

**REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS  
PURSUANT TO ARTICLE 153 OF ITALIAN LEGISLATIVE DECREE NO. 58/98 AND ARTICLE  
2429.3 OF THE ITALIAN CIVIL CODE**

To the Shareholders' meeting of Tiscali SpA,

During the financial year ended as at 31 December 2010, we performed the supervisory activities envisaged by law, in accordance with the standards of conduct for Boards of Statutory Auditors recommended by the Italian Accounting Profession.

Bearing in mind that the analytical check in this connection on the contents of the financial statements is not entrusted to this Board, we report that we have overseen the general layout assigned to said statements as well as the compliance with the law with regard to the form and structure thereof.

Also in observance of the indications provided by CONSOB as per its communication dated 6 April 2001, subsequently integrated by the communications No. DEM/3021582 dated 4 April 2003 and No. DEM/6031329 dated 7 April 2006, we hereby reveal the following:

- a) We have overseen the observance of the law and the Articles of Association.
- b) We obtained the due information on the activities carried out and on the transactions of greatest economic, financial and equity importance entered into by the company also via its subsidiaries, from the Directors as per the frequency envisaged by Article 14 of the Articles of Association, and we can reasonably ensure that the action resolved and adopted complies with the law, the Articles of Association and general criteria of economic rationality and that therefore it is not manifestly imprudent, in potential conflict of interest or in contrast with the resolutions adopted by the Shareholders' meeting or such that it compromises the integrity of the company's equity.
- c) We have gained awareness of and overseen, in as far as it is our responsibility, the adequacy of the company's organisational structure and the suitability of the provisions imparted by the Company to the subsidiaries as per Article 114.2 of Italian Legislative Decree No. 58/98, by means of gathering information from the various division heads and meetings with the independent auditing firm for the purpose of a reciprocal exchange of significant data and information, and in this connection we have no particular observations to make.
- d) This Board has obtained periodic information from the Board of Statutory Auditors of the subsidiary Tiscali Italy SpA with regard to the management and audit systems and the general performance of the subsidiary company. No significant data or information emerged in this connection, as would have to be highlighted in this report.
- e) We have assessed and overseen the adequacy of the internal audit system and the administrative-accounting system as well as the reliability of the latter to correctly

represent the operating events, by means of obtaining information from the heads of the respective divisions, the examination of the corporate documents and the analysis of the work carried out by the independent auditing firm, overseeing the activities of the head of internal auditing, and in this connection we have no particular observations to make.

- f) During the year, the company adopted the new "Organization, management and control model pursuant to Italian Legislative Decree No. 231/2001" on the administrative liability of bodies which acknowledges new types of offences. The Supervisory Body - currently comprising just the head of internal auditing, and because thus we have once again indicated the need to re-establish a joint body - reported on the activities carried out during 2010 without indicating events or situations which must be highlighted in this report.
- g) In the report on operations and the explanatory notes to the statutory and consolidated financial statements, the Board of Directors provided in-depth illustration of the transactions entered into with subsidiaries and related parties, clarifying the economic effects. Transactions with related parties have been analytically indicated in the report on operations where the balance sheet and income statement balances are summarised; therefore, reference should be made to the specific section in the consolidated financial statements "*Transactions with related parties*". We have not become aware of the existence of any atypical or unusual transactions with third parties, Group companies or related parties.
- h) During the year, we received a complaint pursuant to Article 2408 of the Italian Civil Code relating to an alleged violation by company representatives of the communication obligations vis-à-vis a shareholder. On conclusion of its examination, the Board of Statutory Auditors concluded on the groundlessness of the complaint and that in the circumstances there had not been any violations of the communication and transparency obligations in dealing with the Shareholders, committed by the structure in general. No complaints have been received from third parties.
- i) We held meetings with the representatives of the independent auditing firm, as per Article 150.2 of Italian Legislative Decree No. 58/98 and Article 19.1 of Italian Legislative Decree No. 39/10, during the course of which no significant data or information emerged which must be indicated in this Report.
- j) The independent auditing firm Reconta Ernst & Young SpA issued its reports on the statutory financial statements and the consolidated financial statements at 31 December 2010 as of today's date, drawn up in compliance with the International Financial Reporting Standards (IFRS) adopted by the European Union. These reports express a positive opinion and include references to information on the subject of the business as a going

concern and on certain potentially significant disputes outstanding, in relation to which we refer you to said reports.

- k) The independent auditing firm issued the Report pursuant to Article 19.3 of Italian Legislative Decree No. 39/10 as of today's date (questions emerging during the legal audit).
- l) In pursuance of Article 149.1, letter c) *bis* of Italian Legislative Decree No. 58/98, we formally acknowledge that the Directors in their report on Corporate governance state that the Tiscali Group complies and conforms with the Code of Conduct for Italian listed companies, published in March 2006. Compliance with the legislation envisaged by the afore-mentioned Code has been effectively ascertained by this Board and has been covered, with regard to its various aspects, in the report on Corporate governance which the Board of Directors makes available to yourselves, to which we make reference for more suitable and complete disclosure in this connection.
- m) During 2010, Reconta Ernst & Young SpA - as well as other entities belonging to its network - carried out professional services other than the legal audit of the statutory and consolidated financial statements. The total of the fees due for 2010 has been summarised below:

	EUR 000
Legal audit (statutory and consolidated financial statements)	417
Other services	190
Total	607

Having taken into account: (i) the declaration of independence issued by Reconta Ernst & Young SpA as per Article 17.9 of Italian Legislative Decree No. 39/10, (ii) the transparency report produced by the same as per Article 18.1 of Italian Legislative Decree No. 39/10 as published on the website and (iii) the appointments granted to the same and to the other companies belonging to its network by Tiscali and by the other Group companies, the Board of Statutory Auditors does not believe that critical aspects exist with regard to the independence of Reconta Ernst & Young SpA.

- n) During the year, this Board issued its opinion pursuant to Article 2389 of the Italian Civil Code.
- o) With regard to the opinions envisaged by law, the independent auditing firm Reconta Ernst & Young SpA issued its report on the half-year report as at 30 June 2010.
- p) The supervisory activities described above have been carried out during eleven meeting of this Board, six meeting of the Internal Audit Committee and attending all the four Board of Directors meetings, as per Article 149.2 of Italian Legislative Decree No. 58/98.

- q) During the supervisory activities carried out and on the basis of the information obtained from the independent auditing firm, no omissions and/or reprehensible action and/or irregularities have been revealed or in any event significant events which would require reporting to the audit bodies or mentioning in this Report.

In as far as it falls within our responsibilities, we express a favourable opinion for the approval of the financial statements as at 31 December 2010 together with the Report on operations and the resolution proposals drawn up by the Board of Directors.

Cagliari, Italy, 5 April 2011

THE BOARD OF STATUTORY AUDITORS

PAOLO TAMPONI

PIERO MACCIONI

ANDREA ZINI

Pursuant to Article 144 *quinquiesdecies* of the Issuers' Regulations (Consob Regulation implementing Italian Legislative Decree No. 58/98), a list is attached to this report of the appointments which each member of the Board of Statutory Auditors covers in the companies pursuant to Book V, Section V, Parts V, VI and VII of the Italian Civil Code as of the issue date of this report (the financial statements on whose approval the appointment expires is indicated in brackets).

**Paolo Tamponi:** Chairman of the Board of Statutory Auditors of CoopFin SpA (2010); Statutory Auditor in the companies: Portovesme Srl (2010), Sarmed Srl (2011), Euromix Srl (2012), Hosteras SpA (2010); Chief Executive Officer of the company Auditors Associati Srl (until removal).

**Piero Maccioni:** Chairman of the Board of Statutory Auditors of the companies: Hosteras SpA (2010), Sarmed Srl (2011), Calacavalllo SpA ( 2011); Statutory Auditor in the companies: Portovesme Srl (2010), Abbanoa SpA (2011), Casa di cura Villa Elena Srl (2011); Chairman of the Board of Directors of the company Auditors Associati Srl (until removal).

**Andrea Zini:** Chairman of the Board of Statutory Auditors of the companies: Immobiliare Sant'Angelo SpA (2011); Rivolta Carmignani SpA (2012); Sardinia Green Island (2013); Statutory Auditor in the companies: 3G Italy SpA (2010); H3G SpA (2010); 3lettronica Industriale SpA (2010); Gabbiani Angelo SpA (2010); Immobiliare Diana SpA (2011); Nuova Iniziativa Editoriale SpA (2010); Manifattura Colombo Trecate SpA (2010); FRAL Srl (2011); Sole Director of the companies: Santa Barbara Investimenti Srl (until removal); Bareca Srl (until removal).