Tiscali S.p.A.

Consolidated financial statements at 31 December 2014

Independent auditors' report
pursuant to Articles 14 and 16 of Italian Legislative Decree No. 39 dated 27 January 2010

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To the shareholders of
Tiscali S.p.A.

1. We have carried out an audit on the consolidated financial statements, comprising the income statement, statement of comprehensive income and statement of financial position, the cash flow statement, the statement of changes in shareholders' equity and the related explanatory notes, of Tiscali S.p.A. and its subsidiaries (the "Tiscali Group") as of and for the year ended 31 December 2014. Tiscali S.p.A.'s directors are responsible for drafting the financial statements in compliance with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued by way of implementation of Article 9 of Italian Legislative Decree No. 38/2005. We are responsible for the professional opinion expressed on the consolidated financial statements, based on our audit.

2. Our audit was made in accordance with the audit standards and criteria recommended by Consob. In accordance with such standards and criteria, we planned and performed our audit to obtain every element necessary in order to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the balances and disclosures in the financial statements, as well as assessing the appropriateness and suitability of the accounting standards applied and the reasonableness of the estimates made by the directors. We believe that our audit provides a reasonable basis for our professional opinion.

   For the opinion on the previous year's consolidated financial statements, whose balances are presented for comparative purposes, please refer to our report dated 26 June 2014.

3. In our opinion, the consolidated financial statements of the Tiscali Group at 31 December 2014 are compliant with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued by way of implementation of Article 9 of Italian Legislative Decree No. 38/2005; they have therefore been prepared clearly in all the material aspects and provide a true and fair view of the financial and equity position, the economic result and the cash flows of the Tiscali Group for the year ended as of that date.

4. By way of disclosure, the following aspects are pointed out, more fully dealt with in the explanatory notes:

   a. as indicated in the section "Assessment of the business as a going-concern and business outlook", the Tiscali Group closed the year with a consolidated loss of EUR 16.4 million and a consolidated equity deficit of EUR 168.8 million; furthermore, as of 31 December 2014, the Tiscali Group had a gross financial debt of EUR 204.3 million and current liabilities greater than current assets (non-financial) for EUR 108.9 million. The Directors describe the factors which indicate the continuation of significant uncertainties linked to a situation of equity, economic and financial imbalance into which the Group is headed, in the presence of gross financial debt which is significant, subject to covenants and other contractual obligations.

      In this context, the Directors reveal that during 2014, the Tiscali Group:

- finalised agreements with the financing institutions for the restructuring of the loan agreement known as the Group Facility Agreement (the "Restructuring Agreements"), after having obtained the asseveration of the business plan by a professional appointed in accordance with Article 67.3, letter d) of the Italian Bankruptcy Law;
- entered into an agreement with Société Générale in relation to the subscription by the latter of a share capital increase against payment (the "Share Capital Increase") to be used exclusively for the early repayment of a portion of the debt deriving from the Restructuring Agreements, amounting to EUR 42.4 million, falling due on 30 November 2015 ("Facility A1");
- accepted the offer made by a leading Italian real estate fund relating to the transfer of the leasing agreement concerning the property Sa Illetta (the "Leasing Agreement"), which may be finalised between the parties on verification of specific conditions which must take place by 31 March 2015;
- took part in the tender called by Consip S.p.A. for the supply of connectivity services in favour of the Public Administration Authorities (the "Consip Tender"), and turned out to be the group with the best economic bid. The Directors highlight that as things stand, the Tiscali Group is awaiting the completion of the formal controls, preparatory to the final assignment envisaged by the end of the first half of 2015.

On 19 March 2015, Tiscali S.p.A.'s Board of Directors approved the up-date of the business plan, extending the timescale to 2018 ("2015-2018 Plan"). The 2015-2018 Plan hypothesises, amongst other aspects, the ability of the Group to refinance the last instalment of the debt as per the Restructuring Agreements falling due in 2017. On the basis of the market analysis on corporate bond issues in the telecommunications sector, the Directors believe that this residual debt can be refinanced in relation to the level of net debt / EBITDA envisaged for 2017 in the 2015-2018 Plan.

Furthermore, the Directors disclose that - again on 19 March 2015 - a non-binding memorandum of understanding was signed for a merger transaction with the "Aria" Group, an Italian Service provider which offers telecommunications services under Wimax throughout Italy. The transaction envisages, *inter alia*, a new capital contribution from the shareholders of the Aria Group. The 2015-2018 Plan does not include any impact in relation to this transaction.

Despite highlighting how the achievement of a situation of equity, economic and financial balance for the Group over the long-term is subordinate to significant uncertainties linked to the achievement of the results envisaged in the 2015-2018 Plan, and therefore the realisation of the forecasts and the assumptions contained therein relating, in general, to the evolution of the telecommunications market and the accomplishment of the growth objectives set (in a market context characterised by strong competitive pressure) and in particular: (i) to the positive conclusion of the Share Capital Increase for EUR 42.4 million and the consequent repayment of Facility A1; (ii) the final awarding of the Consip Tender; (iii) the transfer of the

Leasing Agreements by the envisaged deadlines or alternatively the redefinition of the debt repayment plan as already agreed with the leasing companies; and (iv) the ability to refinance the final instalment of the debt as per the Restructuring Agreements falling due in 2017; the Directors believe that the positive conclusion of the Group restructuring and recapitalisation process is reasonable, so as to be able to continue with the implementation of the 2015-2018 Plan permitting the achievement of a situation of equity, financial and economic balance over the long-term.

In conclusion, the Directors acknowledge that as of the current date, and as already indicated in the financial statements relating to 2013, uncertainties remain relating to events or circumstances which could lead to significant doubts as to the Group's ability to continue operating on the basis of the assumption of a going-concern. However, after making the necessary checks and after assessing the uncertainties found in light of the factors described above, taking into account the matters envisaged by the Restructuring Agreements with regard to the Group recapitalisation and debt restructuring transaction, they have the reasonable expectation that the Group has adequate resources to continue operations in the near future and therefore have adopted the going-concern assumption when drawing up the financial statements;

b. as indicated in the section "Disputes, contingent liabilities and commitments", in August 2013 a settlement agreement was signed (the "Settlement Agreement") concluding the disputes brought by certain associations and foundations representing the former minority shareholders of the Dutch subsidiary World Online International NV ("WOL"). The Settlement Agreement does not include the compensation requests amounting in total to EUR 111 million, made by the Stichting Van der Goen WOL Claims foundation representing 28 shareholders or those entitled who brought legal proceedings, served on 19 June 2014, vis-à-vis WOL and the financial institutions tasked with the listing of said WOL. Also supported by the assessments of their legal advisors, the Directors believe that the risk of losing is not probable as things stand.

5. The drawing up of the report on operations and the report on corporate governance and the ownership structure in compliance with the matters envisaged by the provisions of the law, is the responsibility of Tiscali S.p.A.'s directors. We are responsible for expressing an opinion on the consistency of the report on operations and the information as per section 1, letters c), d), f), l), m) and section 2, letter b) of Article 123 *bis* of Italian Legislative Decree No. No. 58/98, presented in the report on corporate governance and the ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures indicated by Auditing Standard No. 001 issued by the Italian Accounting Profession and recommended by CONSOB. In our opinion, the report on operations and the information as per section 1, letters c), d), f), l), m) and section 2, letter b) of Article 123 *bis* of Italian Legislative Decree No. No. 58/98, presented in the report on corporate governance and the ownership structure, are consistent with the consolidated financial statements of the Tiscali Group as of 31 December 2014.

Milan, Italy, 20 March 2015

Reconta Ernst & Young S.p.A.

Luca Pellizzoni
(Partner)