



FOR IMMEDIATE RELEASE

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COMSTAR AND FON WIRELESS DEVELOP GLOBAL WI-FI NETWORK IN RUSSIA

Moscow, Russia – May 28, 2008 – “COMSTAR – United TeleSystems” JSC (“Comstar” or “the Company”) (LSE: CMST), the leading integrated telecommunications operator in Russia and the CIS, today announced that it has signed a strategic agreement with FON Wireless Ltd. (“FON”), a developer of a shared wireless internet access network based on Wi-Fi technology.

The FON network currently covers approximately 230,000 Wi-Fi hot-spots around the world. Any internet user with unlimited broadband internet access is able to use FON’s Wi-Fi router, La Fonera. This router is a part of the global Wi-Fi network which can be used by anyone who has WiFi-enabled equipment for internet access. The FON shared wireless network is, therefore, created and expanded by the users installing La Fonera routers, which can also be used for connecting to personal networks. Users can manage the amount of bandwidth they share with others. Security of sharing is ensured via a separation of the public SSID from the private SSID by a firewall.

Coral/ Sistema Strategic Fund, the venture fund set up by Sistema, is one of the owners of the FON network. The world leading companies and investments funds, such as Google, British Telecom, Skype, Index Ventures, Sequoia Capital, and Excite Japan are among FON’s investment partners.

Under the terms of the agreement, Comstar and FON will jointly develop a Wi-Fi internet access network in the region of Russia and CIS. Initially, it will be created on the basis of the Comstar subscriber base in Moscow who will be able to easily join the worldwide FON network. Within the framework of the project, Comstar plans to establish 30,000 Wi-Fi access points in Moscow in 2008-2009 before expanding to other regions.

Broadband subscribers in Moscow will be able to rent La Fonera routers from Comstar, connect them to their ADSL or any other broadband internet access channel and join the FON network. The service will provide internet access at no extra cost in any places covered by FON, including the Comstar – FON network, using personal login and password details for the Comstar’s Moscow ADSL network.

The subscriber's access point will also become "public" and might be used for internet access by both FON customers and others. The access of external clients to Comstar – FON network will be implemented with the help of pre-paid cards, SMS authorization and other means of receiving login and password details. The pre-paid cards will be sold by Comstar and FON through their sales channels.

Denis Muratov, Vice President, Head of Innovations and Science, commented: "We are very interested in global innovation projects which allow the introduction in Russia of new technologies and business development models, such as Comstar and FON's joint project to develop the worldwide Wi-Fi network in the territory of Russia. We see the global expansion of services provided by our subsidiaries as a positive development."

Sergey Pridantsev, President and Chief Executive Officer of Comstar UTS, commented: "Comstar is an exclusive operator-partner of the FON network in Russia. The project with FON is an important addition to our programme of broadband access development aimed at providing our subscribers with the opportunity to be always connected. The agreement with FON will allow the users to join the global network in many places around the world, and we will be able to provide services not only to our subscribers, but also to other users in Moscow. We are planning to expand our joint project with FON to the Russian regions."

Martin Varsavsky, the founder and co-owner of FON Wireless Ltd., added: "FON is a unique network, and it is becoming exceedingly popular in many countries. We are very interested in cooperation with Comstar. This company is actively operating in the internet access market and is the market leader by subscribers in Moscow. Comstar is currently implementing a number of projects aimed at developing wireless internet access technologies, which is of great interest to us because of the potential opportunity for synergies with the FON network."

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Comstar UTS is the leading fixed-line telecommunications company in Moscow. Comstar provides voice, data, television and other value-added services to residential and corporate subscribers and operators, using its extensive backbone network and exclusive last mile access to 97% of Moscow households. The Company also offers communications services in five Russian regions, Armenia and

Ukraine. Comstar had 695,000 broadband subscribers in Moscow. Comstar had 3.6 million residential subscribers in Moscow, including 651,000 residential broadband internet subscribers in Moscow, 102,000 corporate subscribers in Moscow, and approximately 448,000 regional and international subscribers, including 33,000 residential broadband internet subscribers and 102,000 residential pay-TV subscribers, at the end of 2007. Comstar generated US\$ 1,562.4 million of revenues and a 42.5% OIBDA margin for the twelve months ended December 31, 2007. Comstar's Global Depository Receipts are listed on the London Stock Exchange (ticker: CMST).

FON is the world's largest WiFi community. FON's mission is to stimulate the growth of WiFi around the world by creating a global community of "Foneros". FON's La Fonera routers have been designed to enable Foneros to share their home Internet access in a completely secure manner. Founded in February 2006 in Madrid, Spain, FON investors include Google, Skype, British Telecom, Index Ventures, Sequoia Capital, Coral Capital Management and Excite Japan. Currently FON has over 800,000 members in Europe, Asia and America and their Community is growing fast.

For more information, visit FON at www.fon.com or contact:

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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.