

Reasonable proposal by the Board of Statutory Auditors to the shareholders' meeting to commission the audit of the financial statements and the consolidated financial statements in accordance with art. 159, paragraph 1, Law Decree n. 58 of 24 February 1998.

To the Shareholders' Meeting of Tiscali SpA

To the Shareholders,

Law n. 262 of 28 December 2005 ("law on the protection of savings"), as amended and supplemented by Law Decree n. 303 of 29 December 2006 (so-called "corrective" decree), has updated the provisions of Law Decree n. 58 of 24 February 1998 (Consolidated Law on provisions concerning financial brokerage, hereinafter TUF) with reference to the rules governing the audit of listed issuers and relevant groups.

The new text of art. 159 of the TUF now provides that conferral of the commission to audit the financial statements and the consolidated financial statements shall be resolved upon by the shareholders' meeting – which shall also attend to approving the relevant price – on the basis of a "reasonable proposal" by the control body.

Law n. 262/2005 as mentioned has now established – amending art. 159, paragraph 4, of the TUF – the overall duration of the commissioned audit at nine financial years, introducing a ban on renewals and on new conferral of the commission unless at least three years have elapsed from the date the previous commission ceased.

With the issue of the audit report on the financial statements at 31 December 2007, the third three year audit mandate conferred upon the company Deloitte & Touche SpA by the Shareholders' Meeting of Tiscali S.p.A. has expired.

The Company's Board of Statutory Auditors is, therefore, called upon, in application of new legislation on the matter, as explained above, to issue a reasonable proposal to the shareholders' meeting concerning conferral of the commission to the independent auditing firm.

To that end, the Board of Statutory Auditors has carried out the activities described hereunder.

First of all, we would point out that the Board has received, upon prior request by the company, 3 offers from the following leading independent auditing firms:

- a) Ernst & Young SpA;
- b) KPMG SpA;
- c) Pricewaterhouse Coopers SpA.

The Board has therefore examined the offers sent, along with the Internal Audit Committee, initially finding that they were not easily comparable, as they did not present an identical audit plan and therefore a consequent offer of an inclusive professional service, for the purposes of the economic valuation, of

the audit activities under art. 165 TUF of Italian and foreign subsidiaries, as to the limited audit of their half-yearly reports. In order to obtain greater comparability of offers, it has therefore become necessary to make them uniform as, as initially worded, they included audit activities for different consolidation areas. The independent auditing firms indicated above were therefore asked for a supplement.

The Board of Statutory Auditors subsequently examined the proposal updates formulated in respect of the three independent auditing firms mentioned above. Conclusively, the difference between the least costly offer and the most costly offer is about 15%, and in this case it therefore decided that the financial aspect had to be considered since the difference between the various offers over the space of nine years would be significant.

In addition, these independent auditing firms are all leaders in the field, and appear to have the necessary organisation and experience to be able to carry out this task. None of them appear to be involved in non-auditing activities to the extent that they could compromise their independence due to the nature and/or extent of such activities.

The cost and commitment elements of the professional services offers received, separated out by type of activity, for each of the financial years 2008 ÷ 2016, can be summarised as follows:

| Company | Financial Statements | Consolidated Financial Statements | Half-yearly Report | Annual Accounting Position | Half-yearly Accounting Position | Total |
|---------|----------------------|-----------------------------------|--------------------|----------------------------|---------------------------------|---------|
| E&Y | (1) | (1) | (1) | - | - | 780,000 |
| KPMG | 235,375 | 142,500 | 75,000 | 211,200 | 183,875 | 847,950 |
| PWC | 404,000 | 372,000 | 119,000 | - | - | 895,000 |

(1) *The Ernst & Young proposal is divided by legal entity, rather than by activity.*

The offer by Ernst & Young indicates the timescales and fees for the audit of the financial statements, including those for the activities pursuant to article 155, paragraph 1, letter a) of Legislative Decree 58/1998 regarding the checks carried out during the financial year to ensure the company accounts are being properly kept, and that the operations are recognised correctly in the accounting records.

The fees shown do not include out-of-pocket or secretarial costs (that will be charged at cost, in accordance with the manner shown in the offer) or V.A.T., or the supervisory fees due to CONSOB.

The offer also provides for the annual adjustment of fees (first adjustment on 1 July 2009), in accordance with the total variation of the ISTAT index relating to the cost of living for the previous year. The calculation of the number of hours

and the fees for the auditing firm offer do not include any additional activities that may be necessary if unexpected significant or complex transactions should occur. The fees may be therefore subject to adjustment on a flat fee basis, if, during the appointment, exceptional or unexpected events should occur which could change the expected work to carry out in terms of resources or timescales.

The Board of Statutory Auditors has also pointed out that:

- the offer by Ernst & Young S.p.A. includes the audit of the financial statements and the consolidated financial statements for the years 2008 to 2016 in order to provide an opinion in accordance with article 156 of the TUF, and that said plan satisfies the requirements in terms of adequacy and completeness for a company of the size and requirements of Tiscali S.p.A. and of the group;
- the offer contains the illustration of the level of commitment planned for auditing purposes limited to the consolidated half-yearly report for the years 2008 to 2016 (at 30 June) and that the commitment is adequate;
- the offer contains the illustration of the procedures used to carry out the checks provided under art. 156, paragraph 1, letters a) and b) of the TUF and that these procedures are adequate;
- the independent auditing firm in question fulfils the independence requirements necessary by law, and there is no incompatibility as things stand;
- the independent auditing firm has the organisation and technical competence necessary to carry out the task adequately;
- the fees requested seem to be reasonable and in line with the market prices.

Having stated all the above, the Board of Statutory Auditors proposes to the ordinary shareholders' meeting of Tiscali S.p.A., in accordance with art. 159 of the TUF, that it commissions the independent auditing firm Ernst & Young SpA (entered on the special Register of Independent Auditing Firms held by Consob) to audit the financial statements of Tiscali S.p.A. and the consolidated financial statements of the Tiscali Group for the financial years 2008 ÷ 2016, and also to carry out a limited audit of the consolidated half-yearly report of Tiscali S.p.A. for the above financial years, approving the prices due to the same independent auditing firm for each of the aforesaid financial years at the rates indicated above, as resulting from the proposal dated 19 March 2008, also setting down that these prices are subject to annual adjustment (first adjustment on 1 July 2009), based on the total variation in the ISTAT index relating to the cost of living compared with the previous year.

Cagliari, 19 March 2008

THE BOARD OF STATUTORY AUDITORS

ALDO PAVAN

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