

REMUNERATION REPORT TISCALI S.P.A.

25 March 2016

INTRODUCTION

This remuneration report ("Report") was prepared by Tiscali S.p.A. (the "Company") pursuant to the applicable legislation and Article 6 of the Corporate Governance Code (hereinafter, the "Code"), the Report was approved by the Board of Directors of 25 March 2016, following the opinion of the Remuneration Committee and is submitted to the examination and to the advisory vote of the shareholders in approving the financial statements ending 31/12/2015 pursuant to Art. 123 ter, Paragraph 6, of Legislative Decree no. 58, of 24 February 1998 (hereinafter "TUF" [Testo Unico delle Disposizioni in Materia di Intermediazione Finanziaria - Consolidated Finance Act]). The Report consists of two sections: the first describes the essential lines of the Company's remuneration policy, also applied to the other Companies of the Tiscali Group. The second shows the remuneration of the members of the Board of Directors and the Board of Statutory Auditors, the General Manager and of the other Key Management Personnel (hereinafter, also the "Executives") attributed or paid during 2015. Given the primary holding function of the Company, the General Manager and Executives of the operating companies of the Group, Tiscali Italy S.p.A. and Vevisible Srl, wholly owned by the Company, directly and indirectly respectively, are also considered. Regarding the Executives, compensation is provided in aggregate mode in accordance with current legislation.

SECTION I. The Company's remuneration policy.

1. Introduction.

This remuneration policy was adopted by the Board of Directors on 25 March 2016, on the proposal of the Committee for Remuneration, jointly with the approval of the Report. The Remuneration Policy defines, in accordance with the recommendations of the Code, the aims pursued and the principles that underlie the determination of remuneration of the management bodies, the General Manager and Executives.

2. Preparation and approval of the remuneration policy.

The main parties and bodies involved in the preparation and approval of the Remuneration Policy are: the Shareholders' Meeting, the Board of Directors, the Committee for Appointments and Remuneration and the Board of Statutory Auditors.

2.1 Board of Directors.

The Board of Directors:

- Establishes, within the board, a Committee for Appointments and Remuneration;
- determines, upon proposal of the Committee for Appointments and Remuneration, after consulting the Board of Statutory Auditors, the remuneration of directors vested with special powers;
- defines, upon proposal of the Committee for Appointments and Remuneration, the Remuneration Policy;
- approves the Remuneration Report subjecting it to the Assembly;
- pursuant to Article 114-bis TUF, provides for any remuneration plans based on shares or other financial instruments by subjecting them to the approval of Shareholder's Assembly and overseeing their implementation.

2.2 Committee for Appointments and Remuneration.

The Committee for Appointments and Remuneration is established within the Board of Directors consisting predominantly, of non-executive and independent directors. The Committee currently in office, appointed at the Board meeting of 16 February 2016, is comprised of: Paola De Martini (Chairperson of the Committee and Independent Director), Konstantin Yanakov, Nikolay Katorzhnov, Anna Belova (Independent Director) and Franco Grimaldi (Independent Director). The Committee for Appointments and Remuneration has the following duties:

- submit proposals to the Board of Directors for the remuneration of the CEO and other Directors with special duties;
- submit general recommendations to the Board of Directors on the remunerations of key management personnel of the Group;
- assists the Board in the preparation and implementation of any remuneration plans based on shares or other financial instruments;
- evaluate the adequacy and application of the Remuneration Policy.

2.3 Shareholders' Meeting.

The Shareholders' Meeting:

- Determines the remuneration of the members of the Board of Directors and Board of Statutory Auditors pursuant to Article 2364, Paragraph 1, no. 3, of the Italian Civil Code);
- expresses an advisory opinion on the first section of the Report;
- pursuant to Article 114-bis of the TUF, approves any remuneration plans based on shares or other financial instruments intended for directors, employees and collaborators, including key management.

2.4 Board of Statutory Auditors.

The Board of Statutory Auditors expresses its opinion on proposals for remuneration of the executive directors, and more generally, for directors holding particular positions, verifying the consistency of these proposals with the Remuneration Policy.

3. Principles and purpose of the Remuneration Policy.

The remuneration of Directors, the General Manager and key Management is defined in order to ensure a total compensation structure able to recognize the professional value of those involved and to attract, motivate and retain resources possessing the professional skills necessary to successfully pursue the Company's objectives. The remuneration is designed to create value in the medium and long term for the Company, its shareholders and other stakeholders. In addition, the Remuneration Policy is aimed at encouraging people in key positions in the pursuit of operational performance objectives of the Company and the Group, with the aim of maintaining constant alignment between the interests of management and those of all shareholders.

There are variable parts of remuneration commensurate with the achievement of specific objectives and performance. In the event of a variable part, this has, however, an upper limit and individual objectives take into account the medium and long term objectives of the Company and are also: specific, defined, measurable, realistic, adequately challenging and create an incentive. In the event that the Company enters into the special operations of key importance and which may affect Company results, the Board of Directors, upon proposal of the Committee for Remuneration has the right to grant, at its discretion, specific bonuses to the Executive Directors, Executives or other persons specifically identified involved in these operations.

The Company may provide incentive and loyalty plans based on shares or other financial instruments intended for directors, employees and collaborators, including Executives, pursuant to Article 114-bis of the TUF.

The Shareholders' Meeting of 16 February 2016 approved the Stock Option Plan 2015-2019 (hereinafter, the Plan) intended for Renato Soru as Chairperson of the Board of Directors and the relative authorisation to the Council for the increase in share capital of the above-mentioned Plan up to Euro 16,371,192.25. The authorisation regards the issuing of a maximum of 251,622,551 ordinary shares, to service a maximum of 251,622,551 options to be reserved for the beneficiary of the Plan.

The Board of Directors, having heard the Committee for Appointments and Remuneration, will attribute the options and adopt appropriate regulations in line with the Information Document on the already prepared Plan pending approval of the Assembly and available in the "Governance" section of the Company website.

The Remuneration Policy provides, in specific cases to be assessed from time to time, the signing of agreements with directors, executives or employees who hold key positions, governing *ex ante* economic issues in the event of termination of office or concerning the possible early termination of the relationship on the initiative of the Company or of the person concerned. These ad hoc agreements designed to govern suspension of the relationship or termination of the office for reasons other than just cause or justified objective reason (for example in the event of termination

of the relationship by the Company without just cause or objective reason or due to termination by the natural person for just cause such as, as an example but not limited to, the substantial modification of the role or assignments and/or change in control). In this case, if appropriate and advantageous, the Company evaluates, from time to time, the possible conclusion of such agreements aimed at governing, by consensus, the conclusion of the report. Subject to the legal and contractual obligations, the Company looks to market standards always placing primary regard to the company's interests. As an exception and under special situations, possibly also in conjunction with the above-mentioned agreements, the Group may enter into with the CEO, the General Manager, Executives or other employees who occupy key positions, non-compete agreements providing a consideration based on salary and term and scope of the obligation resulting from said agreement. However, the constraint is based on the industry and to the area in which the Group operates.

In defining this remuneration policy, the Company has not used the services of independent experts. The Directors, whether executive or otherwise, the General Manager, if any, and Managers benefit from insurance on civil liability for acts committed in while exercising their functions with the exception of cases of willful misconduct and gross negligence.

4. Remuneration of Directors

4.1 Directors in general.

Following the renewal of the corporate bodies, which occurred with the Assembly of 16 February 2016, within the Board of Directors, the Executive Chairperson, Renato Soru, and CEO, Riccardo Ruggiero, have executive powers delegated by the Board and remuneration it is established by specific contractual agreements with the Company. All non-executive Directors are paid a fixed annual remuneration approved by the Shareholder's Meeting upon their appointment, the Shareholder's meeting of 16 February 2016 approved gross annual compensation of € 50,000, and in addition, additional gross annual compensation of EUR 50,000 is provided for the Vice Chairperson of the Board of Directors, by decision of the Board of Directors. There are no increases expected for the members of the Committees established within the Board of Directors, but expected fees for attendance and expenses incurred for performance of the assignment are reimbursed by the Company. The Remuneration Policy does not provide for the payment of non-monetary benefits.

4.2 Executive Directors.

4.2.1 Chairperson. Currently, the remuneration of the Executive Chairperson, Renato Soru involves a single fixed component of € 350,000 gross annually jointly with certain non-cash benefits and expense claims, while there is no variable part. The remuneration is in line with the position held, the commitment required and the knowledge and qualities needed and is such to attract, retain and motivate the appropriate entities to the role of Chairperson of the Board of

Directors. Currently, no variable part is expected, which if subsequently added, should be commensurate with the medium and long term results of the Company as set out in the Strategic Plans of the Company. It is foreseen that, at the request of the Company, a non-compete agreement of a duration of 12 months will be activated and will apply to the domestic territory, for which an aggregate gross consideration of € 800,000 is expected. The Chairperson is not the recipient of fixed remuneration for the post of Board Member.

4.2.2 CEO. The remuneration of the current CEO, Riccardo Ruggiero, provides a fixed component of € 700,000 gross per year, some non-monetary benefits, reimbursement of expenses incurred for the position and a maximum variable component of Euro 350,000 which will be due upon attainment of some key performance indicators as will subsequently be determined from time to time by the Board of Directors and/or any other competent body of the Company. The remuneration is in line with the position held, the commitment required and the knowledge and qualities needed and is such to attract, retain and motivate the appropriate entities suitable to the role of CEO. The CEO is not the recipient of the fixed remuneration for the post of Member of the Board of Directors.

5. Remuneration of general managers and key management.

The remuneration of the Managing Directors, which is currently not foreseen, and Executives is established in line with the above-mentioned general principles, consists of a significant fixed annual component, congruous with the position and commitment required and such to attract, maintain and motivate the necessary professionals. There may be an annual variable component that is based on the achievement of pre-defined business objectives linked to the expected results based on the Strategic Plan approved by the Company. The variable component is commensurate to specific, defined, measurable, realistic, adequately challenging and incentive creating objectives and, in any case, with a maximum limit equal to not greater than 30% of the fixed gross annual remuneration. Non-monetary benefits are foreseen, such as company car and adherence to pension and insurance plans that reflect ordinary protection, relative to National Insurance contributions and as provided by the National Collective Labour Agreement.

SECTION II. The remuneration of the Directors, the Statutory Auditors, General Manager and other key management personnel for the year 2015.

1. The remuneration of the Board Members.

1.1 Non-executive Directors. Non-executive Directors in office during 2015 were granted a fixed annual remuneration of gross Euro 25,000, approved at the Shareholder's Meeting of 30 April 2015. For the year 2015, no increases were expected for the Chairperson, (on the other hand, ad hoc remuneration was in place for the CEO) and the members of the Committees established within the Board of Directors; no attendance fees were expected, and expenses incurred for the assignment were reimbursed by the Company. The Remuneration Policy did not provide for the payment of non-monetary benefits nor any compensation for the termination of office.

1.2 Executive Directors. The remuneration of the CEO, Renato Soru, the only Executive Director during 2015, only provided for a fixed component of gross Euro 350,000 per year, plus the reimbursement of expenses incurred for the office combined with non-monetary benefits shown in Table 1 below; there was no variable part. Said compensation included the salary provided for non-executive Directors and had been approved on the proposal of the Committee for Appointments and Remuneration, by the Board of Directors of 30 April 2015. Moreover the Director's contract provided compensation equal to six years of the annual compensation provided for by the Director's contract (for a total gross amount of Euro 2,100,000) in case of: dismissal without just cause, resignation upon request of the Company or the majority shareholders, resignation following a limitation of the powers and/or charges. In addition, the Company is obliged to pay to the CEO, by way of Director's Severance Indemnity (TFM), a gross amount of Euro 60,000 for each year or portion of a year of duration of the Board relationship. Lastly, the above-mentioned supplement to the agreement, foresees compensation equal to gross Euro 800,000 gross based on a non-compete commitment for the domestic territory for a period of twelve months following the termination, for any reason, of the Board of Directors relationship.

The remunerations due to the Directors for the year 2015 are summarized in Table 1 below.

2. The remunerations of the Board of Statutory Auditors.

The remuneration of the Board of Statutory Auditors in office during the year 2015 was approved by the appointment Assembly of 30 April 2015, which appointed Paolo Tamponi as Chairperson and Rita Casu and Andrea Zini as Standing Auditors. No compensation was provided for the Alternate Auditors beyond the amount due for any period spent as alternates. The remuneration approved by the above-mentioned appointment Assembly, was equal to gross Euro 35,000 per year for the Chairperson of the Board of Statutory Auditors, Paolo Tamponi and gross Euro 25,000 per year each, for the Standing Auditors Rita Casu and Andrea Zini. For members of the Board of Statutory Auditors. No variable compensation, non-monetary benefits, share incentive plans, or

other plans, were provided. Compensation actually received by members of the Board of Statutory Auditors for 2015, is specified in Table 1 below.

3. Compensation of the General Manager and Key Management.

In 2015, remuneration for Luca Scano, General Manager of the Italian subsidiary Tiscali S.p.A., was equal to gross Euro 200 thousand per year, plus compensation as non-executive Director of Tiscali S.p.A. referred to in Paragraph 1 above, and the non-monetary benefits shown in Table 1 below. There was a variable part commensurate with the achievement of medium and long-term objectives with a maximum payable of 60% of the gross annual salary. At the meeting of 14 November 2013, upon proposal of the Committee for Appointments and Remuneration, the Council approved a stability pact (hereinafter "the Stability Pact") for the General Manager, which provided for an allowance equal to 42 gross monthly remuneration, including the fixed and variable part, for a total amount equal to Euro 1,120,000, where, in the first three years following an extraordinary operation involving a change of control or disposal of the Group's major assets, the following occurs: the termination of the employment relationship not due to just cause or justified objective reason, resignation or demotion for other just cause, or the refusal of transfer to another place of employment. This allowance will be paid by way of the TFR supplementation and is understood to include any and all of the different allowances legally and contractually provided including indemnity in lieu of notice.

Following the completion of the integration process between the Tiscali Group and the Aria Group and the occurrence of the conditions provided by the Stability Pact, Luca Scano has resigned from positions held in the Company and Group Companies. In line with the remuneration policy approved by the Company's Board of Directors and with the Stability Pact, Luca Scano will receive a bonus equal to gross Euro 1,000,000 in order to supplement severance indemnities, in addition to compensation related to the actual severance indemnities, as follows:

- Euro 150,000, no later than 10 days after termination of the employment relationship as previously governed;
- for the remaining gross amount of Euro 850,000, by 8 consecutive monthly installments of equal amounts with effect from 31 May 2016.

There will be no non-compete agreement.

In the opinion of the Company, during 2015 there were six Key Executives pursuant to current legislation, some of which employees of the subsidiaries Tiscali Italy S.p.A. or Vevisible Srl. The total remuneration due to them for 2015 is equal to gross Euro 1,061,696 per year, plus non-monetary benefits jointly valued at gross Euro 51,000 per year. Generally, there is a variable component linked to the achievement of the medium and long term objectives and with a maximum total payable amount equal to gross Euro 295,000; Specific consideration for termination of the employment relationship is not foreseen.

4. Incentive plans in favor of members of the Board, the General Manager and other Key Executives.

In 2015, there were no stock option plans or other financial instruments in favor of Board Members, the General Manager and other Executives.

5. Interest held by Members of the administrative and control bodies, the General Manager and Key Executives.

The holdings in the Company held by Members of the administrative and control bodies and the General Manager in 2015, are summarized in Table 2 below. Of the six Executives, only one had 8,614 ordinary shares of Tiscali S.p.A. as at 31 December 2014, and he had not made any purchase or sales during 2015.