	75.9	(33%)
Residential .....	<b>25.1</b>	31.5	(20%)	22.7	10%	<b>47.8</b>	63.2	(24%)
<b>Total</b> .....	<b>101.7</b>	127.2	(20%)	90.7	12%	<b>192.4</b>	255.0	(25%)
Intersegment sales .....	<b>(4.9)</b>	(0.3)	1742%	(2.9)	70%	<b>(7.8)</b>	(1.9)	301%
<b>Net Revenues</b> .....	<b>96.8</b>	127.0	(24%)	87.8	10%	<b>184.6</b>	253.1	(27%)
<b>Operating Expenses</b> <sup>15</sup> .....	<b>76.0</b>	110.5	(31%)	73.5	3%	<b>149.5</b>	213.3	(30%)
<b>OIBDA</b> .....	<b>25.7</b>	16.7	54%	17.2	49%	<b>42.9</b>	41.7	3%
<b>Margin (%)</b> .....	<b>25.3%</b>	13.1%		19.0%		<b>22.3%</b>	16.4%	

<sup>14</sup> Excluding depreciation and amortisation charges

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

Ruble revenues were up 9% year on year and 6% quarter on quarter in the second quarter due to the combined effect of increasing long-distance traffic volumes passing through Comstar's proprietary long-distance network, increase in CPP traffic volumes and the 42% increase in the regulated per minute ruble charge for operators interconnected to the Comstar network in Moscow from the second quarter of 2009.

Operating expenses, excluding depreciation and amortisation charges, were down 6% year on year and 2% quarter on quarter due to the ongoing cost optimization programmes and seasonality factors.

OIBDA more than doubled year on year in ruble terms and was up 41% quarter on quarter, with an increased OIBDA margin of 25.1%.

### 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

	Q2 2009	Q2 2008	Growth	Q1 2009	Growth	1H 2009	1H 2008	Growth
<b>Residential subscribers</b>								
Number of subscribers <sup>16</sup> (000s) .....	2,535	459	453%	2,532	0%	2,535	459	453%
ARPU (US\$) .....	4.6	9.7	(52%)	4.5	4%	4.5	9.5	(52%)
ARPU (RUR) .....	149	229	(35%)	152	(2%)	150	226	(34%)
<b>Corporate subscribers</b>								
Number of subscribers (000s) .....	42	36	15%	46	(8%)	42	36	15%
ARPU (US\$) .....	134.2	170.7	(21%)	115.9	16%	124.7	319.0	(61%)
ARPU (RUR) .....	4,319	4,005	8%	3,920	10%	4,113	3,786	9%
<b>Operators</b>								
Number of active lines (000s) .....	2	2	(11%)	2	(4%)	2	2	(11%)

#### Financial Highlights

RUR millions	Q2 2009	Q2 2008	Growth	Q1 2009	Growth	1H 2009	1H 2008	Growth
<b>Revenues</b>								
Residential .....	1,149	289	298%	1,159	(1%)	2,308	565	309%
Corporate .....	555	423	31%	539	3%	1,094	801	37%
Operators .....	329	201	64%	286	15%	615	427	44%
<b>Total</b> .....	<b>2,033</b>	<b>913</b>	<b>123%</b>	<b>1,984</b>	<b>2%</b>	<b>4,017</b>	<b>1,793</b>	<b>124%</b>
Intersegment sales .....	(74)	–		(29)	157%	(103)	–	
<b>Net Revenues</b> .....	<b>1,959</b>	<b>913</b>	<b>115%</b>	<b>1,955</b>	<b>0%</b>	<b>3,914</b>	<b>1,793</b>	<b>118%</b>
<b>Operating Expenses</b> <sup>17</sup> .....	<b>1,527</b>	<b>589</b>	<b>159%</b>	<b>1,424</b>	<b>7%</b>	<b>2,951</b>	<b>1,204</b>	<b>145%</b>
<b>OIBDA</b> .....	<b>505</b>	<b>324</b>	<b>56%</b>	<b>560</b>	<b>(10%)</b>	<b>1,065</b>	<b>588</b>	<b>81%</b>
<b>Margin (%)</b> .....	<b>24.9%</b>	<b>35.5%</b>		<b>28.2%</b>		<b>26.5%</b>	<b>32.8%</b>	

<sup>16</sup> Including all kinds of services

<sup>17</sup> Excluding depreciation and amortisation charges

<i>US\$ millions</i>	<b>Q2 2009</b>	Q2 2008	<i>Growth</i>	Q1 2009	<i>Growth</i>	<b>1H 2009</b>	1H 2008	<i>Growth</i>
<b>Revenues</b>								
Residential .....	<b>35.7</b>	12.2	192%	34.1	5%	<b>69.8</b>	23.6	196%
Corporate .....	<b>17.2</b>	17.9	(4%)	15.9	8%	<b>33.2</b>	33.5	(1%)
Operators.....	<b>10.2</b>	8.5	20%	8.4	21%	<b>18.7</b>	17.8	5%
<b>Total</b> .....	<b>63.2</b>	38.7	63%	58.5	8%	<b>121.7</b>	74.9	62%
Intersegment sales.....	<b>(2.3)</b>	–		(0.8)	176%	<b>(3.1)</b>	–	
<b>Net Revenues</b> .....	<b>60.9</b>	38.7	57%	57.7	6%	<b>118.5</b>	74.9	58%
<b>Operating Expenses</b> <sup>18</sup> .....	<b>47.5</b>	24.9	90%	42.2	13%	<b>89.7</b>	50.3	78%
<b>OIBDA</b> .....	<b>15.7</b>	13.7	14%	16.3	(4%)	<b>32.0</b>	24.6	30%
<i>Margin (%)</i> .....	<b>24.8%</b>	35.5%		27.9%		<b>26.3%</b>	32.9%	

Ruble revenues more than doubled year on year and were up 2% quarter on quarter. The year on year development primarily reflected the consolidation of STREAM-TV, Interlink and UTC. The quarter on quarter increase was attributable to the increase in revenues from operators, primarily intragroup, including the commission charged to Comstar by regional operators for handling DLD/ILD calls. Ruble operating expenses, excluding depreciation and amortisation charges, more than doubled year on year for the same reason and the OIBDA margin consequently declined to 24.9% due to the lower prevailing margins in the acquired businesses.

## **FINANCIAL REVIEW**

Net cash generated by operating activities increased by 12% year on year to RUR 3.3 billion in the second quarter due to the net effect of the increase in OIBDA and the increase in interest paid to Sberbank following the rise in total borrowings and interest rate payable.

Net cash used in investing activities amounted to RUR 0.2 billion in the quarter and included cash capital expenditure of RUR 500 million. The investments primarily comprised the connection of new subscribers, the WiMax project in Moscow, the switching of MGTS subscribers from analogue to digital equipment installed during 2008, and proceeds from the redemption of investments and loans.

Free cash flow<sup>19</sup> generation therefore more than tripled year on year to RUR 2.8 billion in the second quarter.

Net cash used in financing activities amounted to RUR 0.7 billion, and primarily comprised the repayments of MGTS ruble bonds and other indebtedness that matured during the quarter.

The Group's cash and cash equivalents and short term investments therefore amounted to RUR 6.1 billion at the end of the second quarter.

The Group's total borrowings including capital lease obligations amounted to RUR 29.2 billion at the end of the second quarter, compared to RUR 29.9 billion at the end of the first quarter of 2009. The borrowings primarily comprised the RUR 26.0 billion Sberbank credit facility, the RUR 1.8 billion debt to Sistema Mass Media OJSC, and RUR 0.3 billion of vendor financing for equipment purchased during the second quarter of 2009.

The Group's net debt<sup>20</sup> therefore decreased from RUR 25.9 billion to RUR 23.1 billion during the quarter and from RUR 26.2 billion at the end of 2008. Approximately 98% of the Group's total debt was ruble

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

<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

denominated at the end of the second quarter of 2009, and the Group's total debt stood at 1.6 times annualized quarterly OIBDA, compared to 1.7 times as at the end of the first quarter and 1.8 times at the end of 2008.

## **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: **+1 480 629 9770**

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: **4136784#**

The replay facility will also be made available at [http://www.comstar.ru/en/for\\_investors/finresults/2009/2q/](http://www.comstar.ru/en/for_investors/finresults/2009/2q/) 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 791 thousand residential broadband internet subscribers in Moscow, as well as 324 thousand residential regional and international broadband internet subscribers and 2.0 million residential regional pay-TV subscribers at the end of June 2009. Comstar generated US\$ 698.0 million of revenues and a 39.5% OIBDA margin for the six months ended June 30, 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**

<i>RUR millions</i>	<b>Q2 2009</b>		<b>Q2 2008</b>		<b>Q1 2009</b>		<b>1H 2009</b>		<b>1H 2008</b>	
	RUR 'mln	% of revs	RUR 'mln	% of revs	RUR 'mln	% of revs	RUR 'mln	% of revs	RUR 'mln	% of revs
Operating profit .....	3,378	28.9%	2,529	25.7%	2,798	24.7%	6,176	26.8%	5,478	27.4%
Add: depreciation and amortisation.....	1,425	12.2%	1,235	12.5%	1,493	13.2%	2,918	12.7%	2,420	12.1%
<b>OIBDA .....</b>	<b>4,803</b>	<b>41.0%</b>	<b>3,764</b>	<b>38.2%</b>	<b>4,291</b>	<b>37.8%</b>	<b>9,094</b>	<b>39.5%</b>	<b>7,898</b>	<b>39.5%</b>

  

<i>US\$ millions</i>	<b>Q2 2009</b>		<b>Q2 2008</b>		<b>Q1 2009</b>		<b>1H 2009</b>		<b>1H 2008</b>	
	US\$ 'mln	% of revs	US\$ 'mln	% of revs	US\$ 'mln	% of revs	US\$ 'mln	% of revs	US\$ 'mln	% of revs
Operating profit .....	105.1	28.9%	107.1	25.7%	82.2	24.6%	187.3	26.8%	228.4	27.4%
Add: depreciation and amortisation.....	44.2	12.2%	52.2	12.5%	44.1	13.2%	88.4	12.7%	101.2	12.1%
<b>OIBDA .....</b>	<b>149.3</b>	<b>41.1%</b>	<b>159.3</b>	<b>38.2%</b>	<b>126.4</b>	<b>37.8%</b>	<b>275.7</b>	<b>39.5%</b>	<b>329.6</b>	<b>39.5%</b>

**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>	<b>Q2 2009</b>	<b>Q2 2008</b>	<i>Growth</i>	<b>Q1 2009</b>	<i>Growth</i>	<b>1H 2009</b>	<b>1H 2008</b>	<i>Growth</i>
Income before taxes (reported) .....	2,484	2,548	(3%)	1,113	123%	3,597	5,645	(36%)
Less change in fair value of put option .....	–	(75)		–		–	(424)	
Add back / (less) non-deductible / (non-taxable) portion of foreign currency transactions losses/(gains), net .....	(564)	–		1,300	(143%)	736	–	
<b>Income before taxes (adjusted) .....</b>	<b>1,920</b>	<b>2,473</b>	(22%)	<b>2,413</b>	(20%)	<b>4,333</b>	<b>5,221</b>	(17%)
Income tax expense.....	441	556	(21%)	518	(15%)	959	1,241	(23%)
<b>Underlying effective tax rate.....</b>	<b>23.0%</b>	<b>22.5%</b>		<b>21.5%</b>		<b>22.1%</b>	<b>23.8%</b>	

  

<i>US\$ millions</i>	<b>Q2 2009</b>	<b>Q2 2008</b>	<i>Growth</i>	<b>Q1 2009</b>	<i>Growth</i>	<b>1H 2009</b>	<b>1H 2008</b>	<i>Growth</i>
Income before taxes (reported) .....	77.3	107.9	(28%)	29.0	166%	106.4	235.4	(55%)
Less change in fair value of put option .....	–	(3.2)				–	(17.6)	
Add back / (less) non-deductible / (non-taxable) portion of foreign currency transactions losses/(gains), net .....	(17.5)	–		41.6	(142%)	24.1	–	
<b>Income before taxes (adjusted) .....</b>	<b>59.8</b>	<b>104.7</b>	(43%)	<b>70.6</b>	(15%)	<b>130.4</b>	<b>217.8</b>	(40%)
Income tax expense.....	13.7	23.5		15.1	(9%)	28.8	51.4	(44%)
<b>Underlying effective tax rate.....</b>	<b>23.0%</b>	<b>22.4%</b>		<b>21.4%</b>		<b>22.1%</b>	<b>23.6%</b>	



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

<i>RUR million, except for share and per share amounts</i>	Three months ended June 30,		Six months ended June 30,	
	2009	2008 (*)	2009	2008 (*)
Operating revenues .....	11,702	9,858	23,045	19,972
Operating expenses, excluding depreciation and amortisation, net .....	(6,899)	(6,094)	(13,951)	(12,074)
Depreciation and amortisation .....	(1,425)	(1,235)	(2,918)	(2,420)
<b>Operating income</b> .....	<b>3,378</b>	<b>2,529</b>	<b>6,176</b>	<b>5,478</b>
Interest income .....	102	262	348	520
Interest expense .....	(874)	(368)	(2,019)	(733)
Change in fair value of put option .....	–	75	–	424
Change in fair value of purchased call option .....	(33)	–	(170)	–
(Impairment) / reversal of impairment of long- term investments and loans, net .....	(2)	–	148	–
Foreign currency transactions (loss) / gain, net .....	(87)	50	(886)	(44)
<b>Income before income taxes and income from investments</b> .....	<b>2,484</b>	<b>2,548</b>	<b>3,597</b>	<b>5,645</b>
Income tax expense .....	(441)	(556)	(959)	(1,241)
Income from investments .....	(2)	–	(2)	–
<b>Net income</b> .....	<b>2,041</b>	<b>1,992</b>	<b>2,636</b>	<b>4,404</b>
Less: net income attributable to the noncontrolling interest .....	(1,083)	(1,289)	(1,184)	(2,389)
<b>Net income attributable to Comstar-UTS</b> .....	<b>958</b>	<b>703</b>	<b>1,452</b>	<b>2,015</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 2.7	RUR 1.7	RUR 4.1	RUR 5.0
Weighted average number of common shares outstanding – diluted .....	358,224,856	404,456,856	358,224,856	405,351,792
Earnings per common share – diluted .....	RUR 2.7	RUR 1.7	RUR 4.1	RUR 5.0

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

*US\$ thousand, except for share  
and per share amounts*

	Three months ended June 30,		Six months ended June 30,	
	2009	2008 (*)	2009	2008 (*)
Operating revenues .....	\$ 363,579	\$ 417,271	\$ 697,950	\$ 834,226
Operating expenses, excluding depreciation and amortisation, net .....	(214,243)	(257,939)	(422,251)	(504,646)
Depreciation and amortisation .....	(44,244)	(52,248)	(88,376)	(101,163)
<b>Operating income</b> .....	<b>105,092</b>	<b>107,084</b>	<b>187,323</b>	<b>228,417</b>
Interest income .....	3,206	11,096	10,587	21,766
Interest expense .....	(27,187)	(15,580)	(61,077)	(30,615)
Change in fair value of put option .....	–	3,199	–	17,568
Change in fair value of purchased call option .....	(584)	–	(5,394)	–
(Impairment) / reversal of impairment of long- term investments and loans, net .....	(83)	–	4,246	–
Foreign currency transactions (loss) / gain, net .....	(3,108)	2,146	(29,319)	(1,768)
<b>Income before income taxes and income from investments</b> .....	<b>77,336</b>	<b>107,945</b>	<b>106,366</b>	<b>235,368</b>
Income tax expense .....	(13,748)	(23,510)	(28,839)	(51,406)
Income from investments .....	(56)	–	(56)	–
<b>Net income</b> .....	<b>63,532</b>	<b>84,435</b>	<b>77,471</b>	<b>183,962</b>
Less: net income attributable to the noncontrolling interest .....	(33,539)	(54,561)	(34,879)	(100,003)
<b>Net income attributable to Comstar-UTS</b> .....	<b>\$ 29,993</b>	<b>\$ 29,874</b>	<b>\$ 42,592</b>	<b>\$ 83,959</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 .....	US\$ 0.08	US\$ 0.07	US\$ 0.12	US\$ 0.21
Weighted average number of common shares outstanding – diluted .....	358,224,856	404,456,856	358,224,856	405,351,792
Earnings per common share – diluted .....	US\$ 0.08	US\$ 0.07	US\$ 0.12	US\$ 0.21

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

<b>Assets</b>	<b>June 30, 2009</b>	<b>December 31, 2008 (*)</b>	<b>June 30, 2009</b>	<b>December 31, 2008 (*)</b>
	<i>(RUR million)</i>		<i>(US\$ thousand)</i>	
<b>Current assets:</b>				
Cash and cash equivalents .....	5,345	1,821	\$ 170,831	\$ 61,974
Short-term investments and loans.....	717	9,478	22,928	322,606
Trade receivables, net.....	4,819	4,891	154,020	166,478
Other receivables, prepaid expenses and other current assets .....	2,499	2,327	79,873	79,197
Inventories and spare parts .....	1,123	966	35,829	32,952
Deferred tax assets, current portion .....	711	327	22,739	11,142
<b>Total current assets .....</b>	<b>15,214</b>	<b>19,810</b>	<b>486,220</b>	<b>674,349</b>
Property, plant and equipment, net .....	53,341	54,532	1,704,705	1,856,064
Intangible assets, net.....	9,095	9,505	290,676	323,499
Investments in shares of Svyazinvest .....	36,460	36,460	1,165,226	1,240,977
Other long-term investments and loans .....	2,471	2,660	78,948	90,509
Other long-term assets .....	10	185	315	6,308
<b>Total assets .....</b>	<b>116,591</b>	<b>123,152</b>	<b>\$ 3,726,090</b>	<b>\$ 4,191,706</b>

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

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

	June 30, 2009	December 31, 2008 (*)	June 30, 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 .....	6,914	7,940	\$ 220,955	\$ 270,243
Deferred connection fees, current portion .....	883	917	28,204	31,216
Subscriber prepayments .....	1,208	1,272	38,614	43,311
Debt, current portion .....	9,787	15,052	312,795	512,324
Capital lease obligations, current portion .....	73	163	2,321	5,563
<b>Total current liabilities .....</b>	<b>18,865</b>	<b>25,344</b>	<b>602,889</b>	<b>862,657</b>
Long-term liabilities:				
Deferred connection fees, net of current portion .....	2,915	3,019	93,175	102,764
Debt, net of current portion .....	19,338	22,214	618,030	756,099
Capital lease obligations, net of current portion .....	2	30	71	1,021
Post-retirement obligations .....	866	859	27,680	29,250
Property, plant and equipment contributions .....	2,756	2,738	88,067	93,197
Deferred tax liabilities, long-term portion .....	3,493	3,018	111,617	102,712
Payable to Sistema Hals, related party .....	1,117	1,081	35,695	36,807
Other long-term liabilities .....	5	55	153	1,874
<b>Total long-term liabilities .....</b>	<b>30,492</b>	<b>33,014</b>	<b>974,488</b>	<b>1,123,724</b>
<b>Total liabilities .....</b>	<b>49,357</b>	<b>58,358</b>	<b>1,577,377</b>	<b>1,986,381</b>
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 .....	27,869	29,783	1,004,465	1,072,015
Prepayment for the acquisition of Stream-TV .....	–	(2,461)	–	(86,842)
Retained earnings .....	19,645	18,923	688,757	675,512
Accumulated other comprehensive loss .....	(2,511)	(2,515)	(264,909)	(181,434)
<b>Total Comstar-UTS shareholders' equity .....</b>	<b>45,361</b>	<b>44,113</b>	<b>1,449,668</b>	<b>1,501,434</b>
Noncontrolling interest .....	21,873	20,681	699,045	703,891
<b>Total shareholders' equity .....</b>	<b>67,234</b>	<b>64,794</b>	<b>2,148,713</b>	<b>2,205,325</b>
<b>Total liabilities and shareholders' equity .....</b>	<b>116,591</b>	<b>123,152</b>	<b>\$ 3,726,090</b>	<b>\$ 4,191,706</b>

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

<i>RUR million</i>	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2009</b>	<b>2008 (*)</b>	<b>2009</b>	<b>2008 (*)</b>
<b>Operating activities:</b>				
Net income .....	2,041	1,992	2,636	4,404
Adjustments to reconcile net income to net cash provided by operations:				
Depreciation and amortisation.....	1,425	1,235	2,918	2,420
Stock-based compensation .....	46	144	86	100
Change in fair value of put option .....	–	(75)	–	(424)
Change in fair value of purchased call option .....	33	–	170	–
Impairment / (reversal of impairment) of long-term investments and loans, net .....	2	–	(148)	–
Loss from disposal of fixed assets and other non- cash items, net.....	50	27	79	40
Compensation of losses from third parties .....	(56)	(78)	(92)	(142)
Amortisation of deferred finance charges.....	2	3	5	5
Deferred taxes.....	48	(12)	87	(44)
Foreign currency transactions loss / (gain) on non- operating activities, net .....	102	(15)	857	84
Postretirement benefits .....	8	14	24	37
Bad debt expense.....	74	74	306	137
Inventory obsolescence charge.....	22	37	22	45
Changes in operating assets and liabilities:				
Trade receivables.....	204	(43)	(235)	(453)
Other receivables, prepaid expenses and other current assets.....	115	(36)	(203)	(273)
Inventories and spare parts .....	(55)	(13)	(175)	(89)
Trade accounts payable, accrued expenses and other current liabilities .....	(664)	(329)	634	700
Deferred connection fees.....	(88)	3	(139)	(26)
Subscriber prepayments.....	(1)	38	(64)	43
<b>Net cash provided by operating activities .....</b>	<b>3,308</b>	<b>2,966</b>	<b>6,768</b>	<b>6,564</b>

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

<i>RUR million</i>	<b>Three months ended June 30,</b>		<b>Three months ended June 30,</b>	
	<b>2009</b>	<b>2008 (*)</b>	<b>2009</b>	<b>2008 (*)</b>
<b>Investing activities:</b>				
Purchases of property, plant and equipment.....	(412)	(2,080)	(2,252)	(3,048)
Proceeds from sale of property, plant and equipment .....	18	23	40	38
Purchases of intangible assets .....	(88)	(133)	(272)	(217)
Acquisition of subsidiaries, net of cash acquired .....	–	(198)	–	(198)
Acquisition of minority interests in existing subsidiaries .....	–	–	(28)	–
Purchases of long-term investments and loans.....	–	–	(14)	(39)
Proceeds from sale and redemption of long-term investments and loans .....	4	–	4	2
Purchases of short-term investments and loans.....	(200)	(908)	(200)	(2,403)
Proceeds from sale and redemption of short-term investments and loans .....	461	5,792	9,376	6,641
Decrease in restricted cash .....	–	–	–	37
<b>Net cash provided by / (used in) investing activities ....</b>	<b>(217)</b>	<b>2,496</b>	<b>6,654</b>	<b>813</b>
<b>Financing activities:</b>				
Acquisition of Stream-TV .....	–	–	(103)	–
Proceeds from borrowings.....	–	59	56	72
Principal payments on borrowings .....	(596)	(1,954)	(9,749)	(2,133)
Principal payments on capital lease obligations .....	(67)	(73)	(128)	(134)
Dividends paid.....	–	–	–	(13)
<b>Net cash used in financing activities.....</b>	<b>(663)</b>	<b>(1,968)</b>	<b>(9,924)</b>	<b>(2,208)</b>
Effects of foreign currency translation on cash and cash equivalents .....	(12)	–	26	–
<b>Net increase in cash and cash equivalents .....</b>	<b>2,416</b>	<b>3,494</b>	<b>3,524</b>	<b>5,169</b>
Cash and cash equivalents, beginning of the period .....	2,929	6,088	1,821	4,413
<b>Cash and cash equivalents, end of the period.....</b>	<b>5,345</b>	<b>9,582</b>	<b>5,345</b>	<b>9,582</b>

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

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

*US\$ thousand*

	Three months ended June 30,		Six months ended June 30,	
	2009	2008 (*)	2009	2008 (*)
<b>Operating activities:</b>				
Net income .....	\$ 63,532	\$ 84,435	\$ 77,471	\$ 183,962
Adjustments to reconcile net income to net cash provided by operations:				
Depreciation and amortisation.....	44,244	52,248	88,376	101,163
Stock-based compensation .....	1,267	6,001	2,336	4,207
Change in fair value of put option .....	–	(3,199)	–	(17,568)
Change in fair value of purchased call option .....	584	–	5,394	–
Impairment / (reversal of impairment) of long-term investments and loans, net .....	83	–	(4,246)	–
Loss from disposal of fixed assets and other non- cash items, net.....	1,546	1,114	2,404	1,645
Compensation of losses from third parties .....	(1,732)	(3,293)	(2,789)	(5,912)
Amortisation of deferred finance charges.....	77	104	157	204
Deferred taxes.....	1,354	(484)	2,380	(1,805)
Foreign currency transactions loss on non- operating activities, net .....	3,173	(550)	25,418	3,449
Postretirement benefits .....	256	584	740	1,521
Bad debt expense.....	2,309	3,095	9,155	5,689
Inventory obsolescence charge.....	685	1,544	685	1,879
Changes in operating assets and liabilities:				
Trade receivables.....	6,348	(1,784)	(6,601)	(18,694)
Other receivables, prepaid expenses and other current assets.....	3,554	(1,487)	(5,810)	(11,276)
Inventories and spare parts .....	(1,713)	(517)	(5,243)	(3,664)
Trade accounts payable, accrued expenses and other current liabilities .....	(20,615)	(13,743)	17,651	28,669
Deferred connection fees.....	(2,722)	104	(4,217)	(1,089)
Subscriber prepayments.....	(44)	1,595	(1,895)	1,794
<b>Net cash provided by operating activities .....</b>	<b>\$ 102,186</b>	<b>\$ 125,767</b>	<b>\$ 201,366</b>	<b>\$ 274,174</b>

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

US\$ thousand

	Three months ended June 30,		Six months ended June 30,	
	2009	2008 (*)	2009	2008 (*)
<b>Investing activities:</b>				
Purchases of property, plant and equipment.....	\$ (12,774)	\$ (86,879)	\$ (67,008)	\$ (126,789)
Proceeds from sale of property, plant and equipment .....	552	956	1,194	1,576
Purchases of intangible assets .....	(2,723)	(5,527)	(8,153)	(9,008)
Acquisition of subsidiaries, net of cash acquired .....	–	(8,279)	–	(8,279)
Acquisition of minority interests in existing subsidiaries .....	–	–	(816)	–
Purchases of long-term investments and loans.....	–	–	(413)	(1,617)
Proceeds from sale and redemption of long-term investments and loans .....	115	–	115	91
Purchases of short-term investments and loans.....	(6,208)	(37,924)	(6,208)	(99,540)
Proceeds from sale and redemption of short-term investments and loans .....	14,312	241,871	276,257	276,887
Decrease in restricted cash .....	–	2	–	1,536
<b>Net cash provided by / (used in) investing activities ....</b>	<b>(6,726)</b>	<b>104,220</b>	<b>194,968</b>	<b>34,857</b>
<b>Financing activities:</b>				
Acquisition of Stream-TV .....	–	–	(3,044)	–
Proceeds from borrowings.....	–	2,451	1,641	3,004
Principal payments on borrowings .....	(18,503)	(81,609)	(285,467)	(88,994)
Principal payments on capital lease obligations .....	(2,086)	(3,060)	(3,896)	(5,570)
Dividends paid.....	(10)	(20)	(13)	(540)
<b>Net cash used in financing activities.....</b>	<b>(20,599)</b>	<b>(82,238)</b>	<b>(290,779)</b>	<b>(92,100)</b>
Effects of foreign currency translation on cash and cash equivalents .....	9,856	1,832	3,302	11,762
<b>Net increase in cash and cash equivalents .....</b>	<b>84,717</b>	<b>149,581</b>	<b>108,857</b>	<b>228,693</b>
Cash and cash equivalents, beginning of the period.....	86,114	258,906	61,974	179,794
<b>Cash and cash equivalents, end of the period.....</b>	<b>\$ 170,831</b>	<b>\$ 408,487</b>	<b>\$ 170,831</b>	<b>\$ 408,487</b>

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