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COMSTAR UNITED TELESYSTEMS OJSC

FINANCIAL RESULTS FOR THE FOURTH QUARTER AND TWELVE MONTHS ENDED DECEMBER 31, 2006

Moscow, Russia – April 17, 2007 – "COMSTAR – United TeleSystems" OJSC ("Comstar" or "The Group") (LSE: CMST), the leading combined telecommunications operator in Russia and the CIS, today announced its unaudited consolidated US GAAP financial results for the fourth quarter and twelve months ended December 31, 2006.

FULL YEAR HIGHLIGHTS

- **Consolidated revenues up 23% year on year to US$ 1.12 billion**
- **Group OIBDA[1] before non-recurring US$ 62.1 million stock bonus awards up 19% year on year to US$ 428.6 million with margin of 38.3%**
- **Cash flow from operations up 25% year on year to US$ 333.7 million before US$ 62.1 million stock bonus awards**
- **US$ 975.5 million raised through successful initial public offering and listing on London Stock Exchange**
- **US$ 181.4 million invested to increase shareholding in MGTS from 46% to 56%**
- **US$ 1.3 billion of cash invested in landmark acquisition of 25% plus 1 share stake in state telecommunications operator Svyazinvest**

FOURTH QUARTER HIGHLIGHTS

- **Consolidated revenues up 8% year on year to US$ 292.1 million**
- **Group OIBDA before the stock bonus awards up 9% year on year to US$ 97.4 million with margin of 33.3%**
- **Cash flow from operations up 72% year on year to US$ 91.8 million before the stock bonus awards**
- **US$ 33.4 million adverse impact on net income following revaluation of put and call option issued as part of Svyazinvest share acquisition**

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

Eric Franke, Chief Executive Officer, commented: “2006 was a year of significant and far reaching change for the Group. The year started with the raising of nearly one billion US dollars through our IPO and ended with the strategic acquisition of a 25 per cent plus one share stake in state telecommunications investment company Svyazinvest. During 2006 Comstar was successfully transformed from a loose collection of related but un-integrated telecommunications companies and brands. The re-branding program has been successfully accomplished, and the restructuring of Comstar Moscow has now been largely completed. We have reorganized the Group from the top down and put in place a new management structure. Despite the regulatory changes we managed to show healthy revenue and OIBDA growth. Our efforts to optimize the Group’s operations have laid the foundation for increasing profitability moving forward, despite the wide ranging regulatory changes to which we have successfully adopted.”

Nikolay Tokarev, Chief Financial Officer, added: “The US$ 976 million of net proceeds from our successful IPO at the beginning of the year, combined with substantially increased cash flow from operations, enabled us to invest over US$ 300 million in our existing operations, and to spend over US$ 1.5 billion on key scale acquisitions in existing and new markets, as well as increased shareholdings in core assets. The Svyazinvest acquisition has already created significant value for Comstar shareholders when acquisition cost is measured against 25% of the total of the current market values of Svyazinvest’ stakes in its publicly listed subsidiaries.

“The fourth quarter results were adversely impacted by the exceptional US$ 62.1 million stock bonus awarded under the approved by shareholders in 2006 share option program, as well as by a non-cash charge to net income of US$ 33.4 million arising from the revaluation of the put and call option issued in connection with the acquisition of the stake in Svyazinvest. Excluding these items, Comstar delivered solid operating performance. With 23% growth to over 1.1 billion dollars in revenues, and with OIBDA margin before stock award of over 38%, Comstar is among the largest and fastest growing public fixed-line telecoms operators in Russia. It is also the most profitable among them.”

FINANCIAL SUMMARY

The following summary has been restated to exclude two principal non comparable items that impacted results of the fourth quarter of 2006. The first was the non-recurring US$ 62.1 million stock bonus awards, which impacted the Group’s OIBDA for both the quarter and the full year. The second item was a non-cash charge of US$ 60.0 million, which arose from the revaluation of the put and call option issued in connection with the acquisition of a 25% plus one share stake in State Telecommunications Investment Company ‘Svyazinvest’ on December 11, 2006. The revaluation adversely impacted the Group’s net income with a charge of US$ 60.0 million and positively impacted the minority interest line by US$ 26.6 million for both the quarter and the year to date.

(US$ millions)	**Q4 2006**	Q4 2005	*Year on year Growth*	Q3 2006	*Quarter on quarter Growth*	**Full year 2006**	Full year 2005	*Year on year Growth*
Revenue (net of inter-segment transactions)								
- Alternative Segment	**113.6**	122.8	*(7%)*	109.4	*4%*	**425.2**	369.3	*15%*
- Traditional Segment	**178.5**	147.9	*21%*	182.4	*(2%)*	**695.0**	538.3	*29%*
TOTAL REVENUES	**292.1**	270.7	*8%*	291.8	*0.1%*	**1,120.2**	907.6	*23%*
OIBDA[2] before non-comparable items	**97.4**	89.1	*9%*	113.9	*(14%)*	**428.6**	358.8	*19%*
Margin	***33.3%***	*32.9%*		*39.0%*		***38.3%***	*39.5%*	
Operating Profit before non-comparable items	**57.7**	67.6	*(15%)*	76.5	*(25%)*	**297.7**	268.4	*11%*
Margin	***19.7%***	*24.9%*		*26.2%*		***26.6%***	*29.6%*	
Net Income before non-comparable items	**32.5**	22.1	47%	48.3	*(33%)*	**178.1**	105.9	*68%*
Margin	***11.1%***	*8.2%*		*16.5%*		***15.9%***	*11.7%*	
Cash Flow from Operations before non-comparable items	**91.8**	53.3	*72%*	84.0	*9%*	**333.7**	267.3	*25%*
Total CAPEX	**92.8**	87.9	*6%*	76.3	*22%*	**301.7**	228.5	*32%*
CAPEX as % of revenue.	***31.8%***	*32.5%*		*26.2%*		***26.9%***	*25.2%*	

OPERATING REVIEW

The Group generated 23% year on year revenue growth to over US$ 1.12 billion in 2006, which primarily reflected the full year impact of the October 2005 tariff increases at MGTS, the growth in data and Internet offerings to corporate customers, the introduction of Calling Party Pays ("CPP"), the growth in residential broadband revenues, and the reimbursements received from the Federal Budget.

The Group's fourth quarter year on year organic growth rate, when excluding the regional acquisitions made in 2005 and 2006, was 16%. The reported year on year growth rate of 8% reflected the impact of the US$ 33.8 million revenue contribution from newly acquired operations in 2005 (TNGS, Overta, Conversiya Svyaz, CTK Contrast Telecom, Unitel) and the US$ 11.4 million revenue contribution from newly acquired businesses in 2006 (DG Tel and Technologic Systems in Ukraine, Cornet and Callnet in Armenia, and Astelit). With the exception of Astelit, which was acquired in June 2006, all of the other operations were acquired and consolidated in the fourth quarter of each year and, in each case, the entire full year results were therefore accounted for in the fourth quarter. Fourth quarter consolidated revenues were only up marginally compared to the third quarter of 2006, due to the higher proportion of long-distance revenue earned and reported according

[2] Please see Attachment A to this statement for reconciliation of Adjusted OIBDA, Operating and Net Income and Cash Flow from Operations and a full definition of CAPEX

to the new regulations in the final quarter of the year, as well as the US$ 8.0 million of reimbursements received from the Federal budget in the third quarter.

Net revenues for the Traditional segment grew by 29% year on year in 2006 and by 21% in the fourth quarter, which was primarily due to the increase in regulated voice tariffs for residential and corporate subscribers, increasing corporate subscriber demand for data services, and an increase in the fees that MGTS charges other operators for infrastructure access. The introduction of CPP from July 1, 2006 contributed approximately US$ 18.2 million of subscriber revenues in the fourth quarter and approximately US$ 32.9 million for the whole year. Comstar also received US$ 25.8 million of payments from the Federal Budget in the second and third quarters of 2006, in order to reimburse Comstar for discounts provided to certain categories of low income residential subscribers, including pensioners and military veterans, under the terms of pre-2005 legislation.

Alternative segment net revenues were up 15% year on year in 2006, which reflected a 54% increase in total residential broadband subscriber revenues to US$ 77.5 million and a 30% increase in corporate data transmission and Internet access service revenues. Total residential broadband subscriber revenues were also up 26% year on year to US$ 20.6 million in the fourth quarter, with a 41% increase in corporate internet access and data transmission service revenues. The year on year comparison of total segment revenues in the fourth quarter is dislocated by the aforementioned recognition of the entire years' revenues of those regional operators acquired in the fourth quarter of 2005. Comstar's regional operations therefore generated a 33% year on year increase in revenues to US$ 49.8 million for the full year, following the acquisition of the Armenian and Ukrainian operations in the fourth quarter of 2006. Fourth quarter 2006 regional revenues were up 48% when compared to the third quarter, but down 44% year on year due to the impact of the new acquisitions. The 2006 top line results were also adversely affected by the change in the long distance calling regime introduced from January 1, 2006. If the Group had continued to recognize revenues collected from customers for long distance calling on behalf of licensed long distance providers as its own revenues, alternative segment revenues would have been up 19% year on year in 2006.

Operating costs excluding depreciation and amortization and also excluding the stock bonus award increased by 26% year on year to US$ 699.2 million in 2006, which principally comprised the US$ 53.6 million increase in network traffic and capacity costs driven by the introduction of CPP and changes in the interconnection regime, the US$ 44.4 million of growth in personnel costs associated with inflationary pressures on labour costs in traditional segment, establishment of the corporate centre, restructuring of the alternative segment and adding personnel of newly acquired entities. Total employee costs declined as a percentage of sales from 26% to 25% in 2006, when excluding the stock bonus awards.

Comstar made a provision of US$ 5.5 million in the fourth quarter of 2006 following the outcome of a legal dispute with Rostelecom regarding call charges for certain type of the traffic. MGTS had filed claims in the Moscow Arbitration Court against Rostelecom regarding disputed payments for traffic to mobile networks generated by MGTS subscribers and transferred via Rostelecom. The disputed revenues, which were recorded by MGTS as receivable from Rostelecom, amounted to US$ 5.5 million for the first half of 2006. No revenue was recognized in relation to disputed traffic in the second half of the year.

The ongoing workforce restructuring process at Comstar Moscow resulted in a restructuring charge of approximately US$ 3.0 million in the fourth quarter, which was in line with the Group's previous guidance. This restructuring is expected to result in approximately US$ 8.0 million of annual cost savings from 2007 onwards. The fourth quarter results also included US$ 0.7 million of expenses arising for the first time on the stock options granted to senior management and members of the Board of Directors on November 15, 2006. The costs for the stock options granted to date will recur at approximately US$ 1.3 million per quarter until November 2008, when the options will be fully vested. The options have been classified as equity in the Group's balance sheet and the performance of Comstar's share price will not therefore affect the costs to be incurred for the options granted to date.

Full year OIBDA was positively impacted by a net gain of US$ 7.6 million on the disposal of an MGTS building in the second quarter of 2006, while the prior year OIBDA result included US$ 5.8 million of insurance monies received in 2005.

Excluding the non-recurring US$ 62.1 million stock bonuses awarded to members of the Board of Directors during the fourth quarter, Comstar reported a 19% year on year increase in OIBDA to US$ 428.6 million in 2006 and the full year OIBDA margin of 38.3%, which compares with a full year margin of 39.5% for 2005. OIBDA before the stock bonus award for the fourth quarter was up 9% year on year to US$ 97.4 million, with an OIBDA margin of 33.3%, which was above the 32.9% reported for the fourth quarter of 2005. The 39.0% OIBDA margin reported for the third quarter of 2006 included the benefit of the compensation received from the Federal budget, and did not include the impact of the relatively lower margin results for the Armenian and Ukrainian operations acquired in the fourth quarter.

The Group's depreciation and amortization charges increased year on year from US$ 21.6 million to US$ 39.7 million in the fourth quarter and from US$ 90.4 million to US$ 130.9 million for the full year. The increase is primarily attributable to the increased level of capital expenditure in 2006; the previously announced revision of the estimated remaining useful life of MGTS analogue equipment; the depreciation and amortization charges arising from the purchase of the increased shareholding in MGTS; and the currency translation effect of a weakening US dollar on MGTS's Rouble denominated depreciation and amortization charges.

Net interest expense amounted to US$ 0.6 million (compared to a net interest expense of US$ 3.5 million) in the fourth quarter of 2006, and a gain of US$ 21.4 million (compared to an interest expense of US$ 10.3 million) for the full year of 2006. Interest income declined in the fourth quarter in line with the use of the Group's deposits to acquire the stake in Svyazinvest, and interest expense rose in line with the use of the newly arranged US$ 675.0 million loan. Comstar also reported a US$ 4.9 million foreign exchange rate gain in the fourth quarter, and a gain of US$ 19.9 million for the full year, as a result of the increasing proportion of the Group's deposits that were held in Russian Roubles as the Rouble significantly appreciated against the US dollar.

As part of the purchase price consideration for the 25% plus 1 share of Svyazinvest, MGTS Finance S.A., a wholly owned subsidiary of MGTS, issued a put and call option to the seller over 46,232,000 Comstar shares owned by MGTS Finance S.A. The optioned shares represent 11.06% of Comstar's total issued shares as at December 31, 2006. The fair value of the put and call option was estimated to be US$ 90.0 million at the time of acquisition on December 11, 2006. The Comstar share price rose by 20% between the acquisition date and the end of the reporting period and the estimated value of the option therefore increased to US$ 150.0 million. The resulting US$ 60.0 million increase in the value of the liability was therefore reported as a non-cash charge to the Group's income statement. The impact of the charge on the Group's net income was however reduced to US$ 33.4 million by the 44% minority interest in the charge. The liability under this put and call contract will continue to be revalued on a quarterly basis and will result in the recognition of non-cash gains or losses until such times as the option is exercised or expires.

Group income tax charges remained at a relatively stable level through the year and amounted to US$ 14.6 million (US$ 9.0 million) in the fourth quarter and US$ 72.4 million (US$ 59.3 million) for the full year. The effective tax rate increased substantially in the fourth quarter due to the fact that the stock bonus and stock option awards, and the option revaluation charge, are non tax-deductible. The effective tax rate for the fourth quarter of 2005 was also lower due to the reversal of tax contingency provisions, which resulted in an approximately US$ 5.0 million reduction in income tax expense.

The Group reported a more than tripling in income from affiliates to US$ 1.2 in the fourth quarter and US$ 3.3 million for the full year, as Comstar benefited from its 45% participation in the earnings of Metrocom in St Petersburg. Comstar is yet to determine the most appropriate accounting treatment of the Svyazinvest shareholding, and the shares of Svyazinvest were therefore carried at cost as at December 31, 2006.

The full year 2006 net income, excluding the effects of the stock bonus awards and the revaluation of the put and call option, increased by 68% year on year to US$ 178.1 million from US$ 105.9 million. The fourth quarter net income before non-comparable items increased by 47% year on year from US$ 22.1 million to US$ 32.5 million. The total number of issued and outstanding Comstar shares increased from 221,198,360 at the end of 2005 to 349,451,599 at the end of 2006, and the Group therefore reported US$ 0.24 of basic earnings per share and US$ 0.21 of diluted earnings per share for the full year. Comstar bought back 10,746,761 of its own shares for US$ 73.9 million between October and December 2006 and subsequently awarded 8,776,757 of these shares as stock bonuses to two members of the Board of Directors.

OUTLOOK

Comstar expects to generate organic revenue growth in line with 2006 result excluding the effect of any possible acquisitions. The Group's revenue growth is being driven by increasing MGTS tariffs; increase in revenues from sales of data and internet to corporate customers, the positive impact of CPP on both corporate and residential voice service revenues; and the US$ 36.3 million[3] of anticipated reimbursement payments from the Federal Budget.

The 2007 like for like OIBDA margin is expected to improve from the adjusted 2006 level, before the impact of any further regulatory changes or acquisitions. The margin is expected to be positively affected by the new MGTS tariffs; the ongoing cost optimization program in Moscow; but will also be adversely impacted by regulatory changes, namely the lower margin interconnect regime and the introduction of CPP.

Comstar's capital expenditure is expected to total no more than US$ 350.0 million in 2007, and is expected to gradually decrease year on year as a percentage of revenues in 2007 and moving forward.

[3] As of December 31, 2006

Alternative Segment Revenue Breakdown – Moscow, Russia Regions & CIS

(US$ millions)	**Q4 2006**	Q4 2005	*Year on year Growth*	Q3 2006	*Quarter on quarter Growth*	**Full year 2006**	Full year 2005	*Year on year Growth*
Moscow Metropolitan Area								
Residential								
Voice	**0.5**	0.9	*(44%)*	0.6	*(17%)*	**2.8**	3.3	*(15%)*
Data & Internet								
- "Stream" Project	**20.2**	16.1	*25%*	19.1	*6%*	**76.0**	49.5	*54%*
- *of which, Double Play*	**1.4**	0.2	*600%*	2.0	*(30%)*	**4.7**	0.3	*1467%*
- Other Broadband Internet	**0.4**	0.3	*33%*	0.4	*0%*	**1.5**	0.9	*67%*
- Dial-up	**1.9**	3.8	*(50%)*	2.3	*(17%)*	**10.3**	16.9	*(39%)*
Other Services	**0.1**	-	*100%*	0.1	*0%*	**0.2**	0.1	*100%*
TOTAL	**23.1**	21.1	*10%*	22.5	*3%*	**90.8**	70.7	*28%*
Corporate								
Voice	**15.5**	19.4	*(20%)*	15.4	*1%*	**68.9**	73.5	*(6%)*
Data & Internet	**24.7**	17.5	*41%*	20.1	*23%*	**80.8**	62.1	*30%*
Value-Added Services	**3.3**	2.6	*27%*	3.1	*6%*	**11.9**	9.3	*28%*
Other	**0.5**	1.2	*(58%)*	0.5	*0%*	**2.0**	3.0	*(33%)*
TOTAL	**44.0**	40.7	*8%*	39.1	*13%*	**163.6**	147.9	*11%*
Operators	**23.6**	25.1	*(6%)*	29.9	*(21%)*	**108.0**	107.3	*1%*
Other Revenues	**4.1**	2.8	*46%*	5.3	*(23%)*	**14.1**	7.4	*91%*
Russia Regions & CIS	**19.0**	33.7	*(44%)*	12.8	*48%*	**49.8**	37.5	*33%*
TOTAL REVENUES	**113.8**	123.4	*(8%)*	109.6	*4%*	**426.3**	370.8	*15%*
Intersegment Revenues	**(0.2)**	(0.6)	*(67%)*	(0.2)	*0%*	**(1.1)**	(1.5)	*(27%)*
NET TOTAL REVENUES	**113.6**	122.8	*(7%)*	109.4	*4%*	**425.2**	369.3	*15%*

Net revenues for the Alternative segment were up 15% year on year to US$ 425.2 million in 2006, with revenues from residential subscribers growing by 28% year on year to US$ 90.8 million. The growth was driven by a 44% increase in the broadband subscriber base over the year and a 7% increase in the average revenue per ADSL line (ARPL)[4] from US$ 18.82 in 2005 to US$ 20.17 in 2006. ARPL was up marginally year on year in the fourth quarter from US$ 19.21 to US$ 19.48, and from US$ 19.21 in the third quarter of 2006. This development reflected the balance of lower ARPL new subscribers due to the aggressive subscriber acquisition campaigns, and the increasing

[4] Please see Attachment A to this statement for a full definition of ARPL.

proportion of higher revenue 'double-play' subscribers as a percentage of the total broadband customer base. Broadband revenues accounted for 84% (US$ 76.0 million) of total residential revenues in 2006, compared to 70% (US$ 49.5 million) in 2005. The Group's dial-up internet access subscriber base and revenues continued to decline as broadband penetration increased and Comstar successfully up sold subscribers to broadband subscriptions.

Revenues generated from residential subscribers for calls to other (primarily, mobile) operators, under the newly introduced CPP Rule, contributed approximately US$ 0.1 million to residential voice revenues during the fourth quarter and approximately US$ 0.3 million for the full year.

Revenues from corporate subscribers were up 11% year on year to US$ 163.6 million in 2006 following a 30% growth in the Group's data transmission and internet access revenues, which is the principal driver of Comstar's corporate business. Similarly, revenues were up 13% in the fourth quarter to US$ 44.0 million when compared to the third quarter of 2006. Corporate voice revenues declined year on year but were stable quarter on quarter, primarily due to the change in the long-distance traffic routing rules and the corresponding change in the reporting of revenues derived from long-distance services.

Comstar entered into agent agreements with authorized long distance telephony service providers during 2006, in order to comply with the new long distance traffic routing rules introduced in January 1, 2006. As a result, the Group had almost completed the migration of its customer base to the new agent contracts by the end of the year. Under the new agreements, the Group distributes the services of authorized long distance operators and receives a commission on the resulting long distance revenues from the operators. This commission is approximately equal to the gross margin earned under the old rules, under which the Group reported the full long distance calling revenue and expensed the corresponding settlement cost. The breakdown of revenues from long distance telephony services to corporate subscribers is detailed in the table below.

(US$ millions)	**FY 2006**		**Q4 2006**		**Q4 2005**
	New 'Agent' scheme *(Net basis)*	**Old scheme** *(Gross basis)*	**New 'Agent' scheme** *(Net basis)*	**Old scheme** *(Gross basis)*	**Old scheme only** *(Gross basis)*
Revenue	4.6	19.2	2.9	1.2	8.0
Settlement (traffic) cost ..	-	9.6	-	0.6	4.0

Had the Group continued to recognize all proceeds collected from customers for long distance traffic on behalf of long distance providers as its own revenues, the US$ 2.9 million of commission revenue recognised in the fourth quarter of 2006 would have been reported as approximately US$ 5.8 million of revenue with a corresponding US$ 2.9 million of settlement costs included in operating expenses. Corporate customer voice revenues would then have increased by 10% or US$ 1.9 million year on year in the fourth quarter and by 12% or US$ 9.1 million for the full year. Had the Group continued to recognize all revenues collected from customers for long-distance traffic on behalf of long distance providers as its own revenues under the pre-2006 rules, Alternative segment revenues would have increased by 19% year on year in 2006.

In addition, these revenues would have been reported as Corporate revenues but are now reported as revenues from long distance carriers in the 'Operators' line of the 'Alternative Segment Revenue Breakdown' table above. This change affects the segmental and full income statement presentation of revenues and costs, but has no material impact on the Group's profitability, as explained above. Revenue from 'Operators' was therefore flat year on year at US$ 108.0 million in 2006 and included US$ 4.6 million of such agent fee revenues. Revenue from operators amounted to US$ 23.6 million in the fourth quarter, compared to US$ 29.9 million in the third quarter of 2006 and US$ 25.1 million in the fourth quarter of 2005, as the Group cancelled low marginal transit of traffic from other operators in the third and the fourth quarters of 2006.

Revenues generated from corporate subscribers for calls to mobile operators under the CPP rule contributed approximately US$ 1.7 million to corporate voice revenues during the forth quarter and approximately US$ 3.1 million for the full year.

The Group's regional businesses comprise Porttelecom, Comstar-Ukraine, Sochi branch, Povozhie branch, Overta, Conversia, Kontrast, Unitel, TNGS, Astelit, DG Tel, Technologic Systems, Callnet and Cornet. The combined regional operations, net of intercompany transactions, generated a 33% year on year increase in revenues to US$ 49.8 million for the full year. The latter four of these operations were acquired in the fourth quarter of 2006 and Astelit was acquired in June 2006. These newly acquired operations generated US$ 11.4 million of revenues in 2006, whilst the pre-existing operations generated 4% year on year organic growth to US$ 39.1 million for the full year. The full year revenues for the four operations acquired in the fourth quarter of 2006 were included in the fourth quarter results, according to the Group's accounting policy. The four Armenian and Ukrainian operations therefore contributed US$ 8.3 million of revenues in the fourth quarter and full year results. Similarly, Comstar acquired TNGS, Overta, Conversiya Svyaz, CTK Contrast Telecom, Unitel operations in the fourth quarter of 2005, which were accounted for in the same way and the Group therefore recognized US$ 33.8 million of fourth quarter and full year revenues from these newly acquired businesses in 2005.

The full year 2006 adjusted OIBDA margin for the Alternative segment, when excluding the US$ 62.1 million of stock bonus awards, was 18.1% compared to 25.4% in 2005. The decline in the margin primarily reflected the lower margin regional operations, the restructuring of the Moscow operations including the set up the corporate center, and the aforementioned impact of the introduction of the CPP principle.

Comstar Moscow remains focused on the priority of growing its corporate customer base and increasing profitability through the launch of new, integrated and value enhancing solutions. The operation is also expected to continue to benefit from ongoing cost savings through the further improvement of efficiency levels, such as the joint NGN build-out by Comstar Moscow and MGTS, as well as the exploitation of synergies within the wider Comstar and Sistema Telecom Groups. This collaboration to optimize the use of converging technologies and customer offerings is also expected to be a key revenue driver for the Group. Comstar continues to selectively review acquisition opportunities in the Moscow region, in order to strengthen its market position and network infrastructure.

The renaming of Comstar Direct has now been completed and the business is focused on consolidating its market leading position and improving customer service quality in order to take share in the increasingly competitive Moscow market. The creation of a single corporate brand will facilitate greater brand awareness and recognition levels. Comstar Direct will continue to migrate its dial-up subscriber base to broadband services, and to increase ARPU through the launch of additional services and new tariff structures. The increased cooperation between MGTS and Comstar Direct will also speed up line testing for broadband capability and make it part of an accelerated sign-up process. The combination of MGTS and Comstar Direct's sales offices, and of the Comstar Moscow and Comstar Direct call centre services, will also simplify and improve the installation process and ongoing customer assistance. Comstar Direct's 'double-play' pricing proposition for broadband and pay-TV services is the most competitive package on the market, and will be further enhanced through the bundling of residential fixed line services through Comstar Moscow.

Comstar's acquisition of a 25% plus one share stake in Svyazinvest does not detract from the Group's focus on the previously identified priority regions, but also opens up the possibility of cooperation with Svyazinvest's regional ILECs. Comstar will continue to pursue the consolidation of the core regional markets through selective acquisitions, and utilize wireless technologies to expand further through joint ventures with sister company MTS and green field projects.

Traditional Segment Revenue Breakdown - Moscow

(US$ millions)	**Q4 2006**	Q4 2005	*Year on year Growth*	Q3 2006	***Quarter on quarter Growth***	**Full year 2006**	Full year 2005	*Year on year Growth*
Residential								
Voice....................................	**81.1**	63.3	*28%*	87.6	*(7%)*	**318.3**	226.8	*40%*
Payphones............................	**0.6**	2.0	*(70%)*	0.3	*100%*	**1.6**	5.1	*(69%)*
Additional services	**2.9**	2.6	*12%*	2.1	*38%*	**10.6**	9.2	*15%*
Other....................................	**0.5**	0.4	*25%*	1.4	*(64%)*	**3.0**	2.5	*20%*
TOTAL	**85.1**	68.3	*25%*	91.4	*(7%)*	**333.5**	243.6	*37%*
Corporate								
Voice....................................	**41.0**	34.5	*19%*	37.5	*9%*	**146.3**	129.2	*13%*
Access node / Trunk rental ...	**13.6**	7.0	*94%*	14.8	*(8%)*	**50.9**	33.7	*51%*
Additional services	**3.8**	3.4	*12%*	3.6	*6%*	**14.4**	12.4	*16%*
Other....................................	**2.3**	5.7	*(60%)*	2.5	*(8%)*	**11.3**	10.9	*4%*
TOTAL	**60.7**	50.6	*20%*	58.4	*4%*	**222.9**	186.2	*20%*
Operators............................	**61.4**	57.7	*6%*	58.7	*5%*	**244.5**	209.7	*17%*
TOTAL REVENUES..........	**207.2**	176.6	*17%*	208.5	*(1%)*	**800.9**	639.5	*25%*
Intersegment Revenues.......	**(28.7)**	(28.7)	*0%*	(26.1)	*10%*	**(105.9)**	(101.2)	*5%*
NET TOTAL REVENUES.........................	**178.5**	147.9	*21%*	182.4	*(2%)*	**695.0**	538.3	*29%*

Net Revenues for the Traditional segment increased by 29% year on year to US$ 695.0 million in 2006, with the majority of the increase in revenues being generated by residential subscribers. Revenues from residential subscribers were up 37% year on year to US$ 333.5 million, with the 40% increase in revenues from voice services reflecting the increase in regulated tariffs in October 2005 from RUR 170 to RUR 200, and the appreciation of the Russian Rouble against the US dollar in 2006. Segment residential subscriber revenues also included the US$ 25.8 million of compensation received by MGTS from the Federal budget in the second and third quarters of 2006. In addition, the residential and corporate subscriber business' revenue growth reflected the positive impact of the introduction of CPP from July 1, 2006, which contributed US$ 32.9 million of additional revenues from subscribers during the year. Residential subscriber revenues similarly increased by 25% year on year in the fourth quarter to US$ 85.1 million, with voice services up 28% to US$ 81.1 million, and reflecting the US$ 12.9 million positive impact of CPP. The year on year growth in the fourth quarter was not affected by the increase in regulated tariffs, which were introduced from the beginning of the fourth quarter of 2005.

Revenues from corporate subscribers were up 20% year on year to US$ 60.7 million in the fourth quarter and US$ 222.9 million for the full year, due to the increase in regulated tariffs and the introduction of CPP. CPP alone contributed approximately US$ 9.1 million to annual revenues.

Revenues from operators grew by 17% year on year to US$ 244.5 million in 2006, due to the increase in non-regulated tariffs for the use of MGTS' infrastructure by other operators.

The full year OIBDA margin for the traditional segment increased year on year from 41.7% in 2005 to 44.3% in 2006. The increase reflected the balance of the positive revenue effects described above, with the impact of the lower margin CPP revenues during the second half of the year and increase in employee salary costs from October 2006. The former effect reflects the fact that the prevailing margin for fixed-to-mobile calls is approximately 24% and, therefore, well below the Group's overall margin.

Comstar continues to focus on executing the ongoing digitalization and restructuring of MGTS. Approximately 42% of MGTS lines were digitalized by the end of 2006. MGTS already benefits from a lower cost per line than incumbents in more mature markets and the restructuring will further increase the number of lines per employee. The fact that MGTS is now moving directly from analogue to next generation networks will enable the Group to cut total investments per number by up to 20%. Comstar does not expect to realize cash from the development of MGTS's surplus property portfolio until 2009 at the earliest, but such realizations will then be used to finance the modernization process. Comstar is well-positioned to continue to benefit from the improving tariff environment, with CPP revenues expected to continue to positively impact on total revenues given the attractive tariff structure, and the penetration of the Group's value-added services expected to increase in line with the modernization program.

FINANCIAL REVIEW

Net cash generated by the Group's operations, excluding the US$ 62.1 stock bonus awards, increased by 72% year on year to US$ 91.8 million in the fourth quarter and by 25% to US$ 333.7 million for the full year. Group capital expenditure increased by 6% year on year from US$ 87.9 million to US$ 92.8 million in the fourth quarter and increased by 32% from US$ 228.5 million to US$ 301.7 million for the full year. The investments primarily comprised the ongoing digitalization process at MGTS and the development of Next Generation Network ("NGN") infrastructure at MGTS and Comstar Moscow. The Group's NGN investments are now entirely focused on an integrated MGTS network that will also be used by Comstar Moscow, which is the reason why full year capital expenditure was lower than the previous US$ 315.0 million guidance level.

Net cash used in investing activities increased year on year to US$ 1.06 billion (US$ 49.0 million) in the quarter and to US$ 1.75 billion (US$ 251.4 million) for the full year. The investments primarily comprised the US$ 1.3 billion in cash paid for the acquisition of a 25% plus one share equity stake in state-controlled Telecommunications Investment Company "Svyazinvest" from Mustcom Limited. Comstar raised US$ 975.5 million, net of costs, from the February 2006 initial public offering and invested a total of US$ 1.5 billion in acquisitions during 2006, including US$ 181.4 million for a further 11.25% common stock of MGTS, and the acquisitions of Astelit, two Ukrainian and two Armenian operators, and the final payment for the Unitel business, which was acquired in 2005. The acquisition of the additional MGTS shares during the year and the revaluation of the put and call option which adversely impacted MGTS' net income also resulted in a decrease in the minorities line in the income statement.

Comstar reported a US$ 638.9 million inflow from financing activities in the fourth quarter of 2006, compared with an outflow of US$ 18.1 million in the final quarter of 2005. This primarily reflected the arrangement of a US$ 675.0 million six month extendable loan with ABN AMRO Bank N.V., in order to finance the acquisition of the stake in Svyazinvest. The increased borrowing level improved the Group's capital structure and thereby significantly reduced the Group's weighted average cost of capital. The cash inflow of US$ 1.55 billion for the full year compared with an outflow of US$ 20.3 million in 2005, and primarily comprised the net proceeds from the IPO and the loan monies referenced above.

The Group's cash and cash equivalents increased year on year from US$ 62.0 million to US$ 136.6 million as at the end of the reporting period, and short term investments totaled US$ 68.8 million (US$ 128.8 million). Total Group borrowings increased year on year from US$ 233.6 million to US$ 842.9 million by the end of the period, and compared to US$ 180.2 million as at September 30, 2006. Group net debt therefore increased year on year from US$ 171.7 million to US$ 706.3 million, and compared with a net cash position of US$ 345.6 million as at September 30, 2006.

The Group had a working capital deficit of US$ 694.7 million at the end of the year. This was primarily attributable to the above mentioned $675.0 million loan and the US$ 150.0 million liability under the put and call option agreement granted in connection with acquisition of the Svyazinvest shares. The call will be settled in Comstar shares and will not require additional cash outflow from the Group. The exercise of the call option is expected to yield approximately US$ 332.2 million of cash proceeds from the sale of Comstar stock. Comstar UTS has conservative leverage levels and good credit ratings, and should therefore be able to obtain financing as required on an *ad hoc* basis. Additionally, capital expenditure can be deferred to meet short-term liquidity requirements. Cash flows from operating and financing activities are therefore sufficient for the Group to meet its obligations as they fall due.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

On April 17, 2007 Comstar Direct, the leading provider of broadband Internet access in Moscow under "STREAM" brand and a subsidiary of "COMSTAR - United TeleSystems" JSC, added the 400,000th subscriber to its network. It was first among all operators in the Moscow market to reach 400,000 subscribers target. Comstar Direct has increased its subscriber base by 11% since the end of 2006.

On April 5, 2007, the Extraordinary General Meeting of Svyazinvest shareholders elected Sergei Shchebetov (Chairman of the Comstar Board of Directors) and Anton Abugov (First Vice President and Head of Strategy and Development at Sistema) to the Svyazinvest Board of Directors.

Comstar announced the appointment of Victor Koresh as Vice President with responsibility for the development of the Group’s operations on April 3, 2007. Mr. Koresh’s role is focused on the integration of Comstar’s existing and newly acquired regional operations and driving improved profitability levels by enhancing the companies’ business processes, maximising potential synergies and leveraging the Group’s increased scale and range of product offerings. Before joining Comstar, Mr. Koresh served as General Director of PeterStar, and was previously General Director of Sovintel’s branch in St. Petersburg.

Comstar announced on March 30, 2007 that it had completed the renaming of its Comstar Direct subsidiary, which is the leading provider of broadband Internet access in Moscow. The renaming process started in December 2006, when MTU-Intel was renamed as Comstar Direct, in order to highlight its affiliation with the Comstar UTS Group. The change of name will be reflected in the Company’s logotype with effect from April 2007. The “Stream” trade mark will continue to be used as the brand for the services provided by Comstar Direct.

Comstar announced on March 21, 2007 that it has been awarded licenses to provide data transmission in the Kemerovo, Chelyabinsk, Novosibirsk, Sverdlovsk and Tumen regions, as well as in the Stavropol and Primorsk territories, and in the Republic of Tatarstan. The licenses are valid until February 9, 2012. Comstar plans to extend its current telephony offering by rolling out a range of data services to its growing corporate client base.

Comstar announced on March 14, 2007 that it had sold its 45% equity stake in ZAO Metrocom, an alternative fixed-line telecommunications operator based in St. Petersburg, to closed joint-stock company MST. The shares were sold for a total cash consideration of US$ 20.0. Comstar acquired the stake in September 2005 for US$ 12.2 million in cash. The transaction therefore realized a cash gain of approximately US$ 7.8 million. Comstar's equity participation in the results of Metrocom was therefore discontinued with effect from the date of the announcement, and the financial impact of the transaction will be included in Comstar’s financial results for the first quarter of 2007. The sale was in line with Comstar’s intention to have controlling stakes in all of its operations and Comstar is evaluating other means of expanding its operations in the St. Petersburg area.

Comstar announced the commercial launch of Wi-Fi Internet in the Moscow subway system on March 7, 2007. The ground breaking project, with 21 wireless hot-spots over a two square kilometre area, is the latest development in Comstar’s program to develop a network of wireless hot-spots in Moscow and the Russian regions. Comstar now provides Wi-Fi services in Moscow’s three busiest Metro stations – “Okhotny’ Riyad”, “Teatral’naya” and “Ploschad’ Revolyutsii”. The service is planned to cover all of the interchange stations in the Moscow underground and tests for similar services in St. Petersburg are already being carried out.

Comstar announced the launch of intra office telephony services via Wi-Fi on February 28, 2007. This is the first such intra-office Wi-Fi solution for corporate wireless networks and the first commercial project of its kind in Russia. The service is targeted at large and medium sized companies in sectors that require employee mobility, such as hospitality, retail, logistics and exhibitions. The service enables Comstar corporate clients to introduce secure intra office telephony networks without the need for significant investment in the installation of equipment at client premises.

Standard & Poors Ratings Services assigned a ‘BB-’ long term corporate credit rating to Comstar United TeleSystems (JSC) in February 2007, with a ‘positive’ outlook. Standard & Poors also assigned its 'ruAA' Russia national scale rating to the Group.

Comstar further expanded its license coverage with effect from January 29, 2007, when it was announced that Comstar had obtained licenses for IP Voice and Data transmission (including WiMAX services) in the twenty largest regions in Russia. The licenses are valid until November 17, 2011. Comstar plans to start up green field operations in the new license areas and thereby further extend its coverage and service offering in priority regions.

Comstar announced the re-organization of its alternative telecom operating companies on January 10, 2007. The Extraordinary General Meeting of Comstar shareholders, which was held on December 25, 2006, approved the legal merger of Comstar’s wholly owned subsidiaries - Telmos, MTU-Inform, CTC Contrast-Telecom and M-Telecom Holding (100% owner of Astelit) - with Comstar. The reorganization is being implemented in order to optimize the Group’s legal structure and is in line with the wider Group re-organization program announced in October 2006.

OTHER INFORMATION

Extraordinary General Meeting of Shareholders

The Comstar EGM held on December 12, 2006 elected Mr. Dietmar Kuhnt and Mr. Yngve Redling as independent non-executive members of the Board of Directors. The EGM also elected Mr. Eric Franke and Mr. Shamil Kurmashov to the Board and reelected five existing Board members. The newly elected Board of Directors therefore comprises Sergey Bayda, Deputy Chief Executive Officer for Strategy at Sistema Telecom; Alexey Goltsov, Chief Executive Officer of MGTS; George Kikvadze, Director for Investments at Sistema Telecom; Dietmar Kuhnt, member of the Supervisory Boardsof Allianz-Versicherungs-AG, BDO Deutsche Warentreuhand AG, Dresdner Bank AG, GEA Group AG, Hapag Lloyd AG, Hochtief AG and TUI AG; Shamil Kurmashov, Deputy Chief Executive Officer for Finance and Investments at Sistema Telecom; Vladimir Lagutin, Member of the Board of Directors of Sistema Telecom; Eric Franke, Chief Executive Officer of Comstar; Yngve Redling, Chairman of the Swedish-Russian/CIS Chamber of Commerce and Chairman of the Swedish-Russian bilateral working group for Information Technology; and Sergei Shchebetov, Chief Executive Officer of Sistema Telecom. The Board reelected Mr. Sergei Shchebetov as Chairman of the Comstar Board of Directors.

Conference call

Comstar management will host a conference call today at 5.00 PM Moscow local time, 2.00 PM London local time and 9.00 AM New York local time to present and discuss these results. Participants may dial the following numbers in order to access the call:

UK / International: +44 20 7138 0837
US: +1 718 354 11 72

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 '5416315#' pin code:
UK / International: +44 20 7806 1970
US: +1 718 354 1112

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Comstar UTS is the leading combined telecommunications operator in Moscow and the Moscow region, both in terms of revenues and subscribers. Comstar UTS provides voice, data, Internet, pay-TV and other value-added services to residential and corporate subscribers and operators, using its extensive backbone network and unique last mile access to 98% of Moscow households. The Company also offers communications services in several Russian regions, and CIS and Eastern European countries. Comstar UTS had 3.6 million traditional fixed-line subscribers, over 500,000 alternative operator segment subscribers in Moscow, and almost 100,000 alternative segment subscribers in the Russian regions outside Moscow, as at December 31, 2006. Comstar UTS reported operating revenues of US$ 1.12 billion for the twelve months ended December 31, 2006, and had consolidated assets totalling US$ 3.54 billion as at the end of the period. Comstar UTS securities are listed under the symbol "CMST" on the Moscow Stock Exchange and the London Stock Exchange.

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.*

Attachment A

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 amortization, and the OIBDA margin is defined as OIBDA as a percentage of net revenues. These measures are included in this results statement in order to provide additional information regarding the Group's ability to meet future debt service payments, capital expenditure and working capital requirements, and as a metric to evaluate profitability. OIBDA is not a measure of financial performance under US GAAP, and is not an alternative to operating income as a measure of operating performance, or to cash flows from operating activities as a measure of liquidity. While depreciation and amortization are considered operating costs under 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 Adjusted OIBDA

	4Q 2006		3Q 2006		4Q 2005		FY 2006		FY 2005	
	US$ 'mln	% of revenues	US$ 'mln	% of revenues	US$ 'mln	% of revenues	US$ 'mln	% of revenues	US$ 'mln	% of revenues
Operating profit/loss (reported)	(4.5)	(1.5%)	76.5	26.2%	67.6	24.9%	235.5	21.0%	268.4	29.6%
Add: Depreciation and amortisation	39.7	13.6%	37.4	12.8%	21.6	8.0%	130.9	11.7%	90.4	10.0%
OIBDA (reported)	35.3	12.1%	113.9	39.0%	89.1	32.9%	366.5	32.7%	358.8	39.5%
Add: stock bonus	62.1	21.3%	—	—	—	—	62.1	5.5%	—	—
OIBDA (Adjusted)	97.4	33.3%	113.9	39.0%	89.1	32.9%	428.6	38.3%	358.8	39.5%

Reconciliation of Adjusted Operating Profit

	4Q 2006		3Q 2006		4Q 2005		FY 2006		FY 2005	
	US$ 'mln	% of revenues	US$ 'mln	% of revenues	US$ 'mln	% of revenues	US$ 'mln	% of revenues	US$ 'mln	% of revenues
Operating profit /loss (reported)	(4.5)	(1.5%)	76.5	26.2%	67.6	24.9%	235.5	21.0%	268.4	29.6%
Add: stock bonus	62.1	21.3%	—	—	—	—	62.1	5.5%	—	—
Operating profit (Adjusted)	57.7	19.7%	76.5	26.2%	67.6	24.9%	297.7	26.6%	268.4	29.6%

Reconciliation of Adjusted Net Income

	4Q 2006		**3Q 2006**		**4Q 2005**		**FY 2006**		**FY 2005**	
	US$ 'mln	% of revenues	US$ 'mln	% of revenues	US$ 'mln	% of revenues	US$ 'mln	% of revenues	US$ 'mln	% of revenues
Net income / (loss) (reported)	(63.1)	(21.6%)	48.3	16.5%	22.1	8.2%	82.5	7.4%	105.9	11.7%
Add: stock bonus	62.1	21.3%	–	–	–	–	62.1	5.5%	–	–
Add: change in fair value of financial instrument (call and put option)......	60.0	20.5%	–	–	–	–	60.0	5.4%	–	–
Less: minority share in change in fair value of financial instrument (call and put option)......	(26.6)	(9.1%)	–	–	–	–	(26.6)	(2.4%)	–	–
Net income (Adjusted)	32.5	11.1%	48.3	16.5%	22.1	8.2%	178.1	15.9%	105.9	11.7%

Reconciliation of Adjusted Operating Cash Flows

	4Q 2006		**3Q 2006**		**4Q 2005**		**FY 2006**		**FY 2005**	
	US$ 'mln	% of revenues	US$ 'mln	% of revenues	US$ 'mln	% of revenues	US$ 'mln	% of revenues	US$ 'mln	% of revenues
Cash flows from operations (reported)	31.8	10.9%	84.0	28.8%	53.3	19.7%	273.6	24.4%	267.3	29.5%
Less: non-cash element of stock-based compensation........	(2.7)	(0.9%)	–	–	–	–	(2.7)	(0.2%)	–	–
Add: total costs of stock-based compensation........	62.8	21.5%	–	–	–	–	62.8	5.6%	–	–
Cash flows from operations (Adjusted)	91.8	31.4%	84.0	28.8%	53.3	19.7%	333.7	29.8%	267.3	29.5%

ARPL (Monthly Average Revenue per Line), a non-US GAAP financial measure, is calculated for the relevant period by dividing Comstar UTS' Stream service revenue, including broadband internet, pay TV and bundled offering excluding connection fee, for that period by the average monthly number of the Comstar UTS' broadband subscribers during the period and by the number of months in the period. Reconciliation of ARPL to service revenues, the most directly comparable US GAAP financial measure, is presented below. We believe that ARPL provides useful information to investors because it is an indicator of the performance of the Group's business operations and assists management in budgeting. The management also believes that ARPL provides useful information concerning usage and acceptance of the Group's services. ARPL should not be viewed in isolation from or as an alternative to other figures reported under US GAAP.

Average revenue per ADSL line (Residential Segment)

	4Q 2006	3Q 2006	4Q 2005	FY 2006	FY 2005
Revenue from Stream, residential subscribers, excluding connection fee (US$)........	19,744,668	17,489,683	12,829,783	72,794,718	38,340,866
Average monthly number of Stream broadband subscribers........	337,860	303,534	222,571	300,735	169,776
ARPL (US$), monthly........	19.48	19.21	19.21	20.17	18.82

CAPEX (Capital Expenditures) is cash expended for purchases of property, plant and equipment and intangible assets, and non-cash additions of property, plant and equipment and intangible assets, excluding considerations paid in business combinations allocated to property, plant and equipment and intangible assets. CAPEX can be reconciled to the Group's consolidated statements as follows:

	4Q 2006		3Q 2006		4Q 2005		FY 2006		FY 2005	
	US$ 'mln	% of revenues	US$ 'mln	% of revenues	US$ 'mln	% of revenues	US$ 'mln	% of revenues	US$ 'mln	% of revenues
Purchases of property, plant and equipment..............	77.5	26.5%	70.7	24.2%	45.1	16.7%	265.8	23.7%	168.4	18.6%
Purchases of intangible assets..............	10.4	3.6%	2.8	1.0%	12.4	4.6%	26.2	2.3%	22.1	2.4%
Non-cash additions of property, plant and equipment and intangible assets..............	4.8	1.7%	2.8	1.0%	30.4	11.2%	9.7	0.9%	38.0	4.2%
CAPEX..............	92.8	31.8%	76.3	26.2%	87.9	32.5%	301.7	26.9%	228.5	25.2%

Attachment B

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

(US$ thousand, except for share and per share amounts)	**Three months ended December 31,**		**Year ended December 31,**	
	2006	**2005**	**2006**	**2005 (*)**
Operating revenues	$ 292,054	$ 270,801	$ 1,120,247	$ 907,624
Operating expenses, excluding depreciation and amortization and stock bonus, net	(194,658)	(181,672)	(699,246)	(554,642)
Depreciation and amortization	(39,731)	(21,576)	((130,939)	(90,437)
Stock bonus	(62,139)	–	(62,139)	–
Other operating gains	–	–	7,616	5,806
Operating income / (loss)	**(4,474)**	**67,553**	**235,539**	**268,351**
Interest income	7,790	2,247	43,537	7,696
Interest expense	(8,385)	(5,793)	(22,145)	(17,961)
Change in fair value of derivative financial instrument (call and put option)	(60,000)	–	(60,000)	–
Foreign currency transactions gain, net	4,875	(3,262)	19,938	(2,219)
Gain from disposal of an affiliate	–	1,989	–	1,989
Income / (loss) before income taxes, income from affiliates and minority interests	**(60,194)**	**62,734**	**216,869**	**257,856**
Income tax expense	(14,583)	(9,025)	(72,422)	(59,329)
Income from affiliates	1,246	403	3,292	499
Minority interests	10,408	(32,039)	(65,243)	(93,141)
Net income / (loss)	**$ (63,123)**	**$ 22,073**	**$ 82,496**	**$ 105,885**
Weighted average number of common shares outstanding (**) – basic	358,854,278	221,198,360	345,769,167	221,198,360
Earnings / (loss) per common share (**) – basic	(0.18)	0.04	0.24	0.04
Weighted average number of common shares outstanding (**) – diluted	407,041,532	278,940,860	401,102,204	278,940,860
Earnings / (loss) per common share (**) – diluted	(0.16)	0.03	0.21	0.03

(*) Amounts as of December 31, 2005 and for the year then ended were derived from audited financial statements as of December 31, 2005 and 2004 and for the years then ended. Certain prior year amounts have been reclassified to conform to the 2006 presentation.

(**) Earnings per share are computed based on earnings for the periods subsequent to the Group’s restructuring (from November 22, 2005 to December 31, 2005, and for the year and three-month period ended December 31, 2006). Net income available to Comstar UTS’s shareholders for each period is divided by the weighted average number of common shares during the period.

Earnings-per-share amount for the period from November 22, 2005 to December 31, 2005 may not be comparable to earnings-per-share amounts determined for the year and three-month period ended December 31, 2006 and for the future years and, further, such earnings per share amount may not fully reflect the expected relationship between earnings for the year and three-month period ended December 31, 2005 and the amount of outstanding stock as of that date.

“COMSTAR – United TeleSystems” OJSC
UNAUDITED CONSOLIDATED BALANCE SHEETS

(US$ thousand)		**December 31, 2006**		**December 31, 2005 (*)**
Assets				
Current assets:				
Cash and cash equivalents	$	136,621	$	61,961
Short-term investments		68,840		128,812
Trade receivables, net		95,868		78,310
Other receivables and prepaid expenses		87,654		80,572
Inventories and spare parts		33,740		26,881
Assets held for resale		–		15,260
Deferred tax assets, current portion		23,545		13,432
Total current assets		446,268		405,228
Property, plant and equipment, net		1,477,329		1,144,149
Intangible assets, net		91,835		55,355
Long-term investments		1,507,612		30,510
Restricted cash		4,008		2,272
Deferred tax assets, long-term portion		6,725		3,847
Deferred finance charges		3,808		–
Total assets	**$**	**3,537,585**	**$**	**1,641,361**

(*) Amounts as of December 31, 2005 and for the year then ended were derived from audited financial statements as of December 31, 2005 and 2004 and for the years then ended. Certain prior year amounts have been reclassified to conform to the 2006 presentation.

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

(US$ thousand)	December 31, 2006	December 31, 2005 (*)
Liabilities and shareholders’ equity:		
Current liabilities:		
Accounts payable	$ 51,023	$ 28,707
Deferred connection fees, current portion	39,812	42,598
Subscriber prepayments	45,540	41,228
Accrued expenses and other current liabilities	49,631	43,409
Taxes payable	12,999	17,837
Debt, current portion	777,837	86,617
Capital lease obligations, current portion	14,107	14,050
Derivative financial instrument (call and put option)	150,000	–
Total current liabilities	1,140,949	274,446
Long-term liabilities:		
Deferred connection fees, net of current portion	109,040	110,514
Debt, net of current portion	33,529	102,184
Capital lease obligations, net of current portion	17,467	30,765
Post-retirement obligations	10,182	16,216
Property, plant and equipment contributions	103,793	102,746
Deferred tax liabilities, long-term portion	47,619	9,005
Other long-term liabilities	8,066	–
Total long-term liabilities	329,696	371,430
Total liabilities	1,470,645	645,876
Minority interests	496,745	516,114
Shareholders’ equity:		
Share capital	23,900	18,982
Treasury stock	(4,004)	(3,929)
Additional paid-in capital	1,064,225	100,051
Retained earnings	433,145	352,647
Accumulated other comprehensive income	52,929	11,620
Total shareholders’ equity	1,570,195	479,371
Total liabilities and shareholders’ equity	**$ 3,537,585**	**$ 1,641,361**

(*) Amounts as of December 31, 2005 and for the year then ended were derived from audited financial statements as of December 31, 2005 and 2004 and for the years then ended. Certain prior year amounts have been reclassified to conform to the 2006 presentation.

"COMSTAR – United TeleSystems" OJSC
UNAUDITED CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

(US$ thousand)	Three months Ended December 31,		Year ended December 31,	
	2006	**2005**	**2006**	**2005**
Operating activities:				
Net income / (loss)	$ (63,123)	$ 22,073	$ 82,496	$ 105,885
Adjustments to reconcile net income to net cash provided by operations:				
Depreciation and amortisation	39,731	21,576	130,939	90,437
Stock-based compensation	2,746	–	2,746	–
Change in fair value of derivative financial instrument (call and put option)	60,000	–	60,000	–
(Gain)/loss from disposal of fixed assets and assets held for resale and other non-cash items, net	(11,172)	5,419	(15,363)	775
Compensation of losses from third parties	(2,115)	(2,900)	(9,217)	(6,764)
Gain from disposal of an affiliate	–	(1,989)	–	(1,989)
Deferred taxes	604	(8,312)	(653)	(5,796)
Income from affiliates	(1,247)	(403)	(3,292)	(499)
Foreign currency transactions gain / (loss) on non-operating activities, net	4,345	3,145	(5,172)	2,102
Postretirement benefits	(2,718)	(1,242)	(7,125)	5,117
Minority interests	(10,408)	32,039	65,243	93,141
Provision for doubtful debts	3,878	1,031	13,439	4,503
Impairment of property, plant and equipment	–	1,513	–	1,513
Inventory obsolescence charge	–	–	1,013	–
Changes in operating assets and liabilities:				
Trade receivables	5,710	1,329	(46,938)	(15,741)
Other receivables and prepaid expenses	(4,586)	(8,196)	(6,276)	(23,640)
Inventories and spare parts	2,209	(1,183)	(6,710)	(3,736)
Accounts payable	14,152	(17,220)	28,306	(3,377)
Deferred connection fees	(4,932)	4,055	(7,445)	15,316
Subscriber prepayments	4,010	9,482	2,574	10,229
Taxes payable	(1,378)	(2,952)	(6,391)	(1,309)
Accrued expenses and other current liabilities	(3,950)	(4,007)	1,472	1,180
Net cash provided by operating activities	**31,756**	**53,258**	**273,646**	**267,347**

(*) Amounts as of December 31, 2005 and for the year then ended were derived from audited financial statements as of December 31, 2005 and 2004 and for the years then ended. Certain prior year amounts have been reclassified to conform to the 2006 presentation.

"COMSTAR – United TeleSystems" OJSC
UNAUDITED CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS (continued)

(US$ thousand)	Three months ended December 31,		Year ended December 31,	
	2006	2005	2006	2005 (*)
Investing activities:				
Purchases of property, plant and equipment	(77,531)	(45,115)	(265,846)	(168,376)
Proceeds from sale of property, plant and equipment and assets held for resale	1,281	910	30,282	1,351
Proceeds from property insurance recovery	–	–	–	5,806
Purchases of intangible assets	(10,438)	(12,369)	(26,160)	(22,127)
Acquisition of subsidiaries, net of cash acquired	(7,594)	(24,277)	(20,050)	(24,277)
Acquisition of minority interests	(33,811)	–	(184,052)	(8,529)
Purchases of long-term investments	(1,300,000)	–	(1,300,000)	(36,394)
Proceeds from sale of long-term investments	–	13,449	–	13,449
Purchases of short-term investments	(84,081)	(103,752)	(583,537)	(339,750)
Proceeds from sale of short-term investments	452,748	120,638	599,172	326,442
(Increase)/decrease in restricted cash	59	1,540	(1,736)	961
Net cash used in investing activities	**(1,059,367)**	(48,976)	**(1,751,927)**	**(251,444)**
Financing activities:				
Proceeds from issuance of common stock, net of issuance costs	–	–	975,519	–
Acquisition of treasury stock, net of stock bonus granted	(13,810)	–	(13,810)	–
Contributions from the controlling shareholder	–	–	–	12,508
Contributions from minority shareholders of subsidiaries	–	–	510	–
Proceeds from borrowings	1,340,162	8,103	1,503,995	125,126
Principal payments on borrowings	(680,119)	(19,188)	(896,155)	(128,147)
Principal payments on capital lease obligations	(3,277)	(7,050)	(13,455)	(12,439)
Deferred finance charges	(4,050)	–	(4,050)	–
Dividends and other distributions to shareholders	–	–	(1,662)	(17,393)
Net cash provided by / (used in) financing activities	**638,906**	**(18,135)**	**1,550,892**	**(20,345)**
Effects of foreign currency translation on cash and cash equivalents	(451)	(269)	2,049	(1,033)
Net increase / (decrease) in cash and cash equivalents	**(389,156)**	**(14,122)**	**74,660**	**(5,475)**
Cash and cash equivalents, beginning of the period	525,777	76,083	61,961	67,436
Cash and cash equivalents, end of the period	**$ 136,621**	**$ 61,961**	**$ 136,621**	**$ 61,961**

(*) Amounts as of December 31, 2005 and for the year then ended were derived from audited financial statements as of December 31, 2005 and 2004 and for the years then ended. Certain prior year amounts have been reclassified to conform to the 2006 presentation.