TELESET NETWORKS

Press Announcement

FOR IMMEDIATE RELEASE Monday, 24 September 2007

Teleset Networks PCL ("Teleset"), the leading private fixed-line telecom operator in Kazan, the capital of the Republic of Tatarstan, Russian Federation, today, announces its unaudited Interim Results for the six months ended 30 June 2007

FINANCIAL HIGHLIGHTS

6 months ended 30 June.	**2007**	**2006**
	US$'000	US$'000
Operating revenue	10,379	5,798
EBITDA	5,756	3,644
Profit from operations	4,100	2,748
Profit before taxation	3,421	2,658
Net profit	2,162	2,037

- Operating revenue up by 79 per cent
- Profit from operations up 49 per cent
- EBITDA up by 58 per cent with EBITDA and net profit margins of 55 per cent and 21 per cent respectively
- Following TNPKO acquisition, subscriber base up by 53 per cent across both residential and business segments
- Total of 112,078 subscriber lines at 30 June 2007

"We continue to see many exciting opportunities to grow revenue and profit and are confident about Teleset's prospects for the remainder of 2007 and beyond." (Philippos Vatiliotis, Chairman)

CONTACTS

Teleset Networks PCL	+357 22 450 790
Yiannis Demetriou (CEO)	
Blue Oar Securities - Nominated Adviser	+44 (0) 20 7448 4400
Shane Gallwey	
Metropol (UK) Limited - Broker	+44 (0) 20 7439 6880
Alexander Selegenev	
Bankside – Financial PR	+44 (0) 20 7367 8888
Simon Bloomfield or Andy Harris	

CHAIRMAN'S STATEMENT

During the first half of 2007, Teleset's management team continued to implement its stated strategy of building its position in Kazan, including the successful integration of the company's first acquisition, and to lay the foundations for further profitable growth in Kazan and elsewhere in Russia.

Our strategy, for developing Teleset into a leading telecom operator in our chosen markets whilst continuing to achieve strong growth in profits, incorporates three core elements:

- increasing our market share and improving the average revenue per user (ARPU);
- improving operational effectiveness and productivity; and
- expanding our network coverage following a demand-driven approach to extending our infrastructure

As a result of the acquisition of TNPKO in November 2006, Teleset has significantly increased its scale and market share in Kazan and, having successfully completed the integration process, we are confident that we will realise significant synergies from the enlarged business. As expected, profitability for the 6 months ended 30 June 2007 reflected integration costs and historically lower margins from TNPKO and we are now starting to realise the synergies from the acquisition.

At 30 June 2007, our total number of subscribers was up 53 per cent to 112,078 compared to 73,094 at 30 June 2006. Operating profit for the 6 months ended 30 June 2007 increased by 49 per cent and profit before tax, at US$ 3.4 million, grew by 29 per cent compared to the same period a year ago.

Following Telest's admission to AIM in the fourth quarter of 2006, overheads increased significantly because of new costs associated with being a public company, resulting in lower operating margins for the first half of 2007 compared to the same period of 2006. Whilst the impact of higher overheads on operating margin will continue into the second half of the year, it will reduce over time as the company continues to grow.

We continue to see many exciting opportunities to grow revenue and profit and are confident about Teleset's prospects for the remainder of 2007 and beyond.

Philippos Vatiliotis
Chairman

CHIEF EXECUTIVE OFFICER's REVIEW

Overview

One of our top priorities for the first half of 2007 was to maintain organic growth as well as to complete the integration of TNPKO. We have been successful in this and, based on our experience, we are confident that TNPKO will, in future, achieve margins similar to those of the existing business.

At the same time, the company has succeeded in adding a high quality range of corporate customers to its subscriber base, including JSC Kazan Helicopters, AkBars Mortgage and AkBars Medical Insurance, all of which are interconnected using Teleset's fiber optic network.

The company has also successfully launched a new digital telephone switch unit to provide a full range of telecom services to 52 residential complexes (covering 1,252 flats) and 1,198 cottages within the Kirovskiy district of Kazan.

Teleset has recently won a contract with Suvar-Kazan, one of the largest construction companies in Tatarstan, for the interconnection of apartments and fitness centres in a new residential area consisting of seven buildings. The first three buildings, comprising 1,380 flats, are expected to be cabled in 2009.

We have continued the aggressive promotion of our internet services with the result that Teleset now commands a 29 per cent market share in Kazan.

Our efficiency provides Teleset with a significant competitive advantage. The fact that we have managed to maintain our EBITDA margin, at a significantly higher level than the average for the Russian telecom industry, represents a major strength.

The net profit margin for the period, at a healthy 21 per cent (2006: 35 per cent) was in line with budget and we expect this to improve significantly following the successful integration of TNPKO.

Our overall tax rate is currently higher than the standard rate of 24 per cent as the result of deferred tax which we expect will fall in the first half of 2008.

Cash flow and our balance sheet are strong which will enable us to fund our current expansion plans.

We believe all these achievements position us well for continued success for the full year.

Net Operating Sales

In the 6 months ended 30 June 2007, Teleset operating revenues were US$ 10.4 million (2006: US$5.8 million), an increase of 79 per cent. This reflects the growth in telephone rental fees and traffic which increased by 82 per cent to US$ 5.0 million. Revenues from installation fees decreased by 10 per cent as planned.

Sales breakdown	H1 2007	H1 2006		Changes
	US$'000	*US$'000*	*US$'000*	
Telephony: installation	300	333	-33	-10%
Telephony: rental fee	3,884	1,730	2,413	82%
Telephony: traffic volume	1,458	1,199		
ISDN: installation and rental	802	547	255	47%
Internet	3,017	1,376	1,641	119%
VoIP	309	283	26	9%
Sundry	610	331	279	84%
Total	**10,379**	**5,798**	**4,582**	**79%**

The growth in telephone rental fees and traffic volume also resulted in an overall increase in ARPU, thereby increasing recurring revenues. This trend is expected to continue for the foreseeable future.

Share of recurring and installation revenue in fixed telephony	H1 2007	H1 2006	2005	2004	2003
Telephony: installation fees	5%	10%	20%	31%	46%
Telephony: recurring revenues	95%	90%	80%	69%	54%

Having successfully launched a promotion campaign for its Internet services, the company increased revenues in this area by 119 per cent.

As a result of growing broadband penetration in Kazan, the company recorded a 103 per cent increase in xDSL traffic revenues.

Internet services	1H2007	Share	1H2006	Change
	US$'000		US$'000	
Dial-up	1,397	46%	573	144%
xDSL:installation	63	2%	81	-22%
xDSL:traffic	1,449	48%	714	103%
Other	108	4%	8	1,250%
Total	**3,017**		**1,376**	**119%**

The company's subscribers, both residential and corporate, benefit from the existence of a wide range of Internet services including broadband, dial-up access, co-location and media services.

Number of subscribers	1H2007	1H2006	Changes
Residential	104,233	68,468	52%
Corporate	7,845	4,626	70%
Total	112,078	73,094	53%

Due to changes in Federal Law which came into effect on 1 July 2006, fixed-line subscribers now pay for calls from fixed-line numbers to mobile phones. This change has provided the company with additional income.

The company has successfully applied to the Federal Tariff Agency for a 50 per cent increase in the fixed rental fee tariff and a 10 per cent increase in all other tariffs with effect from 1 February 2007.

Operating Expenses

The biggest share in the overall company's expenditures is related to payroll (14 per cent), interconnection expenses (10 per cent), maintenance costs (6 per cent), and taxes (4 per cent).

Cost breakdown	H1 2007	as % of sales	H1 2006	as % of sales
	US$'000	%	US$'000	%
Payroll	1,500	14	656	11
Interconnect	1,018	10	627	11
Maintenance	583	6	309	5
Taxes	423	4	241	4
Professionals & auditor fees	227	2	0	0
Other	783	8	391	7
Total	**4,533**	44	**2,224**	38

The increase in payroll costs reflects both the increase in employees resulting from the acquisition of TNPKO, awards designed to retain and motivate key employees and Board of Directors remuneration policy. We expect to maintain the ratio of payroll expenses to total expenses which, as stated above, remains below the industry average.

Other Income

The company has signed contracts with Vimpelcom, Russia's second largest cellular operator, and the State Television & Radio Company of the Republic of Tatarstan for the construction and project management of fiber-optic network capacity which will generate incremental revenue for the company.

Dividend

Net profit generated by the group will be retained in order to support further organic growth. The directors do not recommend payment of interim dividends.

Capital Expenditure

During the period, capital expenditure amounted to US$ 1.9 million (2006: US$ 1.2 million). This consisted mainly of the purchase of telecommunication equipment (77.5 per cent of the total), new premises (7.8 per cent) and other assets (14.7 per cent) as part of the expansion of the company's network and the upgrade of telecommunication equipment.

New Major Shareholder

In March 2007, Templeton Strategic Emerging Markets Fund II ("TSEMF"), which is managed by Templeton Asset Management Ltd ("TAML"), was issued 24,390,244 new Teleset ordinary shares via a placing, at a price of US$0.41 (approx. 21 pence) each, to raise a total of US$ 10.0 million before expenses. This investment followed a comprehensive review by TSEMF of the prospects of the Russian telecom market and the company's strategy for future growth.

Mr. Mashintsev, Executive Director of Templeton Asset Management Ltd, was appointed a Non-executive Director following the placing.

Post-Period Events

Teleset announced on 4 July 2007 that it had agreed a US$ 20.0 million credit-line from the Black Sea Trade and Development Bank ("BSTDB") on which interest paid is 2.5 per cent over LIBOR. In addition, Teleset raised a further US$3.0 million via the issue to BSTDB of new ordinary shares at a price of 23.8 pence per share. The new credit line will displace the costlier debt from a leading Russian bank that was drawn upon to finance the TNPKO acquisition in November 2006. It will help the company to reduce the currently high net interest expense and to maintain a healthy level of EBT and net profit margins.

On 19 July 2007, Mr. Gueorgui Horozov (who heads the business group in charge of BSTDB's Corporate and Project Finance activities in the Infrastructure, Telecommunications, Energy, Oil and Gas sectors in all 11 BSTDB member countries) was appointed to the Board as a Non-executive Director.

Another two digital telephone switches have been launched in July 2007 in Vahitovsky and Privolzhsky districts of Kazan to provide full-range of telecommunications services.

The company announced on 10 August 2007 that the London office of Deutsche Bank AG made a significant equity investment of US$ 1.7 million securing 3,481,592 new ordinary shares at a price of 24.5 pence per share.

On 27 August 2007, the company announced launch of a cable TV service, which represents an important opportunity for Teleset to generate significant incremental revenues from its digital network.

Outlook for full year 2007

Following the promising results for the first 6 months of 2007, we are encouraged by the performance so far in the second half. We are benefiting from the continuing liberalisation of the local and long-distance telecommunication service markets in Tatarstan. We are also experiencing positive economic trends in the region with real income up by 14.2 per cent between January-June 2007 gross regional product expected to grow at an annual rate of 6.1 per cent to 8.2 per cent.

These trends support the continued development of the fixed-line telecommunications sector and underpin the growth prospects for the company.

Yiannis Demetriou
Chief Executive Officer

CONSOLIDATED INCOME STATMENT

for the period from 1 January 2007 to 30 June 2007

	Note	**30/6/2007 US$**	30/6/2006 US$
Operating revenue	1	**10,378,880**	5,797,645
Cost of sales		**(6,368,939)**	(3,222,175)
Gross profit		**4,009,941**	2,575,470
Other income		**90,068**	172,719
Profit from operations		**4,100,009**	2,748,189
Finance costs - net	2	**(678,996)**	(90,245)
Profit before taxation		**3,421,013**	2,657,944
Taxation		**(1,259,303)**	(620,478)
Net profit		**2,161,710**	2,037,466
Earnings per share			
Basic earnings per share ($)		**0.0194**	0.0204
Diluted earnings per share ($)		**0.0191**	0.0204

CONSOLIDATED BALANCE SHEET

at 30 June 2007

	Note	**30/6/2007 US$**	31/12/2006 US$
ASSETS			
Non-current assets			
Property, plant and equipment	4	**26,296,848**	26,065,104
Intangible assets	5	**8,044,674**	8,064,651
		34,341,522	34,129,755
Current assets			
Stocks	6	**1,893,321**	1,497,591
Trade and other receivables	7	**4,594,639**	4,232,184
Refundable taxes		**79,265**	-
Cash at bank and in hand		**14,570,200**	4,351,945
		21,137,425	10,081,720
Total assets		**55,478,947**	44,211,475
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	8	**2,841,949**	2,282,924
Share premium		**42,008,988**	32,968,013
Exchange deference reserve		**174,842**	105,487
Merger reserve		**(19,535,126)**	(19,535,126)
Share options reserve		**235,286**	55,000
Accumulated profits		**6,229,695**	4,067,982
		31,955,634	19,944,280
Non-current liabilities			
Borrowings	9	**16,802,939**	17,871,279
Deferred tax	10	**1,092,895**	962,590
		17,895,834	18,833,869
Current liabilities			
Trade and other payables	11	**3,627,479**	3,292,592
Borrowings	9	**2,000,000**	2,000,000
Tax liabilities		**-**	140,734
		5,627,479	5,433,326
Total liabilities		**23,523,313**	24,267,195
Total equity and liabilities		**55,478,947**	44,211,475

CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January 2007 to 30 June 2007

	Note	**30/6/2007 US$**	31/12/2006 US$
Cash flows from operating activities			
Profit before taxation		**3,421,013**	4,447,621
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	4	**1,655,931**	2,383,269
Share option reserve		**180,246**	-
Profit from the sale of property, plant and equipment		**-**	(253,044)
Interest income		**(329,725)**	(654,008)
Interest expense		**978,955**	1,123,043
Profit from operations before working capital changes		**5,906,420**	7,046,881
Changes in working capital:			
Stocks		**(382,749)**	(350,781)
Trade and other receivables		**(330,953)**	541,781
Trade and other payables		**359,415**	840,424
Cash generated from operations		**5,552,133**	8,078,305
Tax paid		**(1,348,613)**	(1,426,590)
Net cash from operating activities		**4,203,520**	6,651,715
Cash flows from investing activities			
Acquisition of subsidiary undertaking		**-**	(17,000,000)
Purchase of property, plant and equipment	4	**(1,874,442)**	(3,385,048)
Purchase of intangible assets		**-**	(101,181)
Proceeds from sale of property, plant and equipment		**6,744**	388,622
Interest received		**329,725**	654,008
Net cash used in investing activities		**(1,537,973)**	(19,443,599)
Cash flows from financing activities			
Proceeds from issue of share capital		**9,600,000**	298,878
Repayment of borrowings		**(1,068,340)**	-
Proceeds from borrowings		**-**	8,870,962
Interest paid		**(978,955)**	(1,123,043)
Dividends paid		**-**	(792,632)
Net cash from financing activities		**7,552,705**	7,254,165
Net increase/(decrease) in cash and cash equivalents		**10,218,252**	(5,537,719)
Cash acquired on business combination		-	169,070
Cash and cash equivalents at beginning of the period		**4,351,948**	9,720,594
Cash and cash equivalents at end of the period		**14,570,200**	4,351,945

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Operating revenue

	30/6/2007 US$	30/6/2006 US$
Connection fees	**299,672**	332,910
Rental fees	**3,883,963**	1,729,739
Traffic fees	**1,457,854**	1,198,924
ISDN - Connection fees	**30,256**	66,133
ISDN - Traffic fees	**772,058**	480,381
Internet services	**3,016,638**	1,376,190
IP Services	**308,712**	282,636
Sundry income	**609,727**	330,732
	10,378,880	5,797,645

2. Finance costs - net

	30/6/2007 US$	30/6/2006 US$
Interest expense	**978,955**	446,227
Sundry finance expenses	**29,766**	15,467
Interest income	**(329,725)**	(371,449)
	678,996	90,245

3. Earnings per share

Basic earnings per share have been calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of shares in issue during the relevant financial year.

Diluted earnings per share are calculated after taking into consideration the potentially dilutive shares in existence as at the period ended 30 June 2007.

	30/6/2007 US$	30/6/2006 US$
Net profit attributable to ordinary shareholders	**2,161,466**	2,037,466
Weighted average number of ordinary shares in issue	**111,492,541**	100,000,610
Basic earnings per share (US$)	**0,0194**	0,0204
Weighted average number of ordinary shares including the effect of potentially dilutive shares	**113,452,369**	100,000,610
Diluted earnings per share (US$)	**0,0191**	0,0204
Weighted average number of ordinary shares in issue	**111,492,541**	100,000,610
Effect of potentially dilutive shares - share options	**1,959,828**	-
Weighted average number of ordinary shares including the effect of potentially dilutive shares	**113,452,369**	100,000,610

4. Property, plant and equipment

	Premises	Telecommu-nication equipment	Motor vehicles	Furniture, fixtures and office equipment	Total
	US$	US$	US$	US$	US$
Cost					
At 1 January 2007	5,962,012	31,552,356	619,880	2,081,905	40,216,153
Additions	146,022	1,453,361	121,086	153,973	1,874,442
Disposals	-	(1,743)	(18,208)	(4,750)	(24,701)
At 30 June 2007	6,108,034	33,003,974	722,758	2,231,128	42,065,894
Depreciation					
At 1 January 2007	676,041	11,859,743	383,877	1,231,388	14,151,049
Charge for the period	88,474	1,331,877	45,202	170,401	1,635,954
Disposals	-	(40)	(14,913)	(3,004)	(17,957)
At 30 June 2007	764,515	13,191,580	414,166	1,398,785	15,769,046
Net book value					
At 30 June 2007	**5,343,519**	**19,812,394**	**308,592**	**832,343**	**26,296,848**
At 31 December 2006	5,285,971	19,692,613	236,003	850,517	26,065,104

5. Intangible assets

	Goodwill	Computer software	Total
	US$	US$	US$
Cost			
At 1 January 2007	7,885,010	316,146	8,201,156
At 30 June 2007	7,885,010	316,146	8,201,156
Amortisation and impairment			
At 1 January 2007	-	136,505	136,505
Amortisation during the period	-	19,977	19,977
At 30 June 2007	-	156,482	156,482
Net book value			
At 30 June 2007	**7,885,010**	**159,664**	**8,044,674**
At 31 December 2006	7,885,010	179,641	8,064,651

Goodwill is allocated to cash generating units (CGUs) that are expected to benefit from that business combination, Goodwill represents the premium paid to acquire TNPKO.

The Group tests goodwill for impairment annually or more frequently if there are indications that goodwill might be impaired.

6. Stocks

	30/6/2007	31/12/2006
	US$	US$
Materials for network and exchanges	1,277,136	993,147
Spare parts and consumables	608,020	496,733
Goods for sale and cards	8,165	7,711
	1,893,321	1,497,591

7. Trade and other receivables

	30/6/2007	31/12/2006
	US$	US$
Trade debtors	3,282,012	2,961,684
Deposits and prepayments	115,587	330,164
Other taxes paid in advance	84,678	58,841
Other receivables	943,027	748,055
Value added tax	169,335	133,440
	4,594,639	4,232,184

8. Share capital

	30/6/2007		31/12/2006	
	Number of shares	US$	Number of shares	US$
Authorised				
Shares of CJ1 each	162,500,000	3,705,000	162,500,000	3,705,000
	162,500,000	3,705,000	162,500,000	3,705,000
Issued and fully paid				
At 1 January	102,736,610	2,282,924	102,191,010	2,222,970
Issue of shares	24,390,244	559,025	545,600	59,954
At 30 June	127,126,854	2,841,949	102,736,610	2,282,924

On 12 February 2007, the Board of Directors decided to increase the issued share capital of the Company by 24,390,244 shares with a par value of CYP0.01 at an exercise price of US$0,41 (GBP0,21).

9. Borrowings

	30/6/2007	31/12/2006
	US$	US$
Current		
Bank loans	2,000,000	2,000,000
	2,000,000	2,000,000
Non-current		
Bank loans	16,802,939	17,871,279
	16,802,939	17,871,279

Maturity of non-current borrowings:

between one to two years	**8,802,939**	9,871,279
between two and five years	**8,000,000**	8,000,000
	16,802,939	17,871,279

The carrying amounts of current bank loans approximate their fair value.

10. Deferred tax

Deferred taxation is calculated on all temporary differences under the liability method using the applicable tax rates,

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority

The movement on the deferred taxation account is as follows:

	Accelerated tax depreciation US$
At 1 January 2006	834,064
Charged / (credited):	
Income statement	208,869
Acquired through business combination	(80,343)
At 1 January 2007	962,590
Charged / (credited):	
Income statement	130,305
At 30 June 2007	**1,092,895**

11. Trade and other payables

	30/6/2007 US$	31/12/2006 US$
Trade payables	**844,924**	985,943
Advances from customers	**393,961**	340,409
Value added tax	**562,092**	490,759
Accruals	**295,601**	364,841
Other payables	**1,341,477**	900,190
Deferred income	**189,424**	210,450
	3,627,479	3,292,592