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**Tiscali to acquire Pipex broadband and voice division for GBP 210 million with  
new financing package  
Acceleration of growth in the UK with the achievement of  
1.9 million broadband customers**

**1H07 results in line with FY07 targets**

London, 13th July 2007

Today Tiscali and Pipex Communications Plc ("Pipex") have entered into an agreement for the acquisition of the broadband and voice division ("the Division") of Pipex by Tiscali UK Holdings Limited ("Tiscali UK").

The enterprise value agreed for the acquisition is £210 million. The final equity value, which will be determined at closing, is subject to adjustment for net debt position, the level of working capital. The acquisition is subject to the approval of Pipex's Shareholders and clearance by the UK Office of Fair Trading.

The Division, was expecting 2007 sales of over £300 million and an EBITDA of over £20 million on the basis of 1Q07 results and of Tiscali's own estimates. The Division has in the region of one million active customers, 650,000 voice customers and 570,000 broadband customers - of which, 250,000 are dual play - and 100,000 are SME business customers and approximately 1,400 employees. Following the acquisition, Tiscali UK will have 1.9 million broadband customers. Tiscali UK has unbundled 800 exchanges, reaching 55% of UK homes with plans to extend this network to over 1,000 sites covering at least 65% of the UK's addressable DSL market. In addition, Tiscali UK has rolled out an extensive next generation high bandwidth network to support both its business customers and new IPTV triple play product.

Mary Turner, CEO of Tiscali UK, said: "The acquisition of Pipex's broadband and voice division further cements Tiscali's position as a fully integrated telecom and media operator in the top league of the UK market and underlines our reputation as a major investor and innovator in the full range of broadband services.

"Significant synergies and efficiencies can be achieved through this acquisition in particular through network integration, customer migration and indirect costs efficiencies. Over a four-year period, we estimate cumulated synergies in the region of £150 million at EBITDA level ca £50 million to secure the synergies and efficiencies. In addition, we will be able to offer our new Pipex customers the full range of Tiscali's compelling and innovative services including broadband, telephone and TV. This acquisition provides us with an even greater opportunity in rolling out our double and triple play offers."

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Peter Dubens, Executive Chairman of Pipex, said: "The Board of Pipex is pleased to agree to the sale of the voice and broadband division, which we feel recognises the strong market position we have built over the last three years. Tiscali's commitment to investment in LLU, along with the new TV services it is introducing will offer our existing customers value and choice in the future."

The acquisition will be financed through a EUR 650 million debt facility underwritten by Intesa Sanpaolo and JP Morgan. This facility will replace substantially all outstanding financial debt of the Tiscali Group and may be partially refinanced by debt capital markets instruments of approximately EUR 400 million and it could also be partially refinanced by an equity increase of up to EUR 150 million which is expected to be resolved upon in late September 2007, in all events depending on market conditions.

"Upon completion of the Tiscali Group's strategic refocusing and delivery of the Group's financial targets, the acquisition of Pipex's broadband and voice division represents the first step in the new development phase. In the UK, our position will become even stronger as our growth accelerates. It will increase our broadband market share to approximately 15%, place Tiscali as one of the largest alternative broadband, voice and media provider in the UK and further complement the recent acquisition of Video Networks Limited. Following the acquisition, the 2008 net income and free cash flow generation targets are confirmed, with a net financial position to EBITDA ratio expected to remain under three times", said Tommaso Pompei, CEO of Tiscali S.p.A..

Rothschild and Banca IMI acted as financial advisors of Tiscali in the acquisition of the Division.

#### **First half 2007 preliminary results**

Tiscali also announces today preliminary results for 1H2007, which are in line with FY07 targets.

Group's 1H07 revenues stood at EUR 393 million, +23% YoY. EBITDA stood at ca EUR60 million (15% of revenues), +45% YoY. Total active customers were over 3.3 million customers, of which over 2 million broadband customers (ca 181,000 net adds in the semester) and ca 790,000 direct (LLU) customers.

In Italy 1H07 revenues totalled ca EUR 130 million, +24% YoY. EBITDA stood at EUR 21 million (16% of revenues), doubled vs 1H06 results. Total broadband customers were over 500,000, of which more than half LLU.

In the 1H07 UK revenues stood at EUR 253 million, + 23% YoY. EBITDA stood at EUR 36 million (14% of revenues), +21% YoY. Total broadband customers were 1.54 million, of which approximately 500,000 LLU.

PRESS RELEASE

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