

**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 2014, 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 statutory and consolidated 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 and the Articles of Association 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 i) the examination of the reports of the Executive appointed to draw up the corporate accounting documents on the Administrative and Accounting Set-up and on the Internal Audit System on Corporate Disclosure produced six-monthly; ii) the examination of the Internal Audit reports; iii) the dealings with management and with the audit body of the subsidiary Tiscali Italia SpA, pursuant to Article 151, sections 1 and 2 of Italian Legislative Decree No. 58/98; iv) participation in the work of the Risk Management Committee, set up within the sphere of the Board of Directors and made up of three members of which two are independent members of said board; v) obtaining information from the heads of the respective divisions; vi) the examination of the company documents and the analysis of the results of the work carried out by the independent auditing firm. The work carried out has not revealed any situations or critical aspects which might suggest the Internal Audit System is inadequate;
- f) we have taken note and obtained information on the organisational and procedural activities entered into as per Italian Legislative Decree No. 231/2001 and subsequent amendments and additions on the administrative liability of Entities for the offences envisaged by said legislation. These activities are illustrated in the Report on corporate governance and ownership structure. The Supervisory Body reported on the activities carried out during 2014 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 - as per the Regulations for carrying out related party transactions, which came into force on 1 January 2011 - 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) no charges/complaints pursuant to Article 2408 of the Italian Civil Code were received during the year, including those 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 Legisla-

tive Decree No. 39/10, during the course of which no significant data or information emerged which must be indicated in this Report; on 20 March 2015, the independent auditing firm Reconta Ernst & Young S.p.A. issued its reports on the statutory financial statements and the consolidated financial statements at 31 December 2014, 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 economic, equity and financial situation and on the elements and assessments described by the Directors to support the adoption of the assumption of the business as a going concern when drawing up the financial statements, as well as on a number of disputes and risks outstanding, in relation to which we refer you to said reports;

- j) we hereby reveal that the Board of Directors on 16 February 2015, exercising the authority granted it by the extraordinary shareholders' meeting on 30 January 2015, resolved the increase of the share capital, with the exclusion of the purchase option as per Article 2441.5 of the Italian Civil Code, for a maximum amount of one billion shares, to be reserved for subscription by Société Générale. The afore-mentioned transaction falls within the agreements with the Group's senior creditors finalised at the restructuring of the senior debt deriving from the Group Facility Agreement entered into in 2009. It is hereby specified that the proceeds deriving from the subscription of the share capital increase will be allocated towards repaying part of the Group's debt due to the Senior financiers (Facility A1). Furthermore, as indicated by the directors, on 19 March 2015, a non-binding agreement was signed for a merger transaction with the "Aria" Group, an Italian Service provider involved in offering services under Wimax throughout Italy. The transaction also envisages the contribution of new financial means by the shareholders of "Aria";
- k) on 20 March 2015, the independent auditing firm issued the Report pursuant to Article 19.3 of Italian Legislative Decree No. 39/10;
- 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 2014, Reconta Ernst & Young SpA carried out the legal audit of the statutory and consolidated financial statements - entrusted to it by the shareholders' meeting held on 29 April 2008 - for an overall cost of EUR 444 thousand. A further appointment was also granted by Tiscali SpA for the performance of professional services within the sphere of the certification process as per Article 67 of the Italian Bankruptcy Law, for a total cost of EUR 35,000.

The total of the fees due for 2014 has been summarised below:

	EUR 000
<i>Audit services:</i>	
Parent Company - Tiscali SpA	272
Subsidiary companies	172
<i>Other professional services:</i>	
Parent Company Tiscali SpA - certification assistance as per Article 67 of the Italian Bankruptcy Law	35
Total	479

It is hereby specified that in December 2014, the same independent auditing firm was granted the appointment for the issue of the opinion on the suitability of the approach for determining the issue price of the shares for the share capital increase with the exclusion of the purchase option (Article 158 of Italian Legislative Decree No. 58 dated 24 February 1998) for a total cost of EUR 70 thousand; the opinion was subsequently issued on 9 January 2015. It is also revealed that during 2015 another two appointments were granted for a total of EUR 135 thousand, for the examination of the pro-forma consolidated statement of financial position, income statement and cash flow statement as at 31 December 2014 and for the report on the forecast data of the Tiscali Group for the period 2015-2018. These activities were carried out within the sphere of the preparation of the information prospectus relating to the share capital increase transaction. In order to provide full disclosure, we hereby reveal that during 2014 the subsidiary Tiscali Italia SpA granted Reconta Ernst & Young SpA two appointments for the performance of "agreed procedures" on specific information provided by the directors within the sphere of the Consip Tender, for a total amount of Euro 45 thousand; the associated activities were carried out in 2015.

Having taken into account: (i) the annual independence confirmation letter issued by Reconta Ernst & Young SpA pursuant to Article 17.9 of Italian Legislative Decree No. 39/10; (ii) the transparency report produced by the same pursuant to Article 18.1 of Italian Legislative Decree No. 39/10 as published on the website; (iii) the appointments granted to the same by Tiscali SpA 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 S.p.A.;

- n) during 2014, the independent auditing firm Reconta Ernst & Young SpA did not issue any opinion required by law, with the exception of its report on the half-year period as at 30 June 2014;
- o) the supervisory activities described above have been carried out during fourteen meetings of this Board, five meetings of the Risk Control Committee and attending all the nine Board of Directors meetings, as per Article 149, section 2 of Italian Legislative Decree No. 58/98;
- p) 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, with the exception of the sanction procedure launched by Consob vis-à-vis Tiscali SpA for not having taken steps to make the 2013 financial report and related attachments available to the public within 120 days of the end of the year, as per Article 154 *ter*, section 1 of the CFL, as well as the interim report as at 31 March 2014 within 45 days of the end of the quarter. As indicated by the directors, the Company has promptly presented its defence briefs, in which it highlighted, among other aspects, that the failure to observe the afore-mentioned deadlines was caused by the protraction of the negotiations with the Senior Financiers and the consequent effect on the approval of the accounting documentation with a view to the business as a going-concern. In this connection, it is hereby specified that the Company has always diligently informed the Market and Consob of the progress of the negotiations with the Senior Financiers.

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 2014 together with the Report on operations and the resolution proposals drawn up by the Board of Directors.

Cagliari, Italy, 31 March 2015

THE BOARD OF STATUTORY AUDITORS

PAOLO TAMPONI

PIERO MACCIONI

ANDREA ZINI