



FOR IMMEDIATE RELEASE

August 25, 2010

**COMSTAR — UNITED TELESYSTEMS OJSC
FINANCIAL RESULTS
FOR THE SECOND QUARTER AND FIRST SIX MONTHS OF 2010**

Moscow, Russia – August 25, 2010 – “COMSTAR – United TeleSystems” OJSC (“Comstar” or “the Group”) (LSE: CMST), the largest integrated telecommunications provider in Moscow and 83 Russian cities, today announced its unaudited consolidated US GAAP financial results for the second quarter and the six months ended June 30, 2010.

SECOND QUARTER HIGHLIGHTS

- Consolidated revenues up 6% year on year in ruble terms to US\$ 411.1 million¹
- Adjusted OIBDA² of US\$ 164.5 million, up 2% year on year in ruble terms when excluding previously accrued expenses for cancelled 2008 phantom option programme from the financial results for 2Q2009
- Adjusted OIBDA margin of 40.0% (compared to 41.4% in 2Q2009 when excluding previously accrued phantom option expenses from the financial results for 2Q2009)
- Adjusted net income³ attributable to Comstar-UTS shareholders up 47% year on year in ruble terms to US\$ 48.8 million (when excluding previously accrued phantom option expenses from the financial results for 2Q2009)
- Cash and cash equivalents and short term investments almost tripled year on year in ruble terms to US\$ 551.9 million
- Cash flow from operations of US\$ 89.6 million
- Cash capital expenditure⁴ of US\$ 40.7 million represents 9.9 % of consolidated revenues
- Free cash flow⁵ of US\$ 48.9 million
- Total broadband subscriber base up 22% year on year and 6% quarter on quarter to 1.4 million
- DLD/ILD traffic passed through Comstar’s proprietary network up more than 2.5 times year on year to 178.3 million minutes, with DLD/ILD consolidated revenues of US\$ 20.3 million

¹ The average exchange rate for the periods were:

RUR 30.24 per US\$ 1 in the second quarter of 2010; RUR 29.89 per US\$ 1 in the first quarter of 2010; RUR 32.21 per US\$ 1 in the second quarter of 2009; RUR 30.07 per US\$ 1 in the first six months of 2010; and RUR 33.07 per US\$ 1 in the first six months of 2009; RUR 33.93 per US\$ 1 in the first quarter of 2009

² Here and below, please refer to Attachment A to this statement for a full definition and reconciliation of OIBDA and adjusted OIBDA

³ Here and below, please refer to Attachment A to this statement for a full definition and reconciliation of adjusted Net Income

⁴ Here and below, cash capital expenditure (“Cash CAPEX”) comprises purchases of property, plant and equipment, and intangible assets

⁵ Here and below, Free Cash Flow is calculated as operating cash flow net of cash capital expenditure

HALF YEAR HIGHLIGHTS

- Consolidated revenues up 7% year on year in ruble terms to US\$ 818.1 million
- Adjusted OIBDA of US\$ 324.3 million, up 6% year on year in ruble terms when excluding the effect of previously accrued expenses for cancelled 2008 phantom option programme from the financial results for 1H2009 and 1Q2010
- Adjusted OIBDA margin of 39.6% (compared to 39.8% in 1H2009 when excluding the effect of previously accrued expenses for cancelled 2008 phantom option programme from the financial results for 1H2009 and 1Q2010)
- Adjusted net income attributable to Comstar-UTS up 87% year on year in ruble terms to US\$ 94.9 million (when excluding the effect of previously accrued expenses for cancelled 2008 phantom option programme from the financial results for 1H2009 and 1Q2010)
- Cash flow from operations up 5% year on year in ruble terms to US\$ 237.7 million
- Cash capital expenditure of US\$ 57.3 million represents 7.0% of consolidated revenues

KEY STRATEGIC DEVELOPMENTS OF THE SECOND QUARTER

- Signed agreements to sell 25%+1⁶ share stake in OJSC Svyazinvest to OJSC Rostelecom for RUR 26 billion through a series of transactions, and subject to the parties involved obtaining the necessary approvals
- Acquisition of Penza Telecom, the leading alternative telecommunications operator in the Penza telecoms market, and the leading internet and pay-TV services provider in the cities of Penza and Zarechye
- MGTS' AGM approved the payment of a RUR 49.44 dividend (approximately US\$ 1.59) per preferred share for the full year 2009, and decided that no dividend shall be paid to holders of MGTS' ordinary shares for the full year 2009. The total dividend payment to be made to holders of preferred shares will therefore total RUR 789 million (or approximately US\$ 25.4 million), which is equivalent to 10% of MGTS' net income for the full year 2009 under Russian Accounting Standards (RAS). Comstar's AGM decided that no dividend should be paid out for the full year 2009 due to the losses reported for the full year under Russian Accounting Standards (RAS) and US GAAP.
- The Boards of Directors of MTS and Comstar recommended the merger of MTS and Comstar-UTS Open Joint Stock Companies. The announcement was followed by the launch of a voluntary tender offer by MTS for up to 9% of Comstar ordinary shares and including shares underlying GDRs.
- Standard & Poor's Ratings Services revised its outlooks on Comstar and MGTS to positive from stable as a reflection of a corresponding upgrade to MTS' outlook.

Sergey Pridantsev, President and Chief Executive Officer, commented: "We have reported another quarter of consistent sales and profit growth, which has enabled us to deliver healthy financial results in line with our expectations, whilst sustaining the momentum of the implementation of our strategy. We have initiated the organic rebranding of our alternative segment, and launched the first convergent subscriber offerings in May, in line with Comstar's integration into MTS. On June 25, both Comstar's and MTS' Boards of Directors recommended the proposed merger of Comstar and MTS. The merger is subject to approval by 75% of the shareholders present at each company's EGMs, which are scheduled for December 23, 2010."

"We accelerated the modernization of our networks in the regions during the quarter and, following the acquisitions of Multiregion by MTS and Penza Telecom by Comstar, the fixed-line business of MTS Group is now present in over 110 regional cities, compared to 83 cities at the end of the first quarter. MGTS has continued to up-sell its subscribers to additional services and 24% of MGTS voice subscribers now also subscribe to broadband services either from MGTS or Comstar, while 28% of MGTS's voice subscribers are also customers of Comstar DLD/ILD connection services."

⁶ 17.3% is owned by Comstar directly with another 7.7% owned by MGTS Finance S.A., which is controlled by Comstar.

Alexey Kaurov, Chief Financial Officer, added: “Consolidated revenues were up 6% year on year in ruble terms in the second quarter and up 7% for the first half of the year, which is in line with our guidance for mid single digit percentage point revenue growth this year. Our OIBDA, when excluding the reversal of the cancelled 2008 phantom option programme, was up 2% year on year in the second quarter and up 6% in the first half of the year in ruble terms. We therefore delivered an adjusted OIBDA margin of 40.0% in the quarter and 39.6% for the first half of the year, which is at the top end of the range of our long-term OIBDA margin guidance of between 35 and 40 per cent.”

“Cash capital expenditure represented 9.9% and 7.0% of consolidated revenues for the second quarter and first six months respectively. We expect cash CAPEX to increase in the second half of the year and to represent up to 20% of full year revenues. This includes our investments in the MGTS digitalization project using IMS technology, which was re-launched in the middle of this year, as well as the modernization of our regional broadband networks, which we expect to finalize by the end of 2010. The weighting also reflects the post-payment terms of our agreements with telecom equipment suppliers.”

FINANCIAL SUMMARY

<i>RUR millions, except where stated otherwise</i>	Q2 2010	Q2 2009	<i>Growth</i>	Q1 2010	<i>Growth</i>	1H 2010	1H 2009	<i>Growth</i>
Revenues.....	12,422	11,702	6%	12,167	2%	24,589	23,045	7%
OIBDA.....	4,965	4,803	3%	5,337	(7%)	10,302	9,094	13%
Margin (%).....	40.0%	41.0%		43.9%		41.9%	39.5%	
Adjusted OIBDA	4,965	4,849	2%	4,768	4%	9,733	9,174	6%
Margin (%).....	40.0%	41.4%		39.2%		39.6%	39.8%	
Operating income.....	3,490	3,378	3%	3,881	(10%)	7,371	6,176	19%
Margin (%).....	28.1%	28.9%		31.9%		30.0%	26.8%	
Net income attributable to Comstar-UTS' shareholders	1,460	958	52%	1,794	(19%)	3,254	1,452	124%
Adjusted net income attributable to Comstar-UTS' shareholders.....	1,460	995	47%	1,372	6%	2,832	1,516	87%
Cash flow from operations.....	2,706	3,308	(18%)	4,420	(39%)	7,126	6,768	5%
Cash CAPEX	1,232	500	146%	495	149%	1,727	2,524	(32%)
% of revenue	9.9%	4.3%		4.1%		7.0%	11.0%	
Free Cash Flow	1,474	2,808	(48%)	3,925	(62%)	5,399	4,244	27%
Total Assets	114,963	116,591	(1%)	112,367	2%	114,963	116,591	(1%)

<i>US\$ millions, except where stated otherwise</i>	Q2 2010	Q2 2009	<i>Growth</i>	Q1 2010	<i>Growth</i>	1H 2010	1H 2009	<i>Growth</i>
Revenues.....	411.1	363.6	13%	407.0	1%	818.1	698.0	17%
OIBDA.....	164.5	149.3	10%	178.8	(8%)	343.3	275.7	25%
Margin (%).....	40.0%	41.0%		43.9%		41.9%	39.5%	
Adjusted OIBDA	164.5	150.6	9%	159.8	3%	324.3	278.0	17%
Margin (%).....	40.0%	41.4%		39.2%		39.6%	39.8%	
Operating income.....	115.7	105.1	10%	130.1	(11%)	245.8	187.3	31%
Margin (%).....	28.1%	28.9%		31.9%		30.0%	26.8%	
Net income attributable to Comstar-UTS' shareholders	48.8	30.0	63%	60.3	(19%)	109.0	42.6	156%
Adjusted net income attributable to Comstar-UTS' shareholders.....	48.8	31.0	57%	46.1	6%	94.9	44.5	113%
Cash flow from operations.....	89.6	102.2	(12%)	148.1	(39%)	237.7	201.4	18%
Cash CAPEX	40.7	15.5	163%	16.5	146%	57.3	75.2	(24%)
% of revenue	9.9%	4.3%		4.1%		7.0%	11.0%	
Free Cash Flow	48.9	86.7	(44%)	131.5	(63%)	180.4	126.2	43%
Total Assets	3,685.3	3,726.1	(1%)	3,826.7	(4%)	3,685.3	3,726.1	(1%)

OPERATING REVIEW

Group Overview

Comstar generated 6% year on year revenue growth in ruble terms in the second quarter, which reflected:

- Growing domestic and international long distance (DLD/ILD) and Calling Party Pays (CPP) traffic volumes, as well as the growth in the MGTS Broadband Internet business
- Ongoing up-selling of regional pay-TV subscribers to broadband Internet services
- Average increases in MGTS regulatory ruble prices for residential and corporate voice services of 8.0% from March 1, 2009 and 10.3% from February 1, 2010

Group's revenues were up 2% quarter on quarter in ruble terms despite the second quarter being a seasonally weaker period of the year.

Comstar generated 7% revenue growth in ruble terms for the year to date, which reflected:

- Growing domestic and international long distance (DLD/ILD) and Calling Party Pays (CPP) traffic volumes, as well as the growth in the MGTS Broadband Internet business
- Ongoing up-selling of regional pay-TV subscribers to broadband Internet services
- Average increases in MGTS regulatory ruble prices for residential and corporate voice services of 8.0% from March 1, 2009 and 10.3% from February 1, 2010
- Prices up 12% on average in rubles from March 1, 2009, both in the alternative segment in Moscow and the regions

Revenues from fixed-to-mobile calls grew by 4.3% year on year to RUR 1,275 million in the second quarter and up 6.2% year on year to RUR 2,452 million for the year to date, which represented 10.3% and 10.0% of Group revenues in second quarter 2010 and first half of 2010 respectively. CPP-traffic levels were up 4% year on year to 874 million minutes in the second quarter and to 1,686 million minutes in the first six months of 2010.

Operating Expenses⁷

<i>RUR millions</i>	Q2 2010	Q2 2009	Growth	Q1 2010	Growth	1H 2010	1H 2009	Growth
Employee expenses.....	2,761	2,589	7%	2,242	23%	5,003	5,342	(6%)
Network traffic expenses	1,748	1,599	9%	1,696	3%	3,444	3,141	10%
Selling & marketing expenses.....	519	300	73%	465	12%	984	645	53%
Repair & maintenance expenses	414	447	(7%)	371	12%	785	853	(8%)
Taxes.....	395	339	16%	387	2%	782	667	17%
Utility & energy expenses.....	346	316	10%	450	(23%)	796	716	11%
Other, net	1,274	1,311	(3%)	1,218	5%	2,492	2,588	(4%)
Total	7,457	6,901	8%	6,830	9%	14,287	13,952	2%
<i>% of revenues</i>	60.0%	59.0%		56.1%		58.1%	60.5%	

Operating Expenses, <i>US\$ millions</i>	Q2 2010	Q2 2009	Growth	Q1 2010	Growth	1H 2010	1H 2009	Growth
Employee expenses.....	91.3	80.2	14%	74.7	22%	166.0	161.5	3%
Network traffic expenses	57.8	49.7	16%	56.8	2%	114.6	95.1	20%
Selling & marketing expenses.....	17.2	9.3	85%	15.6	10%	32.8	19.4	69%
Repair & maintenance expenses	13.6	14.0	(2%)	12.4	10%	26.0	25.8	1%
Taxes.....	13.1	10.5	24%	12.9	1%	26.0	20.2	29%
Utility & energy expenses.....	11.5	9.8	17%	15.0	(24%)	26.5	21.6	23%
Other, net	42.2	40.8	3%	40.7	3%	82.9	78.5	6%
Total	246.6	214.2	15%	228.2	8%	474.8	422.3	12%
<i>% of revenues</i>	60.0%	59.0%		56.1%		58.1%	60.5%	

Total operating expenses, when excluding depreciation and amortization costs, were up 8% year on year in ruble terms in the second quarter, which reflected the net effect of:

- Increased sales and marketing activity in line with economic stabilisation and rising demand for services
- Salary levels up 5% on average throughout the Group to compensate for inflation from April 1, 2010, combined with introduction of bonus system in Comstar-Regions, offset by a reduction of compensation due to summer vacation season
- Growing DLD/ILD and CPP traffic volumes
- Rise in utilities and energy costs due to increase in state regulated tariffs from January 1, 2010

Total operating expenses, when excluding depreciation and amortisation costs, were up 9% quarter on quarter in ruble terms, which reflected the effect of US\$ 19.0 million reversal in 1Q2010 of previously accrued expenses for cancelled 2008 phantom option programme.

Total operating expenses, when excluding depreciation and amortisation costs, were up 2% year on year in ruble terms for the year to date, which reflected the net effect of:

- Increased sales and marketing activity in line with economic stabilisation and rising demand for services
- US\$ 19.0 million previously accrued expenses for cancelled 2008 phantom option programme from the financial results for 1H2009 and 1Q2010 respectively compensated by the introduction of bonus system in Comstar-Regions in 2010 and a 5% average increase in Group salary levels to compensate for inflation
- Growing DLD/ILD and CPP traffic volumes
- Rise in utilities and energy costs due to increase in state regulated tariffs from January 1, 2010

Group adjusted OIBDA was therefore up 2% year on year in ruble terms when excluding previously accrued expenses for the cancelled 2008 phantom option, with an adjusted OIBDA margin of 40.0%. Group adjusted OIBDA was up 4% quarter on quarter in ruble terms. Group adjusted OIBDA for the first

⁷ Here and below operating expenses are excluding depreciation and Amortization, net

six months of 2010 was up 6% year on year in ruble terms when excluding previously accrued expenses for the cancelled 2008 phantom option programme from the financial results for 1H2009 and 1Q2010, with an adjusted OIBDA margin of 39.6%.

Group depreciation and amortisation charges were up 4% year on year in ruble terms in the second quarter, which reflected the increase in capital expenditure. Group depreciation and amortisation charges were stable in ruble terms for the year to date. This reflected the increase in depreciation due to the growth of the regional networks, capital expenditure in the regions in previous quarters, and was offset by decreased depreciation in MGTS as a result of the completion of the depreciation and write-offs of certain items at the end of 2009.

Group interest expenses decreased by 10% quarter on quarter in ruble terms and by 15% year on year in the second quarter of 2010, and were down 23% for the year to date, which reflected the reduction in the interest rate payable on the Sberbank credit facility from 13.35% to 10.50% from March 1, 2010. Interest income doubled year on year and was up 13% quarter on quarter and 21% year on year for the year to date, due to the accumulation of significant short-term investments in the first and second quarters 2010.

The Group's income tax charges doubled year on year in the second quarter, and increased by 9% quarter on quarter, but were up 73% during the first six months of 2010, which reflected the year on year increases in pre-tax profit.

Net income attributable to non-controlling shareholders was down 34% year on year in the second quarter, due to the acquisition of a 14.20% stake in MGTS from minority shareholders in December 2009. Net income attributable to non-controlling shareholders was up 6% quarter on quarter in the second quarter, and 17% year on year for the year to date, which reflected the growth in MGTS' net income, partially offset by the increase in the Group's ownership in MGTS at the end of 2009. Total net income attributable to Comstar-UTS' shareholders increased by 52% year on year in the second quarter and more than doubled year on year for the year to date, and amounted to RUR 1.5 billion (US\$ 48.8 million) and RUR 3.3 billion (US\$ 109.0 million) respectively. The quarter on quarter developments in net income were distorted by the reversal of previously accrued expenses for cancelled 2008 phantom option programme from the financial results for the 1Q2010.

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

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

	2Q 2010	2Q 2009	Growth (%)	1Q 2010	Growth (%)	1H 2010	1H 2009	Growth (%)
MOSCOW								
Residential								
Voice subscribers (000s)	3,607	3,600	0%	3,609	0%	3,607	3,600	0%
ARPU ⁸ (RUR)	339	314	8%	332	2%	335	306	10%
ARPU (US\$)	11.2	9.7	15%	11.1	1%	11.2	9.3	20%
Voice + Broadband Internet subscribers ⁹ (000s)								
	867	792	10%	860	1%	867	792	10%
ARPU (RUR)	283	330	(14%)	302	(6%)	293	326	(10%)
ARPU (US\$)	9.4	10.2	(8%)	10.1	(7%)	9.7	9.9	(1%)
Premium subscribers ¹⁰ (000s)								
	574	609	(6%)	583	(2%)	574	609	(6%)
ARPU (RUR)	321	358	(10%)	341	(6%)	331	349	(5%)
ARPU (US\$)	10.6	11.1	(4%)	11.4	(7%)	11.0	10.6	4%
Mass-market subscribers (000s)								
	293	182	61%	276	6%	293	182	61%
ARPU (RUR)	206	228	(10%)	212	(3%)	209	229	(9%)
ARPU (US\$)	6.8	7.1	(4%)	7.1	(4%)	7.0	7.0	0%
Voice + Broadband Internet + Pay-TV subscribers ¹¹ (000s)								
	121	133	(9%)	125	(3%)	121	133	(9%)
ARPU (RUR)	272	550	(51%)	550	(51%)	413	522	(21%)
ARPU (US\$)	9.1	17.1	(47%)	18.4	(51%)	13.8	15.8	(13%)
Corporate								
Broadband Internet subscribers (000s)	45	48	(6%)	46	(2%)	45	48	(6%)
ARPU (RUR)	3,957	4,117	(4%)	3,924	1%	3,941	3,971	(1%)
ARPU (US\$)	131.0	128.1	2%	131.3	0%	131.1	120.3	9%
REGIONS								
Residential								
Households passed ¹² (000s) ...	4,335	3,614	20%	4,147	5%	4,335	3,614	20%
Pay-TV subscribers (000s)	2,055	1,951	5%	1,997	3%	2,055	1,951	5%
ARPU (RUR)	112	106	6%	110	3%	111	105	6%
ARPU (US\$)	3.7	3.3	13%	3.7	2%	3.7	3.2	17%
Premium subscribers (000s)								
	1,710	1,577	8%	1,642	4%	1,710	1,577	8%
ARPU (RUR)	134	128	4%	131	2%	132	127	4%
ARPU (US\$)	4.4	4.0	11%	4.4	1%	4.4	3.8	15%

⁸ Here and below, excluding connection fees, including CPP where applicable

⁹ Subscribers to Voice + Broadband Internet service

¹⁰ Subscribers to Broadband Internet, Pay-TV (IPTV and HDTV), VOD and other value added services

¹¹ Subscribers to Voice + Broadband Internet + Pay-TV services

¹² Households passed by Comstar and STREAM-TV branches (from January 2009)

	2Q 2010	2Q 2009	Growth (%)	1Q 2010	Growth (%)	1H 2010	1H 2009	Growth (%)
Basic subscribers (000s) ...	346	374	0%	355	(3%)	346	374	(8%)
ARPU (RUR).....	12	13	0%	13	(5%)	12	12	(2%)
ARPU (US\$).....	0.4	0.4	0%	0.4	(6%)	0.4	0.4	8%
Broadband Internet								
subscribers (000s)	495	316	57%	426	16%	495	316	57%
ARPU (RUR)	286	304	(6%)	297	(4%)	291	309	(6%)
ARPU (US\$)	9.5	9.4	0%	9.9	(5%)	9.7	9.3	4%
Voice subscribers (000s).....	260	262	(1%)	259	0%	260	262	(1%)
ARPU (RUR)	283	255	11%	283	0%	283	281	1%
ARPU (US\$)	9.4	8.0	18%	9.5	(1%)	9.4	8.5	11%
Corporate								
Broadband Internet								
subscribers (000s)	30	27	10%	28	6%	30	27	10%
ARPU (RUR)	2,290	2,675	(14%)	2,352	(3%)	2,320	2,753	(16%)
ARPU (US\$)	75.8	83.0	(9%)	78.7	(4%)	77.2	83.7	(8%)
TOTAL NUMBER OF HOUSEHOLDS PASSED (000s)	7,942	7,213	10%	7,756	2%	7,942	7,213	10%
TOTAL NUMBER OF BROADBAND INTERNET SUBSCRIBERS (000s).....	1,437	1,182	22%	1,359	6%	1,437	1,182	22%
TOTAL NUMBER OF PAY-TV SUBSCRIBERS (000s)	2,176	2,083	4%	2,122	3%	2,176	2,083	4%

Broadband in Moscow

Comstar's residential broadband subscriber base in Moscow grew by 10% year-on-year to 867 thousand. The Group continued to grow its residential double play (voice + broadband internet) subscriber base in Moscow in the second quarter, with ARPU levels reflecting the usual quarter on quarter seasonality patterns. The MGTS mass market residential subscriber base grew by 6% quarter on quarter and 61% year on year to a total of 293 thousand subscribers by the end of the quarter. The number and ARPU of premium residential subscribers were slightly down quarter on quarter.

The number of triple-play subscribers in Moscow (voice, broadband internet & pay-TV) was slightly down quarter on quarter and ARPU was up by 1% quarter on quarter.

Broadband in the Regions

Comstar has "last mile" access to 4.3 million households in cities outside Moscow, of which 2.1 million are active pay-TV users. The regional broadband internet subscriber base grew by 57% year on year and 16% quarter on quarter to 495 thousand. Comstar also began the process of modernizing the existing regional networks and up-selling its existing regional pay-TV subscribers to broadband Internet services. The growth is partly attributable to the consolidation of the subscriber base of TensorTelecom and PenzaTelecom, which were acquired in February and June 2010, respectively.

SEGMENTAL OPERATING REVIEW

1. Traditional Segment in Moscow

Comstar owns 69.93% 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 '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 access and pay-TV services, as well as DLD/ILD services as an agent to Comstar.

Operating Highlights

	Q2 2010	Q2 2009	Growth (%)	Q1 2010	Growth (%)	1H 2010	1H 2009	Growth (%)
Installed telephone lines (000s).....	4,897	4,856	1%	4,896	0%	4,897	4,856	1%
Residential								
Number of subscribers / active lines (000s).....	3,607	3,600	0%	3,609	0%	3,607	3,600	0%
CPP traffic (millions of minutes)	515	492	5%	487	6%	1,002	956	5%
ARPU (RUR).....	356	326	9%	349	2%	352	318	11%
ARPU (US\$).....	11.8	10.1	16%	11.7	1%	11.7	9.6	22%
Corporate								
Number of active lines (000s).....	786	762	3%	783	0%	786	762	3%
Number of subscribers (000s).....	69	70	(1%)	70	(2%)	69	70	(1%)
CPP traffic (millions of minutes).....	236	222	6%	211	12%	448	416	8%
ARPU (excl. revenue from points of interconnect) (RUR).....	6,891	5,442	27%	6,468	7%	6,679	4,914	36%
ARPU (excl. revenue from points of interconnect) (US\$).....	228.1	169.0	35%	216.4	5%	222.2	148.8	49%
Number of points of interconnect (000s).....	22	30	(26%)	23	(5%)	22	30	(26%)
Average monthly revenue per point of interconnect (RUR).....	7,125	5,314	34%	6,036	18%	6,541	5,292	24%
Average monthly revenue per point of interconnect (US\$).....	235.7	165.1	43%	201.9	17%	217.6	160.4	36%
Operators								
Number of interconnected operators	207	267	(22%)	207	0%	207	267	(22%)
Number of points of interconnect (000s).....	226	223	2%	225	1%	226	223	2%
Average monthly revenue per point of interconnect (RUR).....	1,174	1,171	0%	1,161	1%	1,167	1,150	2%
Average monthly revenue per point of interconnect (US\$).....	38.8	36.4	7%	38.8	0%	38.8	34.9	11%

Financial Highlights

<i>RUR millions</i>	Q2 2010	Q2 2009	Growth	Q1 2010	Growth	1H 2010	1H 2009	Growth
Revenues								
Residential	3,896	3,561	9%	3,812	2%	7,708	6,936	11%
Corporate	1,970	1,888	4%	1,881	5%	3,850	3,705	4%
Operators.....	1,979	1,855	7%	2,024	(2%)	4,003	3,815	5%
Total.....	7,845	7,304	7%	7,717	2%	15,561	14,456	8%
Intersegment sales.....	(771)	(679)	14%	(769)	0%	(1,540)	(1,422)	8%
Net Revenues	7,074	6,626	7%	6,948	2%	14,021	13,034	8%
Operating Expenses ¹³	4,141	3,817	9%	4,001	4%	8,142	7,788	5%
OIBDA, gross	3,703	3,488	6%	3,716	(0%)	7,419	6,668	11%
<i>Margin (%)</i>	47.2%	47.7%		48.2%		47.7%	46.1%	
US\$ millions	Q2 2010	Q2 2009	Growth	Q1 2010	Growth	1H 2010	1H 2009	Growth
Revenues								
Residential	128.9	110.7	17%	127.5	1%	256.5	210.2	22%
Corporate	65.2	58.6	11%	62.9	4%	128.1	112.2	14%
Operators.....	65.5	57.6	14%	67.7	(3%)	133.2	115.4	15%
Total.....	259.6	226.9	14%	258.1	1%	517.8	437.8	18%
Intersegment sales.....	(25.5)	(21.3)	20%	(25.6)	(0%)	(51.1)	(43.2)	18%
Net Revenues	234.1	205.7	14%	232.5	1%	466.7	394.6	18%
Operating Expenses	137.0	118.6	16%	133.8	2%	270.8	235.7	15%
OIBDA, gross	122.6	108.3	13%	124.4	(1%)	246.9	202.1	22%
<i>Margin (%)</i>	47.2%	47.7%		48.2%		47.7%	46.1%	

Net revenues were up 7% year on year in the second quarter and up 2% quarter on quarter in ruble terms, and up 8% for the year to date. The growth reflected the average regulatory ruble price increases for residential and corporate voice services of 8% from March 1, 2009 and 10.3% from February 1, 2010, as well as a 17% increase in regulated interconnect tariffs from September 1, 2009 as well as year on year growth in CPP traffic volumes.

Operating expenses, excluding depreciation and amortisation charges, increased by 9% year on year in the second quarter, 4% quarter on quarter, and 5% for the year to date in ruble terms. The growth primarily reflected an increase in network traffic costs in line with increasing traffic volumes, a 5% average increase in Group salary levels to compensate for inflation from April 1, 2010, growing selling and marketing costs in line with the growing demand, rising regulated utility tariffs, costs incurred in connection with state registration of MGTS property and the effect of previously accrued expenses for the cancelled 2008 phantom option programme from the financial results for 1H2009, 2Q2009 and 1Q2010.

Segment OIBDA therefore increased by 6% year on year in the quarter and was stable quarter on quarter in ruble terms, with an OIBDA margin of 47.2%. Segment OIBDA increased by 11% for the year to date in ruble terms with an increased OIBDA margin of 47.7%.

¹³ Here and below operating expenses are excluding depreciation and amortization, net

2. Alternative Segment in Moscow

Comstar owns a group of leading alternative fixed-line telecommunications operators, which provide broadband internet access, Long Distance telephony services, and multi-service solutions to residential and corporate subscribers in Moscow and the surrounding region.

Operating Highlights

	Q2 2010	Q2 2009	Growth (%)	Q1 2010	Growth (%)	1H 2010	1H 2009	Growth (%)
Installed telephone lines (000s).....	659	658	0%	658	0%	659	658	0%
Residential								
Number of subscribers ¹⁴ (000s)	568	632	(10%)	583	(3%)	568	632	(10%)
ARPU (RUR)	570	416	37%	527	8%	548	391	40%
ARPU (US\$)	18.9	12.9	46%	17.6	7%	18.2	11.8	54%
Corporate								
Number of subscribers (000s).....	28	29	(2%)	27	0%	28	29	(2%)
ARPU (RUR)	13,495	13,555	0%	13,668	(1%)	13,580	12,746	6%
ARPU (US\$)	446.6	421.4	6%	457.3	(2%)	451.9	386.2	17%
Operators								
Number of active lines (000s).....	438	438	0%	438	0%	438	438	0%
– of which, used by mobile operators (000s).....	307	307	0%	307	0%	307	307	0%

Financial Highlights

RUR millions	Q2 2010	Q2 2009	Growth	Q1 2010	Growth	1H 2010	1H 2009	Growth
Revenues								
Corporate	1,509	1,613	(6%)	1,513	0%	3,021	3,099	(3%)
Operators.....	824	851	(3%)	827	0%	1,652	1,670	(1%)
Residential	995	810	23%	956	4%	1,951	1,581	23%
Total.....	3,328	3,273	2%	3,296	1%	6,623	6,350	4%
Intersegment sales.....	(129)	(156)	(17%)	(126)	3%	(255)	(254)	1%
Net Revenues	3,198	3,117	3%	3,170	1%	6,368	6,097	4%
Operating Expenses ¹⁵	2,800	2,452	14%	2,367	18%	5,167	4,946	4%
OIBDA, gross	528	822	(36%)	929	(43%)	1,457	1,404	4%
Margin (%)	15.9%	25.1%		28.2%		22.0%	22.1%	
US\$ millions								
Revenues								
Corporate	49.9	50.1	(0%)	50.6	(1%)	100.5	93.9	7%
Operators.....	27.3	26.5	3%	27.7	(1%)	55.0	50.6	9%
Residential	32.9	25.1	31%	32.0	3%	64.9	47.8	36%
Total.....	110.1	101.7	8%	110.3	0%	220.4	192.4	15%
Intersegment sales.....	(4.3)	(4.9)	(12%)	(4.2)	2%	(8.5)	(7.8)	9%
Net Revenues	105.9	96.8	9%	106.0	(0%)	211.9	184.6	15%
Operating Expenses	92.6	76.0	22%	79.0	17%	171.6	149.5	15%
OIBDA, gross	17.6	25.7	(32%)	31.2	(44%)	48.8	42.9	14%
Margin (%)	15.9%	25.1%		28.2%		22.0%	22.1%	

¹⁴ Subscribers to Broadband Internet, Pay-TV, Voice and other services

¹⁵ Here and below operating expenses are excluding depreciation and amortization, net

Net revenues were up 3% year on year in ruble terms in the second quarter, and were up 1% quarter on quarter and up 4% for the year to date. The growth reflected rising DLD/ILD volumes generated by MGTS residential voice subscribers.

Operating expenses, excluding depreciation and amortisation charges, increased by 14% year on year and 18% quarter on quarter in the second quarter, and by 4% for the year to date in ruble terms. This reflected the increase in network traffic expenses due to growing CPP and DLD/ILD traffic volumes generated by MGTS and the alternative segment in the regions, and an increase in selling and marketing expenses as a result of increased demand for the Group's services. The increase in operating expenses also reflected the reversal of previously accrued expenses for the cancelled 2008 phantom option programme from the financial results for 1H2009, 2Q2009 and 1Q2010.

Segment OIBDA therefore decreased by 36% year on year and 43% quarter on quarter in ruble terms, with an OIBDA margin of 15.9%. Segment OIBDA increased by 4% for the year to date in ruble terms with a stable OIBDA margin of 22.0%.

3. Alternative segment in the Regions & CIS

This segment comprises the Group's operations in 83 Russian cities and in Ukraine and Armenia.

Operating Highlights

	Q2 2010	Q2 2009	Growth (%)	Q1 2010	Growth (%)	1H 2010	1H 2009	Growth (%)
Residential								
Number of subscribers (000s).....	2,730	2,528	8%	2,630	4%	2,730	2,528	8%
ARPU (RUR)	162	149	8%	158	2%	160	150	6%
ARPU (US\$)	5.3	4.6	15%	5.3	1%	5.3	4.6	17%
Corporate								
Number of subscribers (000s).....	61	53	15%	58	4%	61	53	15%
ARPU (RUR)	3,232	3,698	(13%)	3,299	(2%)	3,265	3,614	(10%)
ARPU (US\$)	107.0	115.1	(7%)	110.4	(3%)	108.6	109.7	(1%)
Operators								
Number of active lines (000s).....	5	2	179%	7	(19%)	5	2	179%

Financial Highlights

RUR millions	Q2 2010	Q2 2009	Growth	Q1 2010	Growth	1H 2010	1H 2009	Growth
Revenues								
Residential	1,304	1,149	14%	1,252	4%	2,556	2,308	11%
Corporate	583	555	5%	563	4%	1,146	1,094	5%
Operators.....	400	329	22%	371	8%	770	615	25%
Total.....	2,287	2,033	13%	2,186	5%	4,473	4,017	11%
Intersegment sales	(137)	(74)	86%	(137)	1%	(274)	(103)	167%
Net Revenues	2,150	1,959	10%	2,049	5%	4,199	3,914	7%
Operating Expenses ¹⁶	1,545	1,527	1%	1,481	4%	3,026	2,951	3%
OIBDA, gross	742	505	47%	705	5%	1,447	1,065	36%
<i>Margin (%)</i>	32.5%	24.9%		32.3%		32.4%	26.5%	

¹⁶ Here and below operating expenses are excluding depreciation and amortization, net

<i>US\$ millions</i>	Q2 2010	Q2 2009	<i>Growth</i>	Q1 2010	<i>Growth</i>	1H 2010	1H 2009	<i>Growth</i>
Revenues								
Residential	43.1	35.7	21%	41.9	3%	85.0	69.8	22%
Corporate	19.3	17.2	12%	18.8	2%	38.1	33.2	15%
Operators.....	13.2	10.2	30%	12.4	7%	25.6	18.7	37%
Total.....	75.7	63.2	20%	73.1	3%	148.8	121.7	22%
Intersegment sales	(4.5)	(2.3)	98%	(4.6)	0%	(9.1)	(3.1)	191%
Net Revenues	71.1	60.9	17%	68.6	4%	139.7	118.5	18%
Operating Expenses	51.1	47.5	7%	49.5	3%	100.6	89.7	12%
OIBDA, gross	24.6	15.7	57%	23.6	4%	48.2	32.0	51%
<i>Margin (%)</i>	32.5%	24.9%		32.3%		32.4%	26.5%	

Net revenues were up 10% year on year in ruble terms in the second quarter, and up 5% quarter on quarter. Net revenues were up 7% the year to date following the successful up-selling of residential pay-TV subscribers to double-play (broadband internet + pay-TV) services and the consolidation of the subscriber base of TenzorTelecom and PenzaTelecom, which were acquired in February and June 2010, respectively.

Operating expenses, excluding depreciation and amortisation charges, increased by 1% year on year in the second quarter and 4% quarter on quarter, and were up 3% for the year to date in ruble terms. This primarily reflected the rise in selling and marketing expenses due to increased demand for the Group's services, a reduction in allowance for uncollectable receivables as a result of the ongoing reorganisation of the regional businesses, and the reversal of previously accrued expenses for cancelled 2008 phantom option programme from the financial results for 1H2009, 2Q2009 and 1Q2010.

Segment OIBDA therefore increased by 47% year on year in the second quarter, and 5% quarter on quarter in ruble terms, with an increased OIBDA margin of 32.5%. Segment OIBDA increased by 36% for the year to date in ruble terms, with an increased OIBDA margin of 32.4%.

FINANCIAL REVIEW

Net cash generated by operating activities decreased by 18% year on year to RUR 2.7 billion (US\$ 89.6 million) in the second quarter due to payments of annual and first quarter bonuses during the second quarter of 2010, as well as the payment of annual and first quarter taxes.

Net cash used in investing activities increased 13 times to RUR 2.7 billion (US\$ 90.0 million) and included RUR 1.0 billion (US\$ 33.1 million) of short-term investments and RUR 1,232 million (US\$ 40.7 million) of capital expenditure.

Free cash flow generation was therefore down 48% year on year and 62% quarter on quarter to RUR 1.5 billion (US\$ 48.9 million), due to the increase in capital expenditures and a decrease in cash flow from operating activities.

Net cash received from financing activities amounted to RUR 218 million (US\$ 7.2 million) in the quarter, and primarily comprised proceeds from the new credit line from Sberbank, net of repayments of various borrowings, payments of principal of capital lease obligations, acquisition of non-controlling interests in subsidiaries and one-off charge payable to Sberbank for the opening of new credit line. The new Sberbank credit line was opened in the second quarter of 2010.

The Group's cash and cash equivalents and short term investments therefore increased almost threefold year on year and 7% quarter on quarter to RUR 17.2 billion (US\$ 551.9 million) at the end of the period.

The Group's total borrowings, including capital lease obligations, increased by 2% quarter on quarter to RUR 29.3 billion (US\$ 939.4 million), and primarily comprised the RUR 26.6 billion Sberbank credit facilities, the RUR 1.8 billion debt to MTS, and RUR 0.4 billion of vendor financing.

Approximately 99% of the Group's total debt was ruble denominated at the end of the second quarter of 2010, and was equivalent to 1.4 times trailing twelve month OIBDA. The Group's total debt remained stable compared to the end of the first quarter 2010. The Group's net debt¹⁷ was reduced from RUR 12.8 billion at the end of the first quarter 2010 to RUR 12.1 billion at the end of the quarter, and was equivalent to 0.6 times annualized OIBDA and remained stable compared to the end of the first quarter 2010.

OTHER INFORMATION

Conference call

Comstar will host a conference call today at 8.00 AM (ET) / 1.00 PM (UK) / 2.00 PM (CET) / 4.00 PM (MOSCOW) . Participants may access the call by dialling the following numbers:

UK/ International: +44 20 7190 1232
US: +1 480 629 9819

A replay number will be available for 7 days after the conference call. To access the replay, please dial:

UK/ International: +44 20 7154 2833
US: +1 303 590 3030

The replay access number is **4352183#**

The replay facility will also be made available at http://www.comstar.ru/en/for_investors/finresults/2010/2q/ in due course.

For further information, please visit www.comstar-uts.com or contact:

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Comstar-UTS is the leading fixed-line telecommunications company in Moscow. Comstar provides voice, data, television and other value-added services to residential and corporate subscribers and operators, using its extensive backbone network and exclusive last mile access to 96% of Moscow households. The Company also offers communications services in 83 cities in the Russian regions, Armenia and Ukraine. Comstar had 3.6 million residential subscribers including 867 thousand residential broadband internet subscribers in Moscow, as well as 2.7 million regional and international residential subscribers, including 495 thousand residential broadband internet subscribers and 2.1 million residential pay-TV subscribers at the end of the second quarter of 2010. Comstar generated US\$ 88.1 million of revenues and a 42.0% OIBDA margin for the six months ended June 30, 2010. Comstar's Global Depository 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.

¹⁷ Calculated as total debt less cash and cash equivalents and short term investments

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>	Q2 2010		Q2 2009		Q1 2010		1H 2010		1H 2009	
	RUR 'mln	% of revs	RUR 'mln	% of revs	RUR 'mln	% of revs	RUR 'mln	% of revs	RUR 'mln	% of revs
Operating profit	3,490	28.1%	3,378	28.9%	3,881	31.9%	7,371	30.0%	6,176	26.8%
Add: depreciation and amortisation.....	1,475	11.9%	1,425	12.2%	1,456	12.0%	2,931	11.9%	2,918	12.7%
OIBDA	4,965	40.0%	4,803	41.0%	5,337	43.9%	10,302	41.9%	9,094	39.5%
(Less)/add back: accrual/(reversal) of PY stock-based comp	-		46	0.4%	(569)	(4.68%)	(569)	(2.3%)	80	0.3%
OIBDA (adjusted)	4,965	40.0%	4,849	41.4%	4,768	39.2%	9,733	39.6%	9,174	39.8%

<i>US\$ millions</i>	Q2 2010		Q2 2009		Q1 2010		1H 2010		1H 2009	
	US\$ 'mln	% of revs	US\$ 'mln	% of revs	US\$ 'mln	% of revs	US\$ 'mln	% of revs	US\$ 'mln	% of revs
Operating profit	115.7	28.1%	105.1	28.9%	130.1	32.0%	245.8	30.0%	187.3	26.8%
Add: depreciation and amortisation.....	48.8	11.9%	44.2	12.2%	48.7	12.0%	97.5	11.9%	88.4	12.7%
OIBDA	164.5	40.0%	149.3	41.0%	178.8	43.9%	343.3	41.9%	275.7	39.5%
(Less)/add back: accrual/(reversal) of PY stock-based compensation	-		1.3	0.4%	(19.0)	(4.7%)	(19.0)	(2.3%)	2.3	0.3%
OIBDA (adjusted)	164.5	40.0%	150.6	41.4%	159.8	39.2%	324.3	39.6%	278.0	39.8%

Reconciliation of net income

<i>RUR millions</i>	Q2 2010	Q2 2009	Q1 2010	1H 2010	1H 2009
Net income attributable to Comstar-UTS' shareholders (as reported).....	1,460	958	1,794	3,254	1,452
Less/(add back):					
accrual/(reversal) of phantom option costs	-	46	(569)	(569)	80
Add back income tax effect thereon.....	-	(9)	114	114	(16)
Add back non-controlling interest.....	-	-	33	33	-
Net income attributable to Comstar-UTS' shareholders (adjusted)	1,460	995	1,372	2,832	1,516

<i>US\$ millions</i>	Q2 2010	Q2 2009	Q1 2010	1H 2010	1H 2009
Net income attributable to Comstar-UTS' shareholders (as reported).....	48.8	30.0	60.3	109.0	42.6
Less/(add back):					
accrual/(reversal) of phantom option costs	-	1.3	(19.0)	(19.0)	2.3
Add back income tax effect thereon.....	-	(0.3)	3.8	3.8	(0.5)
Add back non-controlling interest.....	-	-	1.1	1.1	-
Net income attributable to Comstar-UTS' shareholders (adjusted)	48.8	31.0	46.1	94.9	44.5

“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,	
	2010	2009	2010	2009
Operating revenues	12,422	11,702	24,589	23,045
Operating expenses, excluding depreciation and amortisation, net	(7,457)	(6,899)	(14,287)	(13,951)
Depreciation and amortisation	(1,475)	(1,425)	(2,931)	(2,918)
Operating income	3,490	3,378	7,371	6,176
Interest income	224	102	422	348
Interest expense	(741)	(874)	(1,564)	(2,019)
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	66	(87)	71	(886)
Income before income taxes and income from investments	3,039	2,484	6,300	3,597
Income tax expense	(865)	(441)	(1,657)	(959)
Income from investments	–	(2)	–	(2)
Net income	2,174	2,041	4,643	2,636
Less: net income attributable to the noncontrolling interest	(714)	(1,083)	(1,389)	(1,184)
Net income attributable to Comstar-UTS	1,460	958	3,254	1,452
Weighted average number of common shares outstanding – basic	404,456,856	358,224,856	404,456,856	358,224,856
Earnings per common share – basic	RUR 3.6	RUR 2.7	RUR 8.1	RUR 4.1
Weighted average number of common shares outstanding – diluted	404,456,856	358,224,856	404,456,856	358,224,856
Earnings per common share – diluted	RUR 3.6	RUR 2.7	RUR 8.1	RUR 4.1

“COMSTAR – United TeleSystems” OJSC
UNAUDITED CONSOLIDATED INCOME STATEMENTS

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
<i>US\$ thousand, except for share and per share amounts</i>				
Operating revenues	\$ 411,110	\$ 363,579	\$ 818,133	\$ 697,950
Operating expenses, excluding depreciation and amortisation, net	(246,617)	(214,243)	(474,831)	(422,251)
Depreciation and amortisation	(48,778)	(44,244)	(97,465)	(88,376)
Operating income	115,715	105,092	245,837	187,323
Interest income	7,384	3,206	14,015	10,587
Interest expense	(24,522)	(27,187)	(52,045)	(61,077)
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	2,166	(3,108)	2,319	(29,319)
Income before income taxes and income from investments	100,743	77,336	210,126	106,366
Income tax expense	(28,372)	(13,748)	(54,887)	(28,839)
Income from investments	–	(56)	–	(56)
Net income	72,371	63,532	155,239	77,471
Less: net income attributable to the noncontrolling interest	(23,608)	(33,539)	(46,219)	(34,879)
Net income attributable to Comstar-UTS	\$ 48,763	\$ 29,993	\$ 109,020	\$ 42,592
Weighted average number of common shares outstanding – basic	404,456,856	358,224,856	404,456,856	358,224,856
Earnings per common share – basic	US\$ 0.12	US\$ 0.08	US\$ 0.27	US\$ 0.12
Weighted average number of common shares outstanding – diluted.....	404,456,856	358,224,856	404,456,856	358,224,856
Earnings per common share – diluted	US\$ 0.12	US\$ 0.08	US\$ 0.27	US\$ 0.12

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

Assets	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
	<i>(RUR million)</i>		<i>(US\$ thousand)</i>	
Current assets:				
Cash and cash equivalents	4,846	7,517	\$ 155,334	\$ 248,542
Short-term investments and loans	12,371	5,168	396,572	170,886
Trade receivables, net	5,069	4,438	162,490	146,736
Other receivables, prepaid expenses and other current assets	1,948	1,770	62,436	58,524
Inventories and spare parts	929	831	29,841	27,491
Deferred tax assets, current portion	1,131	1,029	36,253	34,035
Total current assets	26,294	20,753	842,926	686,214
Property, plant and equipment, net	51,811	52,514	1,660,847	1,736,332
Intangible assets, net	9,088	8,392	291,334	277,464
Investments in shares of Svyazinvest	26,000	26,000	833,456	859,669
Other long-term investments and loans	1,632	1,600	52,324	52,890
Other long-term assets	138	123	4,409	4,076
Total assets	114,963	109,382	\$ 3,685,296	\$ 3,616,645

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

	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
	<i>(RUR million)</i>		<i>(US\$ thousand)</i>	
Liabilities and shareholders' equity:				
Current liabilities:				
Trade accounts payable, accrued expenses and other current liabilities	8,133	7,083	\$ 260,719	\$ 234,203
Deferred connection fees, current portion	748	814	23,984	26,921
Subscriber prepayments	1,288	1,237	41,293	40,916
Debt, current portion	13,382	7,036	428,986	232,644
Capital lease obligations, current portion	2	35	68	1,161
Total current liabilities	23,553	16,205	755,050	535,845
Long-term liabilities:				
Deferred connection fees, net of current portion	2,684	2,816	86,050	93,097
Debt, net of current portion	15,922	21,987	510,390	726,997
Capital lease obligations, net of current portion	–	–	–	4
Post-retirement obligations	779	772	24,968	25,537
Property, plant and equipment contributions	2,716	2,733	87,057	90,349
Deferred tax liabilities, long-term portion	3,681	3,394	118,009	112,219
Payable to Sistema Hals, related party	1,176	1,158	37,684	38,273
Total long-term liabilities	26,958	32,860	864,158	1,086,476
Total liabilities	50,511	49,065	1,619,208	1,622,321
Shareholders' equity:				
Comstar-UTS shareholders' equity:				
Common stock	418	418	23,900	23,900
Treasury stock	(13)	(13)	(857)	(857)
Additional paid-in capital	37,666	37,681	1,369,974	1,370,706
Retained earnings	12,692	9,438	448,006	338,986
Accumulated other comprehensive loss	(1,807)	(1,794)	(271,685)	(220,713)
Total Comstar-UTS shareholders' equity	48,956	45,730	1,569,338	1,512,022
Noncontrolling interest	15,496	14,587	496,750	482,302
Total shareholders' equity	64,452	60,317	2,066,088	1,994,324
Total liabilities and shareholders' equity	114,963	109,382	\$ 3,685,296	\$ 3,616,645

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

RUR million

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Operating activities:				
Net income	2,174	2,041	4,643	2,636
Adjustments to reconcile net income to net cash provided by operations:				
Depreciation and amortisation	1,475	1,425	2,931	2,918
Stock-based compensation	88	46	80	86
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	63	72	118	101
Compensation of losses from third parties	(52)	(56)	(111)	(92)
Amortisation of deferred finance charges	3	2	6	5
Deferred taxes	111	48	68	87
Foreign currency transactions loss / (gain) on non- operating activities, net	(24)	102	(40)	857
Postretirement benefits	9	8	22	24
Bad debt expense	62	74	136	306
Changes in operating assets and liabilities:				
Trade receivables	(128)	204	(750)	(235)
Other receivables, prepaid expenses and other current assets	(379)	115	(147)	(203)
Inventories and spare parts	(9)	(55)	(81)	(175)
Trade accounts payable, accrued expenses and other current liabilities	(603)	(664)	397	634
Deferred connection fees	(88)	(88)	(197)	(139)
Subscriber prepayments	4	(1)	51	(64)
Net cash provided by operating activities	2,706	3,308	7,126	6,768

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

RUR million

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Investing activities:				
Purchases of property, plant and equipment.....	(1,101)	(412)	(1,489)	(2,252)
Proceeds from sale of property, plant and equipment	10	18	17	40
Purchases of intangible assets.....	(131)	(88)	(238)	(272)
Acquisition of subsidiaries, net of cash acquired	(585)	–	(771)	–
Purchases of long-term investments and loans	–	–	–	(14)
Proceeds from sale and redemption of long-term investments and loans	84	4	88	4
Purchases of short-term investments and loans	(1,000)	(200)	(10,200)	(200)
Proceeds from sale and redemption of short-term investments and loans	–	461	2,997	9,376
Net cash provided by / (used in) investing activities ...	(2,723)	(217)	(9,596)	6,682
Financing activities:				
Acquisition of Stream-TV	–	–	–	(103)
Acquisition of noncontrolling interests in existing subsidiaries	(117)	–	(292)	(28)
Proceeds from borrowings.....	588	–	588	56
Principal payments on borrowings	(178)	(596)	(409)	(9,749)
Principal payments on capital lease obligations	(17)	(67)	(30)	(128)
Deferred finance charges.....	(58)	–	(58)	–
Dividends paid.....	–	–	–	–
Net cash used in financing activities.....	218	(663)	(201)	(9,952)
Effects of foreign currency translation on cash and cash equivalents.....	–	(12)	–	26
Net increase in cash and cash equivalents.....	201	2,416	(2,671)	3,524
Cash and cash equivalents, beginning of the period	4,645	2,929	7,517	1,821
Cash and cash equivalents, end of the period.....	4,846	5,345	4,846	5,345

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

US\$ thousand

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Operating activities:				
Net income	\$ 72,371	\$ 63,532	\$ 155,239	\$ 77,471
Adjustments to reconcile net income to net cash provided by operations:				
Depreciation and amortisation	48,778	44,244	97,465	88,376
Stock-based compensation	2,869	1,267	2,609	2,336
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	2,081	2,231	3,948	3,089
Compensation of losses from third parties	(1,728)	(1,732)	(3,684)	(2,789)
Amortisation of deferred finance charges	86	77	197	157
Deferred taxes	3,394	1,354	1,901	2,380
Foreign currency transactions loss on non- operating activities, net	(779)	3,173	(1,332)	25,418
Postretirement benefits	293	256	736	740
Bad debt expense	2,037	2,309	4,541	9,155
Changes in operating assets and liabilities:				
Trade receivables	(4,244)	6,348	(25,040)	(6,601)
Other receivables, prepaid expenses and other current assets	(12,543)	3,554	(4,771)	(5,810)
Inventories and spare parts	(294)	(1,713)	(2,718)	(5,243)
Trade accounts payable, accrued expenses and other current liabilities	(19,928)	(20,615)	13,501	17,651
Deferred connection fees	(2,894)	(2,722)	(6,566)	(4,217)
Subscriber prepayments	135	(44)	1,693	(1,895)
Net cash provided by operating activities	\$ 89,634	\$ 102,186	\$ 237,719	\$ 201,366

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

US\$ thousand

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Investing activities:				
Purchases of property, plant and equipment.....	\$ (36,402)	\$ (12,774)	(49,378)	\$ (67,008)
Proceeds from sale of property, plant and equipment	336	552	549	1,194
Purchases of intangible assets.....	(4,331)	(2,723)	(7,903)	(8,153)
Acquisition of subsidiaries, net of cash acquired	(19,331)	–	(25,576)	–
Purchases of long-term investments and loans	–	–	–	(413)
Proceeds from sale and redemption of long-term investments and loans	2,786	115	2,923	115
Purchases of short-term investments and loans	(33,065)	(6,208)	(340,857)	(6,208)
Proceeds from sale and redemption of short-term investments and loans	3	14,312	100,270	276,257
Net cash provided by / (used in) investing activities ...	(90,004)	(6,726)	(319,972)	195,784
Financing activities:				
Acquisition of Stream-TV	–	–	–	(3,044)
Acquisition of noncontrolling interests in existing subsidiaries	(3,875)	–	(9,731)	(816)
Proceeds from borrowings.....	19,426	–	19,426	1,641
Principal payments on borrowings	(5,892)	(18,503)	(13,621)	(285,467)
Principal payments on capital lease obligations	(555)	(2,086)	(999)	(3,896)
Deferred finance charges.....	(1,918)	–	(1,918)	–
Dividends paid.....	–	(10)	–	(13)
Net cash used in financing activities.....	7,186	(20,599)	6,843	(291,595)
Effects of foreign currency translation on cash and cash equivalents.....	(9,665)	9,856	(4,112)	3,271
Net increase in cash and cash equivalents.....	(2,849)	84,717	(93,208)	108,826
Cash and cash equivalents, beginning of the period	158,183	86,114	248,542	62,005
Cash and cash equivalents, end of the period.....	\$ 155,334	\$ 170,831	\$ 155,334	\$ 170,831