



TISCALI S.p.A.

Registered office: Cagliari, Località Sa Illetta, s.s. 195 km. 2,3

Paid-in share capital EUR 92,052,029.67

Tax Code, VAT no. and

Cagliari Register of Companies no. 02375280928

***BOARD OF DIRECTORS' EXPLANATORY REPORT ON THE AGENDA ITEMS FOR
THE ORDINARY SHAREHOLDERS' MEETING OF 30 APRIL 2015, PURSUANT TO
ARTICLE 3 OF MINISTERIAL DECREE 437/1998***

Cagliari, 19 March 2015

Dear Shareholders,

This document was prepared by the Board of Directors of Tiscali S.p.A. (“Tiscali” or the “Company”), in compliance with applicable legislation, in reference to the Ordinary Shareholders’ Meeting of Tiscali, convened on a single call for 30 April 2015, at 11:00 a.m., at the registered office, to discuss and resolve upon the following:

Agenda

1. Approval of the Financial Statements as at 31 December 2014. Related and consequent resolutions.
2. Review of the first section of the Report on Remuneration. Related and consequent resolutions.
3. Appointment of the members of the Board of Directors following resolution on the number of members. Resolution on the duration of office and on remunerations. Related and consequent resolutions.
4. Appointment of the Board of Statutory Auditors and Chairman, resolution on remunerations. Related and consequent resolutions.

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1. Approval of the Financial Statements as at 31 December 2014. Related and consequent resolutions

Dear Shareholders,

A copy of the Financial Statements draft of Tiscali S.p.A. (the “**Company**”) as at 31 December 2014, approved by the Board of Directors at the meeting of 19 March 2015 with attached the reports from the Directors, the Statutory Auditors and the Auditing Firm, shall be filed, in compliance with the applicable laws, with the registered office and Consob, and shall be made available on the Company’s website, www.tiscali.com - section *Governance/Shareholders’ Meetings* on 8 April 2015. For explanations regarding the Financial Statements, please see the Directors’ Report on Operations.

The final data contained in the Financial Statements as at 31 December 2014, shows a profit for the period of EUR 550,471. We are hereby proposing to approve the Financial

Statements, as a whole and with regard to the individual items, and to use the aforementioned profit for the period to partially cover past losses so that the losses cumulated as at 31 December 2014 would amount to EUR 26,903,812.

To this end, we are proposing to issue a resolution in line with the following proposal:

“The Ordinary Shareholders’ Meeting of Tiscali S.p.A., after reviewing the Financial Statements as at 31 December 2014, along with the required reports, and after hearing the Chairman’s presentation,

resolves

1. *to approve the Financial Statements related to the 2014 period, as a whole and with regard to the individual items, as prepared by the Board of Directors, and which provides comprehensive information on its operations;*
2. *to use the profit of EUR 550,471, for the 2014 period, for a partial coverage of previous losses;*
3. *to carry over the remaining losses, accumulated as at 31 December 2014 in the amount of EUR 26,903,812;*
4. *to confer the broadest powers to the Chairman and to the CEO pro-tempore, provided that, also through powers of attorney, this resolution is implemented and if appropriate or necessary, formal additions, changes and cancellations are made upon request from the competent authorities.”*

2. Review of the first section of the Report on Remuneration. Related and consequent resolutions.

Dear Shareholders,

Pursuant to article 123-ter of Legislative Decree 58/1998, the Shareholders’ Meeting, called annually for the Financial Statements approval, is asked to vote with regard to the policy adopted by the Company for the remuneration of the members of the administrative bodies, of the general managers, and of the executives with strategic responsibilities, as well as to the procedures used for the adoption and the

implementation of these policies. We would like to emphasise that, pursuant to paragraph 6 of article 123-ter of Legislative Decree 58/1998, the Shareholders' Meeting is called upon to express a favourable or unfavourable opinion about the first Section of the Report on Remuneration, which contains the Remuneration Policy of the Company, without such resolution being binding.

We are therefore submitting for your approval the first section of the Report on Remuneration with the Policy adopted by the Company as regards the remuneration of Directors and executives with strategic responsibilities, drafted in compliance with Attachment 3A 7-bis and 7-ter of the CONSOB Regulation of 14 May 1999, no. 11971, that has been made available to the public according to the law and that can be consulted on the website www.tiscali.com, together with the second section of the same report which is not being submitted for approval to the Shareholders' Meeting. To this end, we are proposing to issue a resolution in line with the following proposal:

"The Ordinary Shareholders' Meeting of Tiscali S.p.A., after reviewing Section 1 of the Report on Remuneration,

resolves

- 1. to issue a favourable opinion regarding Section 1 of the 2014 Report on Remunerations, as drafted by the Board of Directors,*
- 2. to confer the broadest powers to the Chairman and to the CEO pro-tempore in order to implement this resolution also through powers of attorney."*

3. Appointment of the members of the Board of Directors following resolution on the number of members. Resolution on the duration of office and on remunerations. Related and consequent resolutions.

Dear Shareholders,

The office of the current Directors of the Company expires at the date of this Shareholders' Meeting. Therefore, it will be necessary to appoint the new members of the Board of Directors. Please note that currently the Board of Directors is composed of

5 members with a 3 year mandate and an encompassing remuneration, except for the reimbursement of expenses incurring during the period in office, of a gross yearly amount of EUR 25,000. As regards the appointment of the new Directors, please note that Article 11 (“Board of Directors”) of the Articles of Association, provides that:

“If the management of the Company is entrusted to a Board of Directors, the Board takes steps to appoint a Chairman and possibly a Deputy Chairman, choosing from amongst its members, if the shareholders’ meeting has not already taken steps to do so. The Directors remain in office for a three-year period or a shorter duration established by the meeting at the time of their appointment; they can be re-appointed.

The Directors are appointed by the meeting on the basis of lists presented by the shareholders in which the candidates shall have to be listed by means of consecutive number. Each shareholder may submit, or jointly submit, one list only, even if via third parties or through trust companies. Each candidate may be present on one list only or be disqualified.

Shareholders are only entitled to present lists if, alone or together with other shareholders, they represent at least the percentage of the shares with the right to vote during ordinary shareholders’ meetings envisaged by applicable legislation, which shall be indicated in the notice for the calling of the meeting. The lists presented by the shareholders must be deposited, as will also be indicated in the notice of calling, at the Company’s registered offices by the twenty-fifth day prior to the date of the meeting called to resolve on the appointment of the Board members.

Each list shall have to be accompanied by the information required by applicable legislation and indicate the identity of the shareholders who have presented the same and the total investment percentage owned. In-depth information on the personal and professional characteristics of the candidates must be provided at the bottom of the list presented by the shareholders, or attached to the same. The declarations by means of which the individual candidates accept their candidature and declare, at their own liability, the inexistence of causes of ineligibility or incompatibility as well as the

existence of the requisites of good standing and professionalism prescribed for the office by applicable legislation and the Articles of Association, and the eventual possession of the independence requisites established by current legislation, must be filed together with each list.

Each list shall have to indicate at least one candidate who presents the independence requisites established by applicable legislation if the Board of Directors is made up of a number of members equal to or less than seven, and at least two candidates who present the afore-mentioned independence requirements in other cases. Each list must present a number of candidates belonging to the gender represented the least equal to the minimum number required by current legislation.

Lists presented without observing the above instructions, shall be considered as not presented.

Each shareholder may vote for one list only, even if via third parties or through trust companies.

The election of Directors proceeds as follows:

a) five sevenths of Directors to be appointed are taken from the list receiving the majority of votes expressed by shareholders, in the consecutive order in which they are listed on said list, with rounding off - in the event of a fractional number less than a whole unit - to the higher unit;

b) the remaining Directors are appointed from the other lists. For this purpose, the votes obtained by the lists shall be subsequently divided by one, two, three, four, five, etc., according to the number of Directors to be elected. The quotients thus obtained shall then be progressively assigned to candidates on each of these lists, in accordance with their respective order. The quotients thus assigned to candidates on the various lists shall be arranged into a single list in descending order.

Those who have obtained the highest quotients are elected.

In the event several candidates have obtained the same quotient, the candidate on the list which has not yet elected any Director or which has elected the lowest number of

Directors shall be appointed.

In the event that none of these lists has elected a Director yet or all have elected the same number of Directors, the candidate on the list which has obtained the greatest number of votes shall be elected from among these lists.

In the event of the lists receiving equal votes and again quotients being equal, the entire meeting shall vote once again and the candidate who obtained the simple majority of the votes shall be elected.

If, in the event of the presentation of several lists, none of the candidates indicated on the list which has obtained the greatest number of votes after the first and which is not connected, not even indirectly, with the shareholders who have presented or voted for this latter list, have been elected in accordance with the provisions above, the first candidate in order of presentation on the minority list shall in any event be elected in replacement of the last candidate in order of presentation elected on the list which obtained the number of votes immediately superior to that achieved by the minority list.

If the Board of Directors is made up of a number of members of up to seven and, as per the afore-mentioned appointment procedure, no member in possession of the independence requisites established by applicable legislation is elected, the last of those elected taken from the list which has obtained the greatest number of votes shall have to be replaced by the first candidate listed subsequently on this list who has these requisites.

If by contrast the Board of Directors is made up of more than seven members and, as per the afore-mentioned appointment procedure, at least two members in possession of the independence requisites established by applicable legislation are not appointed, the last of those elected not in possession of these requisites taken from the list which has obtained the greatest number of votes after the first and which is not connected in any way, not event indirectly, with the shareholders who have presented or voted for this latter list shall have to be replaced by the first candidate listed subsequently on this list who has these requisites and, if following this replacement a member in possession

of the independence requisites established by the applicable legislation still has to be elected, the last of those elected not in possession of these requisites taken from the list which has obtained the greatest number of votes shall have to be replaced by the first candidate listed subsequently on this list who has these requisites.

If the Board of Directors elected as above does not permit the observance of the balance between genders envisaged by current legislation, the last members elected from the majority list of the gender represented the most fall from office in the number necessary to ensure the observance of the requirement and are replaced by the first candidates not elected on the same list of the gender represented the least. In the absence of candidates of the gender represented the least on the majority list in a number sufficient to go ahead with replacement, the afore-mentioned criteria will apply to the minority lists progressively voted for the most from which the elected candidates have been taken. If applying the above criteria it is not however possible to identify suitable replacements, the shareholders' meeting supplements the body with the legal majorities, ensuring the satisfaction of the requirement of the balance between genders envisaged by current legislation;

c) the list voting appointment method envisaged above is applied in the sole case of complete renewal of the Directors; with regard to the appointment of Directors not appointed for any reason in accordance with the above procedure, the shareholders' meeting resolves with the legal majority in observance of the legislative requirements regarding gender representation; this requisite also applies to co-opting carried out by the same Board of Directors as per applicable legislation.

Not even during the course of the mandate can the shareholders' meeting vary the number of Board members, unless this takes place within the limit as per the Articles of Association, taking steps to make the related appointments. The Directors thus elected fall from office with the others.

If, due to resignation or for other reasons, half - in the event of even numbers - or more than half - in the event of uneven numbers - of the Directors fall from office, the entire

Board shall be understood to have fallen and the shareholders' meeting must be called immediately to re-appoint all the Directors”.

Pursuant to current legislation, only the Shareholders who, individually or jointly with other Shareholders, represent at least 4.5% (four point five percent) of the shares with voting rights at the Shareholders' Meeting, are entitled to submit lists of candidates under the terms and in the form specified in the notice of call of the Shareholders' Meeting. Please note that, pursuant to article 2390 of the Italian Civil Code “*the Directors cannot be in the capacity of shareholders who hold positions with unlimited liabilities in competing companies, nor can they exercise a competing activity on their own or on behalf of third parties, nor can they be the Directors or General Managers in competing companies without a specific authorisation from the Shareholders' Meeting.*” The Board of Directors shall submit for review and authorisation to the Shareholders' Meeting any relevant scenarios that may be related to the candidates.

Given the above, we invite you to submit candidates for Directors of the Board, in compliance with the above-referenced Articles of Association and with applicable legislation and, based on the proposed candidacies, to proceed with the election of the Directors upon determination of the number of members, the duration of the office and the remuneration.

To this end, we are proposing to issue a resolution in line with the following:

“The Ordinary Shareholders' Meeting of Tiscali S.p.A., having taken note of the Directors' Report and heard the presentation by the Chairman,

resolves

1. *to set [°°°] as the number of members of the Board of Directors and to appoint [°°°] Directors of the Company, and that these Directors must remain in office for [°°°] financial periods and therefore until the date of the Shareholders' Meeting called for the approval of the financial statements as at [°°°];*
2. *to set EUR [°°°] as the gross yearly remuneration for each Director;*
3. *to confer the broadest powers to the Chairman and to the CEO pro-tempore,*

provided that, also through powers of attorney, this resolution is implemented and if appropriate or necessary, formal additions, changes and cancellations are made upon request from the competent authorities.”

4. Appointment of the Board of Statutory Auditors and Chairman, resolution on remunerations. Related and consequent resolutions.

Dear Shareholders,

The office of the current Statutory Auditors of the Company shall expire at the date of this Shareholders' Meeting. Therefore, we must proceed with the appointment of new members of the Board of Statutory Auditors and the identification of its Chairman. As regards the election of the new Statutory Auditors, it must be noted that, pursuant to the Articles of Association, the current members are re-electable and that Article 18 (“Board of Statutory Auditors”) of the Articles of Association sets forth that:

“The Board of Statutory Auditors is made up of three Statutory Auditors and two Alternate Auditors appointed by the Shareholders' Meeting ensuring the balance between genders as per current legislation. The Statutory Auditors remain in office for a three-year period and can be re-appointed. The fall from office of the Statutory Auditors due to expiry of the term only becomes effective when the Board has been re-established. Pursuant to Article 1.2, letters b) and c) of the regulations pursuant to Italian Ministry of Justice Decree No. 162 dated 30 March 2000, the sectors of activities and the matters pertaining to telecommunications, electronic communications in general, media, software and IT activities, as well as matters pertaining to private and administrative law disciplines, economic disciplines and those relating to the business organisation, are considered strictly pertinent to that of the Company.

Board of Statutory Auditor meetings can also be held with the aid of telecommunications mediums, in observance of the formalities as per Article 12 (Calling and holding of meetings of the Board of Directors) of these Articles of Association.

The shareholders' meeting which appoints the Statutory Auditors and the Chairman of the Board of Statutory Auditors, establishes the emolument due to the same. The appointment of the Board of Statutory Auditors takes place on the basis of lists presented by the shareholders, in which five candidates must be indicated, three for the office of Statutory Auditor and two for the office of Alternate Auditor, listed by means of a consecutive number, in order of professional seniority and in observance of current legislation regarding balance between genders.

Each shareholder may submit, or jointly submit, one list only, even if via third parties or through trust companies. Each candidate may be present on one list only or be disqualified. Shareholders are only entitled to present lists if, alone or together with other shareholders, they represent at least the percentage of the shares with the right to vote during ordinary shareholders' meetings envisaged by applicable legislation, which shall be indicated in the notice for the calling of the meeting. The lists presented by the shareholders must be deposited, as will also be indicated in the notice of calling, at the Company's registered offices by the twenty-fifth day prior to the date of the meeting called to resolve on the appointment of the members of the Board of Statutory Auditors. If on expiry of the afore-mentioned deadline, just one list has been presented, or only lists presented by shareholders who are connected as per the applicable legislation, lists can be presented up to the third day after this date, and the investment percentage envisaged for the presentation of the lists is reduced by half.

Each list shall have to be accompanied by the information required by applicable legislation and indicate the identity of the shareholders who have presented the same, the total investment percentage owned and a certificate which proves the ownership of said investment, as well as a declaration of the shareholders other than those who hold, also jointly, a relative controlling or majority interest, bearing witness to the absence of the connecting relationships with the latter as envisaged by applicable legislation. In-depth information on the personal and professional characteristics of the candidates must be provided at the bottom of the list presented by the shareholders, or

attached to the same. The declarations by means of which the individual candidates accept their candidature and declare, at their own liability, the inexistence of causes of ineligibility or incompatibility as well as the existence of the requisites of good standing and professionalism prescribed for the office by applicable legislation and the Articles of Association, must be filed together with each list.

Lists presented without observing the above instructions, shall be considered as not presented.

Each shareholder may vote for one list only, even if via third parties or through trust companies.

Those who cover the role of Statutory Auditors in five listed companies, cannot undertake the office of Auditor in the Company. The Statutory Auditors can undertake other management and audit appointments within the limits established by applicable legislation.

At least one of the Statutory Auditors and at least one Alternate Auditor, must be chosen from those listed on the official register of auditors with at least three years' experience in the auditing of accounts. Auditors failing to meet the aforementioned condition must have a total of at least three years' experience in specific company purpose-related duties. Specific company purpose-related duties are understood to be all those referable to the corporate purpose as per Article 3 (Corporate Purpose) in these Articles of Association and in any event those relating to the telecommunications sector.

They are elected as follows:

a) two Statutory Auditors and one Alternate Auditor are elected from the list receiving the most votes, in the order in which they appear on said list;

b) the third Statutory Auditor shall be the candidate for the related office in first place, among the Statutory Auditors, on the list which has received the most votes after the first, from among the lists presented and voted for by shareholders who are not connected, even indirectly, with the shareholders who have presented and voted for

the list in first place due to number of votes;

c) the second Alternate Auditor shall be the candidate for the related office indicated as first, among the Alternate Auditors, on the same minority list indicated above.

In the event of equal votes between the lists presented and voted for by shareholders who are not connected, even indirectly, with the shareholders who have presented and voted for the list in first place due to number of votes, the candidate on the list which has been presented by shareholders in possession of the majority investment or, alternatively, by the greatest number of shareholders, shall be elected.

The chairmanship of the Board of Statutory Auditors goes to the candidate for the office of Statutory Auditor in first place on the list which has received the most votes after the first, from among the lists presented and voted for by shareholders who are not connected, even indirectly, with the shareholders who have presented and voted for the list in first place due to number of votes.

If just one list is presented, the first three candidates in consecutive order shall be elected Statutory Auditors by majority, and the fourth and fifth candidates shall be appointed Alternate Auditors; the chairmanship of the Board of Statutory Auditors will go to the first candidate.

If the Board of Statutory Auditors elected as above does not permit the observance of the balance between genders envisaged by current legislation, the last members elected from the majority list of the gender represented the most fall from office in the number necessary to ensure the observance of the requirement and are replaced by the first candidates not elected on the same list of the gender represented the least. In the absence of candidates of the gender represented the least on the majority list in a number sufficient to go ahead with replacement, the afore-mentioned criteria will apply to the minority lists progressively voted for the most from which the elected candidates have been taken. If applying the above criteria it is not however possible to identify suitable re-placements, the shareholders' meeting supplements the body with the legal majorities, ensuring the satisfaction of the requirement of the balance between genders

envisaged by current legislation.

In the event of early termination of a Statutory Auditor from office, the same shall be replaced by the Alternate Auditor elected from among the candidates belonging to the same list as the Auditor no longer in office in observance of current legislation regarding balance between genders.

In observance of current legislation regarding the balance between genders, the shareholders' meeting takes steps to appoint the Statutory Auditors and Alternate Auditors necessary for supplementing the Board of Statutory Auditors following early termination from office, as follows:

a) if steps must be taken to replace Auditors elected from the majority list, the appointment takes place by majority vote, choosing from among the candidates on the list which the Auditors to be replaced belonged to, who at least ten days before the date fixed for the shareholders' meeting in first calling have confirmed their candidature, together with the declarations relating to the inexistence of causes of ineligibility or incompatibility, as well as the existence of the requisites of good standing and professionalism prescribed for the office by applicable legislation and the Articles of Association;

a) if, by contrast, steps must be taken to replace the Statutory Auditors appointed by the minority, the shareholders' meeting shall replace the same by majority vote, choosing from among the candidates on the list which the Auditor to be replaced belonged to, who at least ten days before the date fixed for the shareholders' meeting in first calling have confirmed their candidature, together with the declarations relating to the inexistence of causes of ineligibility or incompatibility, as well as the existence of the requisites of good standing and professionalism prescribed for the office by applicable legislation and the Articles of Association.

The new Auditors appointed fall from office together with those already in office.

The outgoing Auditors can be re-appointed".

Pursuant to current legislation, only the Shareholders who, individually or jointly with

other Shareholders, represent at least 4.5% (four point five percent) of the shares with voting rights in the Shareholders' Meeting, without prejudice to the provisions set out in the notice for call of this Shareholders' meeting, also in reference to a reduction by half of this threshold, are entitled to submit lists. As regards remunerations, it is deemed that the current remunerations of EUR 35 thousand per year for the Chairman and EUR 25 thousand per year for the Statutory Auditors are fair in relation to the structure of the Group and the Company's business; these remunerations are encompassing, except for the reimbursement of expenses incurring during the fulfilment of the office. Given the above, we invite you to submit candidates for the office of Auditor, in compliance with the Articles of Association provisions and the regulations above and, based on the submitted candidacies, to proceed to voting for the election of the Auditors and for their remunerations.

To this end, we are proposing to issue a resolution in line with the following:

"The Ordinary Shareholders' Meeting of Tiscali S.p.A., having taken note of the Directors' Report and heard the presentation by the Chairman, at the conclusion of the list voting procedure,

resolves

1. *to appoint, for three financial years, and therefore until the date of the Shareholders' Meeting called for the approval of the financial statements related to the 2014 period;*

- [°°°] Statutory Auditors

- [°°°] Alternate Auditors

- [°°°] Chairman of the Board of Statutory Auditors;

2. *to establish the gross EUR [°°°] per year as the remuneration for the Chairman of the Board of Statutory Auditors and the gross EUR [°°°] per year as the remuneration for the Statutory Auditors;*

3. *to confer the broadest powers to the Chairman and to the CEO pro-tempore, provided that, also through powers of attorney, this resolution is implemented and if*

appropriate or necessary, formal additions, changes and cancellations are made upon request from the competent authorities.”

Dear Shareholders,

We invite you to express a favourable opinion on the above described proposals.

Cagliari, 19 March 2015

Tiscali S.p.A.

On behalf of the Board of Directors

The Chairman, Renato Soru