

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS  
PURSUANT TO ART. 153 OF LEGISLATIVE DECREE NO. 58/98

At the Shareholders' Meeting of Tiscali S.p.A

This report has been prepared by the Board of Auditors appointed by the Shareholders' Meeting held on 16 February 2016, for three years, until the approval of financial statements at 31.12.2017, consisting of Paolo Tamponi, Chairman, Emilio Abruzzese and Valeria Calabi, Standing Auditors, and as regards the activities of the previous Board, of which the current Chairman was part, is based on the documented results.

During the year ended December 31, 2015, the Board carried out the supervisory activities required by law, according to the principles of conduct of the Board of Statutory Auditors recommended by the National Board of Certified Public Accountants.

Given that the analytical review on the content of the - statutory and consolidated - financial statement is not attributed to the Board, said Board reports to have supervised the general terms attributed to it, as well as compliance with law for its form and structure.

Also in compliance with the guidelines provided by CONSOB with communication dated 6 April 2001, subsequently supplemented with communications no. DEM / 3021582 of 4 April 2003 and no. DEM / 6031329 of 7 April 2006, the Board reports the following:

- a) supervised compliance with law and articles of association;
- b) obtained from the Directors, with the intervals provided for by Art. 14 of the Articles of Association, with the relevant information on the most significant economic, financial and balance sheet transactions carried out by the Company also through its subsidiaries; the Board can reasonably assure that the actions approved and implemented complied with the law and the Articles of Association and were not patently imprudent, risky, or in potential conflict of interest or in contrast with the resolutions passed by the Shareholders' Assembly or such to undermine the integrity of corporate assets;
- c) verified and monitored, within the scope of its abilities, the organizational structure of the Company, compliance with the principles of correct administration and the adequacy of the provisions given by the Company to its subsidiaries pursuant to Art. 114, Paragraph 2 of Legislative Decree no. 58/98, by collecting information from the various departments and meetings with the auditing company in order to exchange relevant data and information, and in this respect has no particular comments to make;
- d) held regular meetings with the Board of Auditors of the subsidiary Tiscali Italy S.p.A for the reciprocal exchange of data and information; it should be noted that the company Aria S.p.A has joined the Tiscali Group with effect from the date of effect of the merger

in December 2015. To this regard, no significant data and information that should be included in this report was found;

- e) assessed the adequacy of the internal control and administrative-accounting system and the reliability of the latter in correctly representing management, by i) the examination of the Manager responsible for preparing the financial reports of the company on the Administrative and Accounting and on the Internal Control System on Corporate Disclosure produced every six months; ii) the examination of the Internal Audit report on the internal control and risk management system; iii) The examination of the internal audit reports; iv) relationships with management and the supervisory body of the subsidiary Tiscali Italy S.p.A, pursuant to paragraphs 1 and 2 of Art. 151 of Legislative Decree 58/98; iv) participation in the work of the Risk Control Committee, established under the Board of Directors and consists of three members, two of which are independent members of said board; v) obtaining information from the managers of the respective departments; vi) examining company documents and analysing the results of the work done by the external auditing company. From the activities carried out, no situations or critical issues were found to deem the Internal Control System inadequate;
- f) examined and obtained information on organizational and procedural activities carried out pursuant to Legislative Decree 231/2001 and subsequent supplements and amendments, on the administrative liability of Entities for offenses governed by said legislation. This activity is illustrated in the Report on corporate governance and ownership structure which may be referenced. The Supervisory Body has reported on its activities during FY 2015, without reporting facts or situations that should be highlighted in this Report, that, except as already stated by the Board of Directors in the Annual Financial Report at 31 December 2015, on the pending criminal proceedings for the alleged offense of false corporate accounting related to the financial statements from 2008 to 2012, for alleged underestimation of provisions for doubtful accounts. Tiscali S.p.A and the company Tiscali Italy S.p.A are parties in the above-stated proceedings according to law 231/2001. Currently, the preliminary hearing stage is in progress and the Company has put in place the necessary defence activities.
- g) The Board of Directors, in the management report and in the notes to the financial and consolidated statements - in accordance with the Regulations for the execution of transactions with related parties, entered into force on 1 January 2011 - has exhaustively shown the transactions which took place with subsidiaries and related parties, specifying their financial effects. Transactions with related parties were broken down in the management report which summarises the balance sheet and income statement

amounts that may be referenced under the specific paragraph of the consolidated financial statements entitled "*Related party transactions*". The Board did not detect any atypical or unusual transactions with third parties, group companies or related parties;

- h) during the year there were no complaints pursuant to Art. 2408 of the Italian Civil Code, nor petitions from third parties;
- i) held meetings with representatives of the external auditing company, in accordance with Art. 150 Paragraph 2 of Legislative Decree 58/98 and Art. 19, Paragraph 1 of Legislative Decree 39/10, during which no significant data or information was found that should be highlighted in this Report; the accounting firm Reconta Ernst & Young S.p.A, today has issued its reports on the financial statements and consolidated financial statements as at 31 December 2015, prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The reports show that the financial statements and consolidated financial statements of Tiscali S.p.A provide "*a true and fair view of the balance sheet and financial position of Tiscali S.p.A as at 31 December 2015, of the financial performance and cash flows for the year then ended*"; they also include references to information on the economic, equity and financial, situation on the main initiatives taken by the directors and the elements and evaluations described by the Directors in support of the adoption of the going concern basis in preparing the financial statements. The auditing firm also stated that the management report and the report on corporate governance and ownership structure, limited to the information indicated in Art. 123-bis, paragraph 4 of Legislative Decree 58/1998, are consistent with the financial statements;
- j) as already noted in the Board report for FY 2014, the Board of Directors of 16 February 2015, in the exercise of the powers conferred by the Extraordinary Shareholders' Meeting of 30 January 2015, has resolved to increase the share capital with the exclusion of option rights pursuant to Art. 2441, Paragraph 5 of the Italian Civil Code, for a maximum amount of one billion shares, to be reserved for subscription by Société Générale. The above-mentioned operation is part of the agreements with *senior* creditors of the Group for the restructuring of *senior* debt deriving from *Group Facility Agreement* signed in 2009. To date, the delegation of the directors has not yet been exercised;
- k) during 2015 the merger transaction was concluded with the Aria Group, by the incorporation into Tiscali S.p.A of the newly formed company, Aria Italy S.p.A. The Aria Italy S.p.A company, had the entire share capital of the Aria S.p.A company in the balance sheet assets, carried at a value of approximately 34.6 million Euro, and free cash flow of 42.5 million Euro, used to for full settlement of Facility A1 for Tiscali's debt pursuant

to *Group Facilities Agreement*. - GFA. Due to the merger, the share capital was increased to approximately 77 million Euro by issuing a total of 1,283,746,550 ordinary shares of no par value in favour of the shareholders of Aria Italia according to the exchange ratio of 50 Tiscali ordinary shares for each 3 ordinary shares of Aria Italia. The merger was approved by the Shareholders' Meeting on 29 September 2015 and became effective on 24 December 2015;

- l) today, the auditing company issued the Report pursuant to Art. 19, Paragraph 3 of Legislative Decree 39/10;
- m) in compliance with Art. 149, Paragraph 1, Lett. c) bis of Legislative Decree 58/98, we acknowledge that the Directors in their report on Corporate Governance specify that the Tiscali Group adopted and adheres to the Code of Conduct for Italian Listed Companies issued in March 2006 (updated July 2015). Adherence to the rules provided by the above-stated Code was observed by us in practice and has been the subject, in its various aspects, of the report on Corporate Governance that the Board of Directors places at your disposal, and which may be referenced to provide you with more appropriate and more detailed information in this regard; The Board has also verified the correct application of the criteria and procedures adopted to evaluate the independence of Board Members qualified as independent, as well as compliance with the independence criteria by individual members of the Board, as required by the code;
- n) during 2015, the Reconta Ernst & Young S.p.A company has audited the financial statements and consolidated financial statements - entrusted by the Shareholders' Meeting on 29 April 2008 - for a total cost of Euro 444 thousand. The total fees for FY 2015 may be summarised as follows:

	Euro/000
<b>Statutory audit services:</b>	
Parent Company - Tiscali S.p.A	272
Subsidiary companies	172
<b>Other professional services:</b>	
Parent Company - Tiscali S.p.A	860
Subsidiary companies	45
Other services provided by entities of the Ernst & Young network.	50
<b>Total</b>	<b>1,400</b>

The amount of Euro 860,000 - other professional services - include the fee of Euro 360,000 for issuing an report by an expert appointed by the Court, pursuant to Art.

2501, Paragraph 3 of the Italian Civil Code, part of the merger by incorporation of the Aria Italy Spa into Tiscali S.p.A, the remuneration of Euro 70,000 for issuing of the fairness opinion of the criteria of determination of the issue price of the shares for capital increase with exclusion of option rights pursuant to Art. 2441, Paragraph 5 of the Italian Civil Code, and the fees relating to the issue of the reports of the external auditing company on the pro forma data and forecast data in support of the prospectuses of the above-mentioned transactions.

Taking into account: (i) the annual independence confirmation letter issued by Reconta Ernst & Young S.p.A pursuant to Art. 17, Paragraph 9 of Legislative Decree 39/10; (ii) the transparency report produced by the same in accordance with Art. 18, Paragraph 1 of Legislative Decree 39/10 and published on its website; (iii) the duties assigned to it by Tiscali S.p.A and other group companies, the Board of Statutory Auditors does not consider that there are critical issues related to the independence of Reconta Ernst & Young S.p.A;

- o) during 2015, the accounting firm Reconta Ernst & Young S.p.A issued the following opinions required by law, in addition to the by-yearly report as at 30 June 2015:
- On 9 January 2015, the opinion of fairness of the criterion for determining the issue price of shares for the capital increase with exclusion of option rights pursuant to Art. 2441, Paragraph 5 of the Italian Civil Code, for a maximum amount of one billion shares, to be reserved for subscription by Société Générale.
  - On 28 August 2015, the report of the auditing company on the share exchange ratio pursuant to Art. 2501 of the Italian Civil Code as part of the merger by incorporation of the Aria Italy Spa company into Tiscali Spa.

It is also reported that during the initial months of 2016, the following additional opinions required by law were issued:

- on 22 January 2016, the report of the independent auditing company on the issue price of the shares related to the capital increase with exclusion of option rights pursuant to Art. 2441, Paragraphs five and six, of the Italian Civil Code, and Art. 158, Paragraph one of Legislative Decree 58/98, for a maximum number of 250,000,000 shares reserved to Rigensis Bank;
- on 22 January 2016, the report of the independent auditing company on the issue price of the shares related to the capital increase with exclusion of option rights pursuant to Art. 2441, Paragraphs five and six, of the Italian Civil Code, and Art. 158, Paragraph one of Legislative Decree 58/98, for a maximum number of 252,622,551 shares, in service of a maximum 252,622, 551 options reserved for the

Chairman of Tiscali Spa, Renato Soru, as beneficiary of the stock option plan 2015-2019;

- p) on 30 April 2015, expressed its favourable opinion to the following resolutions adopted by the Board of Directors:
- on the proposal made by the Chairman of the Board of Directors, after evaluation of the Committee for Appointments and Remuneration, the appointment of the Manager responsible for preparing corporate documents;
  - on the proposal made by the Chairman of the Board of Directors, after evaluation of the Committee for Appointments and Remuneration, with the approval of the Risk Control Committee, the appointment of the head of internal auditing;
  - on the proposal made by the Chairman of the Board of Directors, after evaluation of the Committee for Appointments and Remunerations, with the favourable opinion of the Risk Control Committee, upon appointment of the Supervisory Board members;
- q) on September 14, expressed a favourable opinion, on the following resolutions adopted by the Board of Directors:
- on the proposal made by the Chairman of the Board of Directors, after evaluation of the Committee for Appointments and Remuneration, with the favourable opinion of the Risk Control Committee, upon the appointment of the head of internal control replacing the previously appointed party, who resigned;
  - on the proposal made by the Chairman of the Board of Directors, after evaluation of the Committee for Appointments and Remuneration, with the favourable opinion of the Risk Control Committee, upon the appointment of one of the members of the Supervisory Board, replacing the previously appointed party, who resigned;
- r) it issued, according to law, the opinion pursuant to Art. 2389, Paragraph 3 of the Italian Civil Code regarding the remuneration of Directors with special duties;
- s) the supervisory activities described above were carried out in thirteen Board meetings, six meetings of the Committee for Risk Control, and participating in all nine meetings of the Board of Directors, pursuant to Art. 149, Paragraph 2 of Legislative Decree no. 58/98;
- t) during the course of the supervisory activity carried out and based on the information obtained by the external auditing company, no omissions and / or reprehensible actions and / or irregularities were found or significant events that would require reporting to the control bodies or mention in this Report. With regard to the disciplinary proceedings

initiated by Consob against Tiscali S.p.A for failing to make available to the public within a period of 120 days from the end of the year, pursuant to Article 154-ter, Paragraph 1 of the Consolidated Finance Act, the financial report 2013, and its annexes, as well as the interim report at March 31, 2014 within a period of 45 days from the end of the quarter, we note that, during 2015, Consob announced the dismissal of the proceeding without the adoption of any disciplinary provisions.

Within the scope of our competence, we express a favourable opinion to the approval of the financial statements as at 31 December 2015 jointly with the management report and the resolutions proposed by the Board of Directors and with reference to provisions pursuant to Art. 2446 of the Italian Civil Code, the specific report with the comments of the Statutory Board of Auditors, may be referenced.

Cagliari, 6 April 2016

*THE BOARD OF STATUTORY AUDITORS*

PAOLO TAMPONI

EMILIO ABRUZZESE

VALERIA CALABI