

# tiscali:

**TISCALI S.p.A.**

Registered offices: S.S. 195 km. 2.3, Sa Illetta, Cagliari, Italy

Paid-up share capital: EUR 336,053,433.35 represented by 1,861,473,919 ordinary shares without par value

registered with the Cagliari Companies' Register

number: 02375280928

**REPORT OF THE BOARD OF DIRECTORS DRAWN UP PURSUANT TO ARTICLE 72 AND IN COMPLIANCE WITH ANNEX 3A OF CONSOB REGULATION 11971/99, AS AMENDED ("ISSUERS' REGULATIONS")**

to the Shareholders' Meeting called for 20, 21 and 22 December 2009  
in first, second and third calling, respectively

Messrs. Shareholders,

this report has been drawn up by the Board of Directors of Tiscali S.p.A. ("**Tiscali**" or the "**Company**"), pursuant to article 72 of the Issuers' Regulations and is drafted in compliance with Annex 3A, schedule no. 3 of said Regulations, in relation to certain items on the agenda of the Ordinary and Extraordinary Shareholders' Meeting of Tiscali called on 20 December 2009, in first calling, at 11 am at the registered offices and, if necessary, in second calling on 21 December 2009 at 11 am at the registered offices and, if necessary, in third calling on 22 December 2009 at 11 am at the registered offices to discuss and resolve on the following agenda:

### **Agenda**

#### **Extraordinary Session**

1. Resolutions pursuant to article 2446 of the Italian civil code;
2. Proposal for partial revocation of the resolution to increase share capital by maximum EUR 190 million undertaken by the Extraordinary Shareholders' Meeting on 30 June 2009 regarding the part of share capital increase not carried out; related and consequent resolutions;
3. Amendments to the articles of association, in particular, amendments to articles 5 and 6 of the Articles of Association, related and consequent resolutions;

#### **Ordinary Session**

4. Appointment of members of the Board of Directors and determination of their number. Determination of duration of appointment and of remuneration. Related and consequent resolutions;
5. Integration of Board of Statutory Auditors. Related and consequent resolutions.

This report is made available to the public at least fifteen days prior to the date fixed for the Shareholders' Meeting.

## **1. RESOLUTION PURSUANT TO ARTICLE 2446 OF THE ITALIAN CIVIL CODE**

With reference to the proposal regarding the provisions pursuant to article 2446 of the Italian civil code, please refer to the report as per article 74 of the Issuers' Regulations which shall be drawn up by the Company and published before the Extraordinary Shareholders' Meeting within the deadlines and according to the procedures prescribed by legal and regulatory provisions in force and which is deemed to be set out here in full.

## 2. PROPOSAL FOR PARTIAL REVOCATION OF THE RESOLUTION TO INCREASE SHARE CAPITAL BY MAXIMUM EUR 190 MILLION UNDERTAKEN BY THE EXTRAORDINARY SHAREHOLDERS' MEETING ON 30 JUNE 2009 REGARDING THE PART OF SHARE CAPITAL INCREASE NOT CARRIED OUT; RELATED AND CONSEQUENT RESOLUTIONS

With reference to the proposal for partial revocation of the resolution to increase share capital by maximum EUR 190 million undertaken by the Extraordinary Shareholders' Meeting of 30 June 2009 ("**Share Capital Increase**"), we remind Shareholders that during the first half of 2009 Tiscali's financial situation made a restructuring plan of the Tiscali Group (the "**Restructuring Plan**")<sup>1</sup> necessary, within the scope of which the Extraordinary Shareholders' Meeting resolved the Share Capital Increase.

Within the scope of the Restructuring Plan, the Extraordinary Shareholders' Meeting of the Company, on 30 June 2009 resolved, *inter alia*, the Share Capital Increase, to be offered under option to shareholders pursuant to article 2441, first subsection, of the Italian Civil Code proportionately to the number of shares held.

On the strength of the powers conveyed by the above mentioned resolution of the Shareholders' Meeting of 30 June 2009, on 21 September 2009 the Board of Directors resolved to carry out Share Capital Increase for maximum nominal EUR 180 million.

As notified to the Market on 16 November 2009, the offer of 1,799,830,945 ordinary shares of Tiscali combined with 1,799,830,945 warrants, ended with the subscription of 1,799,819,371 newly-issued ordinary shares of Tiscali (11,574 shares less than the total amount offered, with value equivalent to Euro 1,157), with 1,799,819,371 freely-combined warrants.

As a result of the offer under option and in conformity with what filed at the Cagliari Companies' Register on 18 November 2009, the share capital of Tiscali is equal to EUR 336,053,433.35, represented by 1,861,473,919 ordinary shares without par value.

The Board of Directors, in consideration of the positive results of the Share Capital Increase and of the following reduction of Tiscali Group's debt, also in the light of the proposal for resolution as per item 1 of the agenda, thus proposes to partially revoke the resolution to increase Share Capital for the entire amount not carried out, equal to overall EUR 10,018,062.90.

Approval of the proposal regarding the second agenda item will therefore result in an amendment to article 5 of the current articles of association.

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<sup>1</sup> For greater details on the Restructuring Plan, please refer to the Informative Document available at the registered offices of Tiscali S.p.A. (Località Sa Illetta, s.s. 195 km. 2.3, Cagliari) and at Borsa Italiana S.p.A. (Piazza degli Affari 6, Milan), as well as on the company website [www.tiscali.com](http://www.tiscali.com) and on the website of Borsa Italiana S.p.A., [www.borsaitaliana.it](http://www.borsaitaliana.it).

The Board of Directors also proposes to update the transitory provisions contained in said article, in order to provide an updated situation of the resolutions of share capital variation already adopted and not yet carried out at the date of this report. In particular, the transitory provision regarding resolution of the share grouping will be eliminated, since the Company has already started the transaction with effect from 14 September 2009. Furthermore, considering the results of share capital increase transaction of approximately EUR 180 million, that the subscription commitment of the Senior Financial Institutes has not been met, and the write-off mechanism extensively described within the Informative Document, any mention whatsoever shall be eliminated in relation to second share capital increase for maximum EUR 46.5 million, whose execution – under the suspensive condition that the Senior Financial Institutes subscribe one or more shares within the above mentioned share capital increase – shall not be implemented, not even partially.

The text of article 5 of the articles of association is reported below and is compared with the new text of the article. The amendments, following approval of the proposal under examination and of the above details, are highlighted. The text does not reflect possible amendments that may be carried out following adoption of provisions pursuant to former article 2446 of the Italian Civil Code.

EXISTING TEXT	PROPOSED TEXT
<b>Share Capital and Shares</b>	<b>Share Capital and Shares</b>
<p>The share capital amounts to EUR 336,053,433.35 (three hundred and thirty-six million, fifty-three thousand, four hundred and thirty-three point thirty-five).</p> <p>The shares are represented by the number of 1,861,473,919 (1 billion, eight hundred and sixty one million, four hundred and seventy-three thousand, nine hundred and nineteen) with no par value.</p> <p>The extraordinary shareholders' meeting held on 3 May 2007 resolved:</p> <ul style="list-style-type: none"> <li>• to increase the share capital against payment, in cash, with exclusion of the purchase option in accordance with Article 2441, last subsection of the</li> </ul>	<p>The share capital amounts to EUR [•] <del>336,053,433.35 (three hundred and thirty-six million, fifty-three thousand, four hundred and thirty-three point thirty-five).</del></p> <p>The shares are represented by the number of 1,861,473,919 (1 billion, eight hundred and sixty one million, four hundred and seventy-three thousand, nine hundred and nineteen) with no par value.</p> <p>The extraordinary shareholders' meeting held on 3 May 2007 resolved:</p> <ul style="list-style-type: none"> <li>• to increase the share capital against payment, in cash, with exclusion of the purchase option in accordance with Article 2441, last subsection of the</li> </ul>

Italian Civil Code and Article 134, subsection 2 of Italian Legislative Decree No. 58 of 24 February 1998, for a maximum nominal amount of € 2,122,065.50 (two million, one hundred and twenty-two thousand, and sixty-five point fifty), by means of the issue of a maximum of 4,244,131 (four million, two hundred and forty-four thousand, one hundred and thirty one) ordinary shares serving a maximum of 4,244,131 (four million, two hundred and forty-four thousand, one hundred and thirty one) non-transferable options, valid for the subscription of ordinary shares, assigned free-of-charge to Tiscali S.p.A. employees and those of its subsidiary and affiliated companies, to be carried out in one or more tranches;

- to establish, in accordance with Article 2439 of the Italian Civil Code, that if the share capital increase as resolved above is not subscribed in full by the third of May two thousand and twelve, the capital will be understood to be increased by an amount equating to the subscriptions received by that date.

On 30 June 2009 the Extraordinary Meeting of the Company has decided to:

- regroup the number of 616,545,485 (six hundred and sixteen million, five hundred and forty-five thousand, four hundred and eighty-four) ordinary shares currently outstanding, to 61,654,548 (sixty-one million, six

Italian Civil Code and Article 134 subsection 2 of Italian Legislative Decree No. 58 of 24 February 1998, for a maximum nominal amount of € 2,122,065.50 (two million, one hundred and twenty-two thousand, and sixty-five point fifty), by means of the issue of a maximum of 4,244,131 (four million, two hundred and forty-four thousand, one hundred and thirty one) ordinary shares serving a maximum of 4,244,131 (four million, two hundred and forty-four thousand, one hundred and thirty one) non-transferable options, valid for the subscription of ordinary shares, assigned free-of-charge to Tiscali S.p.A. employees and those of its subsidiary and affiliated companies, to be carried out in one or more tranches;

- to establish, in accordance with Article 2439 of the Italian Civil Code, that if the share capital increase as resolved above is not subscribed in full by the third of May two thousand and twelve, the capital will be understood to be increased by an amount equating to the subscriptions received by that date.

On 30 June 2009 the Extraordinary Meeting of the Company has, *inter alia*, decided to:

- ~~regroup the number of 616,545,485 (six hundred and sixteen million, five hundred and forty-five thousand, four hundred and eighty-four) ordinary shares currently outstanding, to 61,654,548 (sixty-one million, six~~

hundred fifty-four thousand, five hundred and forty eight) shares with no par value, with simultaneous replacement of the old shares and allocation to shareholders at a ratio replacement of 1:10 (one to ten), i.e. a new ordinary share without par value every ten old shares outstanding, with effect from the date of the reverse stock split execution.

- to increase the share capital up to a maximum of EUR 190,000,000.00 (one hundred and ninety million point zero zero), increased to be executed by issuing, at a price of EUR 0.01 (zero point zero one) for each share - corresponding to an outlay of EUR 0.1 (zero point one) for each new share obtained as a result of the reverse stock split mentioned above - of shares (Shares, series 1) without par value with the same characteristics of those already outstanding, regular entitlements , to be offered in option to shareholders in accordance with Article 2441, first subsection, of the Civil Code, in proportion to the number of shares held;
  - to delegate the Management Body of the company to give execution, with timing, terms and ways it deems appropriate, even issuing tranches, to the approved capital increase, with the right to place on the open market new issued shares not opted, as follows:

~~hundred fifty-four thousand, five hundred and forty eight) shares with no par value, with simultaneous replacement of the old shares and allocation to shareholders at a ratio replacement of 1:10 (one to ten), i.e. a new ordinary share without par value every ten old shares outstanding, with effect from the date of the reverse stock split execution.~~

- ~~• to increase the share capital up to a maximum of EUR 190,000,000.00 (one hundred and ninety million point zero zero), increased to be executed by issuing, at a price of EUR 0.01 (zero point zero one) for each share - corresponding to an outlay of EUR 0.1 (zero point one) for each new share obtained as a result of the reverse stock split mentioned above - of shares (Shares, series 1) without par value with the same characteristics of those already outstanding, regular entitlements , to be offered in option to shareholders in accordance with Article 2441, first subsection, of the Civil Code, in proportion to the number of shares held;~~
  - ~~○ to delegate the Management Body of the company to give execution, with timing, terms and ways it deems appropriate, even issuing tranches, to the approved capital increase, with the right to place on the open market new issued shares not~~

- the publication of the option offer will be done by the Board of Directors in due term, compatible with the final date of subscription stated and by the minimum period required by Article 2441 of the Italian Civil Code (Option period 1);
- where the term of option matures unsuccessfully, the Board of Directors will offer for at least five sessions of stock exchange, within the month following the expiration of the option, any un-opted share (Market offering period 1);
- Not underwritten shares after the end of the offer period, will be proposed by the Board of Directors to VIDEO NETWORKS INTERNATIONAL LTD and the Senior Lender (collectively the "Qualified People");
- The underwriter of the shares issued with the capital increase, here approved, would provide upon subscription, to deliver the total amount; the debt by injection may also be settled by offsetting. The offers reported above will be made taking into account the requirements for the exemption in Art. 49 - b) and d) of the Issuers' Regulations;

opted, as follows:

- ~~○ the publication of the option offer will be done by the Board of Directors in due term, compatible with the final date of subscription stated and by the minimum period required by Article 2441 of the Italian Civil Code (Option period 1);~~
- ~~○ where the term of option matures unsuccessfully, the Board of Directors will offer for at least five sessions of stock exchange, within the month following the expiration of the option, any un-opted share (Market offering period 1);~~
- ~~○ Not underwritten shares after the end of the offer period, will be proposed by the Board of Directors to VIDEO NETWORKS INTERNATIONAL LTD and the Senior Lender (collectively the "Qualified People");~~
- ~~○ The underwriter of the shares issued with the capital increase, here approved, would provide upon subscription, to deliver the total amount; the debt by injection may also be settled by offsetting. The offers reported above will be made taking into account the requirements for the exemption in Art. 49 - b) and d) of the Issuers' Regulations;~~

- to determine, pursuant to Article 2439 of the Italian Civil Code, that if the capital increase approved as above has not been fully subscribed by the date of thirty June 2011, the share capital will be increased by an amount equal to the subscriptions received by that date (final subscription period 1);
- to give to each share "Series 1" a free Warrant which will give the right to subscribe a new ordinary share of the Company for every 200 (two hundreds) warrants, equal to 20 (twenty) warrants as a result of the reverse stock split reported above. These warrants can circulate separately from the shares "Series 1" and will have the exercise period from the first open day of the stock market of the first month following the issuance of the warrants until the fifteenth of December 2014;
- to approve the "Regulation Warrants Tiscali SpA 2009-2014";
- to increase, for the warrants as above, the share capital up to a maximum of five percentage points of the one underwritten in execution of the capital increase for maximum EUR 190,000,000.00 (one hundred and ninety million point zero zero) as above; the increase will be implemented by the issue, even in more times or

- ~~○ to determine, pursuant to Article 2439 of the Italian Civil Code, that if the capital increase approved as above has not been fully subscribed by the date of thirty June 2011, the share capital will be increased by an amount equal to the subscriptions received by that date (final subscription period 1);~~
- to give to each share "Series 1" a free **issue** Warrants which will give **respective holders** the right to subscribe a new ordinary share of the Company for every 200 (two hundreds) warrants, equal to 20 (twenty) warrants as a result of the reverse stock split reported above. These warrants can circulate separately from the shares "Series 1" and, **without prejudice to the forecasts and suspension periods of the exercise as per the "Tiscali S.p.A. Issuers' Warrants 2009-2014"** **with exercise period starting from 11 December 2009** will have the exercise period from the first open day of the stock market of the first month following the issuance of the warrants until the fifteenth of December 2014;
- ~~● to approve the "Regulation Warrants Tiscali SpA 2009-2014";~~
- to increase, for the warrants as above, the share capital up to a maximum of five percentage points of the one underwritten in execution of the capital

tranches, of ordinary shares with no par value, regular entitlements, with identical characteristics to those issued in execution of the first capital increase( "Series 1 "), to be reserved exclusively to the exercise of those warrants, for an issue price equal to EUR 0.08 (zero point zero eight), inclusive of a premium of EUR 0.07 (zero point zero seven) including a total disbursement of EUR 0.8 (zero point eight), inclusive of a premium of 0.7 (zero point seven) for each new share issued as a result of the above reverse stock split);

- to increase the share capital up to a maximum of additional EUR 46,500,000.00 (forty-six million and five hundred thousand point zero zero), increase to be executed through the issuance of shares (Shares Series 2) with no par value, having the same characteristics as those outstanding, regular entitlements, to be offered in option to the Shareholders in accordance with Article 2441, first subsection, of the Italian Civil Code in proportion to the number of shares held, at a price of EUR 0.1 (zero point one) for each share, under the suspensive condition that the Senior Lender subscribe one or more shares "Series 1" in execution of the above approved capital increase;
  - to delegate the Management Body of the Company to give execution, with timing, methods and terms

increase— for —maximum EUR 8,999,096.80 (eight million nine hundred and ninety-nine thousand and ninety six point eighty) ~~190,000,000.00 (one hundred and ninety million point zero zero)~~ as above; the increase will be implemented by the issue, even in more times or tranches, of **89,999,096.80 (eighty-nine million nine hundred and ninety-nine thousand and ninety six point eighty)** ordinary shares with no par value, regular entitlements, with identical characteristics to those ~~issued in execution of the first capital increase("Series 1 ")~~, **in circulation** to be reserved exclusively to the exercise of those warrants, for an issue price equal to EUR ~~0.08 (zero point zero eight)~~, inclusive of a premium of EUR ~~0.07 (zero point zero seven)~~ including a total disbursement of EUR 0.8 (zero point eight), inclusive of a premium of 0.7 (zero point seven) for each new share issued ~~as a result of the above reverse stock split~~);

- ~~• to increase the share capital up to a maximum of additional EUR 46,500,000.00 (forty-six million and five hundred thousand point zero zero), increase to be executed through the issuance of shares (Shares Series 2) with no par value, having the same characteristics as those outstanding, regular entitlements, to be offered in option to the Shareholders in accordance with Article 2441, first subsection, of the~~

which are more appropriated, even through release in tranches, to the approved capital increase, with the right to place on the open market any residual un-opted shares of new release, giving execution in the event of a capital increase for tranches also during the execution of the first capital increase, as follows:

- the publication of the offer in option will be made by the Board of Directors within the time deemed appropriate, provided consistent with the "final subscription period 2" as specified and within the minimum period required by Article 2441 of the Italian Civil Code (Option period 2);
- where the term of option as above end unsuccessfully, the Board of Directors will offer for at least five sessions of Stock Exchange within the month following the expiration of the term of option, any un-opted shares (Market offering period 2);
- shares not subscribed at the end of the market offer period will be proposed by the Board of Directors to the Senior Lender (collectively the "Qualified People");
- the underwriter of the shares issued with the capital increase here approved will have to provide, upon subscription, to deliver the total amount; the debt by injection may also be settled by offsetting;

~~Italian Civil Code in proportion to the number of shares held, at a price of EUR 0.1 (zero point one) for each share, under the suspensive condition that the Senior Lender subscribe one or more shares "Series 1" in execution of the above approved capital increase;~~

- ~~○ to delegate the Management Body of the Company to give execution, with timing, methods and terms which are more appropriated, even through release in tranches, to the approved capital increase, with the right to place on the open market any residual un-opted shares of new release, giving execution in the event of a capital increase for tranches also during the execution of the first capital increase, as follows:~~
- ~~○ the publication of the offer in option will be made by the Board of Directors within the time deemed appropriate, provided consistent with the "final subscription period 2" as specified and within the minimum period required by Article 2441 of the Italian Civil Code (Option period 2);~~
- ~~○ where the term of option as above end unsuccessfully, the Board of Directors will offer for at least five sessions of Stock Exchange within the month following the expiration of the term of option, any un-opted shares (Market offering period 2);~~
- ~~○ shares not subscribed at the end of~~

<ul style="list-style-type: none"> <li>○ to determine, pursuant to Article 2439 of the Italian Civil Code, that if the capital increase approved as above has not been fully subscribed by the date of thirty-first December two-thousands-eleven, the capital will be increased by an amount equal to the subscriptions received by that date (final subscription period 2);</li> <li>● to give to the Board of Directors, pursuant to Article 2443, second subsection, of the Italian Civil Code, the option to increase the share capital up to a maximum of EUR 25,000,000.00 (twenty-five million point zero zero), for a period of three years from the thirty (30) June 2009 (two thousand and nine); the delegated capital increase may be executed in one or more tranches, as follows: <ul style="list-style-type: none"> <li>○ each new share will be released in cash, without charge, at the issue price equal to the average stock market official price of the share in the three months preceding the filing in the competent Register of Companies of the offer of option of the tranches of capital increase; the Board of Directors will determine, with reference to the actual issue price, the number of issued shares and the subscription ratio between new issued shares and shares already outstanding, according to art. 2346, subsection 5, and 2441 of the Italian Civil Code;</li> </ul> </li> </ul>	<p><del>the market offer period will be proposed by the Board of Directors to the Senior Lender (collectively the "Qualified People");</del></p> <ul style="list-style-type: none"> <li><del>○ the underwriter of the shares issued with the capital increase here approved will have to provide, upon subscription, to deliver the total amount; the debt by injection may also be settled by offsetting;</del></li> <li><del>○ to determine, pursuant to Article 2439 of the Italian Civil Code, that if the capital increase approved as above has not been fully subscribed by the date of thirty-first December two-thousands-eleven, the capital will be increased by an amount equal to the subscriptions received by that date (final subscription period 2);</del></li> <li>● to give to the Board of Directors, pursuant to Article 2443, second subsection, of the Italian Civil Code, the option to increase the share capital up to a maximum of EUR 25,000,000.00 (twenty-five million point zero zero), for a period of three years from the thirty (30) June 2009 (two thousand and nine); the delegated capital increase may be executed in one or more tranches, as follows: <ul style="list-style-type: none"> <li>○ each new share will be released in cash, without charge, at the issue price equal to the average stock market official price of the share in the three months preceding the filing in the competent Register of Companies of the offer of option of</li> </ul> </li> </ul>
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- the capital increase will be offered in option to Shareholders under and for the purposes of art. 2441 of the Italian Civil Code;
- the publication of the offer of option will be made by the Board of Directors in due course, provided that compatible with the final date for subscription which will be fixed by the Board and within the minimum period required by Article 2441 of the Italian Civil Code (Option period 3);
- where the term of option as above end unsuccessfully, the Board of Directors will offer for at least five sessions of Stock Exchange, within the month following the expiration of the term of option, any un-opted shares (Market offering period 3);
- shares not subscribed at the end of the market offer period will be proposed by the Board of Directors to the Senior Lender (collectively the "Qualified People");
- the underwriter of the shares issued with the capital increase here approved will have to provide, upon subscription, to deliver the total amount; the debt by injection may also be settled by offsetting;
- To submit the proxy to the suspensive condition of the request for compensation in excess of the amount of EUR 20 (twenty) million, by the cessionary of Tiscali UK

the tranches of capital increase; the Board of Directors will determine, with reference to the actual issue price, the number of issued shares and the subscription ratio between new issued shares and shares already outstanding, according to art. 2346, subsection 5, and 2441 of the Italian Civil Code;

- the capital increase will be offered in option to Shareholders under and for the purposes of art. 2441 of the Italian Civil Code;
- the publication of the offer of option will be made by the Board of Directors in due course, provided that compatible with the final date for subscription which will be fixed by the Board and within the minimum period required by Article 2441 of the Italian Civil Code (Option period 3);
- where the term of option as above end unsuccessfully, the Board of Directors will offer for at least five sessions of Stock Exchange, within the month following the expiration of the term of option, any un-opted shares (Market offering period 3);
- shares not subscribed at the end of the market offer period will be proposed by the Board of Directors to the Senior Lender (~~collectively the "Qualified People"~~);
- the underwriter of the shares

under contract;

The fully freed-up shares are indivisible and can be freely transferred.

Payments in cash made by the Company's shareholders by way of loans, can be made within the limits of the law:

- under the form of capital grants without the right to repayment;
- under the form of interest or non-interest bearing loans with the natural right to repayment.

The share capital is reserved for the achievement of the corporate purpose and may be increased also by means of conferral in kind and/or receivables within the meaning of the combined provisions of Articles 2342, 2343 and 2476 of the Italian Civil Code.

The shareholders' meeting may resolve the reduction of the share capital, also by means of the allocation, to individual shareholders or groups of shareholders, of specific corporate assets or shares or holdings in other companies, in which the Company has interest holdings.

The shareholders' meeting may resolve the increase of the share capital in pursuance of and within the limits of Article 2441.4.2 of the Italian Civil Code, and assign to the Board of Directors the power to increase the share capital pursuant to Article 2443 of the Italian Civil Code.

issued with the capital increase here approved will have to provide, upon subscription, to deliver the total amount; the debt by injection may also be settled by offsetting;

- To submit the proxy to the suspensive condition of the request for compensation in excess of the amount of EUR 20 (twenty) million, by the cessionary of Tiscali UK under contract;

The fully freed-up shares are indivisible and can be freely transferred.

Payments in cash made by the Company's shareholders by way of loans, can be made within the limits of the law:

- under the form of capital grants without the right to repayment;
- under the form of interest or non-interest bearing loans with the natural right to repayment.

The share capital is reserved for the achievement of the corporate purpose and may be increased also by means of conferral in kind and/or receivables within the meaning of the combined provisions of Articles 2342, 2343 and 2476 of the Italian Civil Code.

The shareholders' meeting may resolve the reduction of the share capital, also by means of the allocation, to individual shareholders or groups of shareholders, of specific corporate assets or shares or holdings in other companies, in which the Company has interest holdings.

The shareholders' meeting may resolve the

	increase of the share capital in pursuance of and within the limits of Article 2441.4.2 of the Italian Civil Code, and assign to the Board of Directors the power to increase the share capital pursuant to Article 2443 of the Italian Civil Code.
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**Evaluation of recourse to the right to withdraw**

The Board of Directors believes that the amendments to the articles of association as per point 2 of this report do not entail any right to withdraw by Tiscali shareholders.

### **3. AMENDMENTS TO THE ARTICLES OF ASSOCIATION, IN PARTICULAR, AMENDMENTS TO ARTICLES 5 AND 6 OF THE ARTICLES OF ASSOCIATION, RELATED AND CONSEQUENT RESOLUTIONS**

With reference to the proposal for amendment to article 5 of the articles of association, please refer to point 2 of this report.

With reference to the proposal for amendment to article 6 of the articles of association, the following is reported:

#### **Motivation of the proposal for amendment of article 6 of the articles of association**

The Board of Directors proposes to amend article 6 of the articles of association regarding publication of the notice of calling of the Shareholders' Meeting in just one financial newspaper (Il Sole - 24 Ore), as an alternative to publication in the Official Gazette.

In particular, the Board of Directors proposes to amend the text of article 6 of the articles of association envisaging publication of the notice of calling of the Shareholders' Meeting – as an alternative to publication in the Official Gazette – in at least one of the following two financial newspapers: Il Sole 24 Ore or MF -Milano Finanza-, at the Company's discretion.

The aim of this amendment to the articles of association is to provide the Company with greater flexibility as regards the financial newspaper used for publishing the notice of calling of the Shareholders' Meeting, also in consideration of any objective impediment or inability to publish the notice in one or more of the indicated newspapers.

Finally, the Board of Directors also proposes to amend the article 6 of the articles of association regarding the one hundred and eighty days time limit by which the Company Board of Directors must call the ordinary Shareholders' Meeting for approval of the statutory financial statements.

Art. 1 of Italian Legislative Decree no. 195 of 6 November 2007 ("Implementation of directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC") has resulted in amendments to Italian Legislative Decree no. 58 of 24 February 1998 ("Consolidated Law on Finance").

In particular, article 154-ter has been included after article 154-bis, which states: *"Without prejudice to the deadlines as per articles 2429 of the Italian civil code and 156, subsection 5, listed issuers which have Italy as Home Member State shall approve their statutory financial statements within one hundred and twenty days from closing of the financial year and publish the yearly financial report including the statutory financial statements, the consolidated financial statements, where drawn up, the management report and the certification as per article 154-bis,*

*subsection 5. The auditing reports as per article 156 shall be published integrally together with the yearly financial report.”*

Therefore, the Board of Directors proposes to adjust the second subsection of article 6 of the articles of association as prescribed by article 154-ter of the Consolidated Law on Finance.

Approval of the proposal for resolution regarding the third agenda item will therefore entail amendment to article 6 of the articles of association in force. The existing text is reported below and is compared with the new text of the article. The amendments, following approval of the proposal under examination and of the above details, are highlighted.

EXISTING TEXT	PROPOSED TEXT
<b>Calling of General Shareholders' Meeting</b>	<b>Calling of General Shareholders' Meeting</b>
<p>General Meetings are called by the management body at the registered offices or elsewhere, provided the location is in Italy, by means of publication, within the legal deadlines, of notice in the Italian Official Gazette or, alternatively, in the financial newspaper "Il Sole-24 Ore".</p> <p>Ordinary meetings must be called at least once a year within one hundred and eight days of the end of the accounting period, since the Company is obliged to draw up consolidated financial statements.</p> <p>The shareholders have the right to examine all the documents filed at the registered offices for Meetings already called and to obtain a copy thereof at their own expense.</p>	<p>General Meetings are called by the management body at the registered offices or elsewhere, provided the location is in Italy, by means of publication, within the legal deadlines, of notice in the Italian Official Gazette or, <b><u>in at least one of the following financial newspapers: “Il Sole-24 Ore or “MF Milano Finanza”</u></b> alternatively, <del>in the financial newspaper "Il Sole-24 Ore".</del></p> <p>Ordinary meetings must be called at least once a year, <b><u>within the legal deadlines, for approval of the statutory financial statements</u></b> <del>within one hundred and eight days of the end of the accounting period, since the Company is obliged to draw up consolidated financial statements.</del></p> <p>The shareholders have the right to examine all the documents filed at the registered offices for Meetings already called and to obtain a copy thereof at their own expense.</p>

**Evaluation of recourse to the right to withdraw**

The Board of Directors is of the opinion that the amendments to the articles of association as per point 3 of this report do not entail any right to withdraw by Tiscali shareholders.

Cagliari, 4 December 2009

**Tiscali S.p.A.**

For the Board of Directors

The Chairman, Renato Soru