TISCALI S.p.A.

REPORT BY THE AUDIT FIRM ON THE SHARE ISSUE PRICE RELATING TO THE CAPITAL INCREASE WITH THE EXCLUSION OF THE OPTION RIGHT PURSUANT TO ART. 2441 PARAGRAPHS FIVE AND SIX, OF THE ITALIAN CIVIL CODE, AND ART. 158, PARAGRAPH 1 OF LEGISLATIVE DECREE NO. 58/98

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To the shareholders of
Tiscali SpA

1. REASON AND PURPOSE OF THE APPOINTMENT

In relation to the proposal for a capital increase with the exclusion of the option right pursuant to Articles 2441, paragraph five of the Italian Civil Code and Article 158, first paragraph, of Legislative Decree No. 58/98 ("TUIF"), we received from Tiscali S.p.A. ("Tiscali" or the "Company") the Board of Directors' report dated 12 May 2016 pursuant to art. 2441, paragraph six, of the Italian Civil Code (the "Directors' Report"), which illustrates and motivates the above proposal for a capital increase with the exclusion of the option right, indicating the criteria adopted by the Board of Directors to determine the price of the new issue shares.

This proposal seeks to increase the Company's capital against payment in tranches by issuing a maximum total of 314,528,189 ordinary shares without par value, to service a maximum of 314,528,189 valid options for the subscription of ordinary shares in the company to reserve for the CEO of the Company, Riccardo Ruggiero and some managers of the group whose parent company is Tiscali (the "Tiscali Group" or the "Group") as beneficiaries (the "Beneficiaries") a stock option plan 2016-2021 (the "Stock Option Plan"), with the exclusion of the option right, pursuant to art. 2441, paragraph five of the Italian Civil Code (the "Capital Increase"). The Capital Increase proposal will be submitted for approval to the Extraordinary Shareholders' Meeting convened in a single call on 16 June 2016.

The Capital Increase is reserved for the Beneficiaries of the Stock Option Plan and is part into a wider corporate reorganisation project according to the methods described below.

In our role as the audit firm responsible for auditing Tiscali's annual financial statements, we were asked by the Company's Board of Directors to express, pursuant to the combined provisions of art. 2441, paragraphs five and six of the Italian Civil Code and art. 158, paragraph one, TUIF, our opinion on the appropriateness of the criteria proposed by the Directors for the purposes of determining the price of Tiscali's new shares.

2. NATURE AND SCOPE OF THIS OPINION

This opinion, issued pursuant to articles 2441, paragraph six, of the Italian Civil Code and Article 158, first paragraph, of the TUIF, aims to reinforce the information for Shareholders excluded from the option right, pursuant to art. 2441, paragraph five, of the Italian Civil Code, regarding the methodologies adopted by the Directors to determine the issue price of the shares for the purposes of the planned Capital Increase.

More precisely, this opinion indicates the methods used by the Directors to determine the issue price of the shares and any valuation difficulties encountered by them and is constituted from our considerations on the adequacy, in terms of being reasonable and not arbitrary, under the circumstances of such methods, as well as their correct application.

In examining the valuation methods adopted by Directors, we have not performed an economic valuation of the Company. This valuation was carried out exclusively by the Directors.

3. VALUATION METHODS ADOPTED BY THE BOARD OF DIRECTORS TO DETERMINE THE ISSUE PRICE OF THE SHARES

3.1 Overview of the operation;

Following the aggregation operation between the Company's activities and the group whose parent company is Aria Italia S.p.A. (the "Aria Group") formed through the merger by incorporation of Aria Italia S.p.A. into Tiscali, in a context of significant organisational and strategic changes, the adoption of the Stock Option Plan is planned, in respect of the CEO of the Company, Riccardo Ruggiero, and certain other Group managers, in order to incentivise those considered key to the company, to be implemented by means of the free assignment of options (the "Options") valid for the subscription of Company's newly issued ordinary shares (the "Shares").

In particular, a maximum number of options representing 9.99% of the Company's share capital are the subject of the Stock Option Plan, valid for the subscription of a maximum of 314,528,189 shares, with a ratio of one Share per Option.

The options assigned will be exercisable by the Beneficiaries in three tranches. The Stock Option Plan will run until 24 December 2021, the expiry date for exercising the third tranche.
The issue price of the Company's new ordinary shares that are the subject of the Capital Increase and, consequently, the exercise price for the Options will be:

- for the first tranche of Options ("First Tranche"), consisting of 188,716,915 Options for the subscription of an equal number of Shares, to be exercised between 24 December 2017 and 24 December 2019, at a unit price per share of EUR 0.070;
- for the second tranche of Options ("Second Tranche"), consisting of 62,905,637 Options for the subscription of an equal number of Shares, to be exercised between 24 December 2019 and 24 December 2020, at a unit price per share of EUR 0.0886;
- for the third tranche of Options ("Third Tranche"), consisting of 62,905,637 Options for the subscription of an equal number of Shares, to be exercised between 24 December 2020 and 24 December 2021, at a unit price per share of EUR 0.1019;

The Directors indicate that, until the full reimbursement of the loans covered by the restructuring agreements for Tiscali Group's indebtedness signed on 23 December 2014 (and amended on 26 November 2015), the Options may not be exercised in such an extent that they result in the issuance of ordinary shares in the Company for a total amount greater than 3% of the capital, unless the following financial institutions consent to it: BG Select Investments (Ireland) Ltd, SPV Capital Funding Luxembourg S.à r.l. and Intesa Sanpaolo S.p.A. - London Branch (the "Senior Financiers").

To implement the Stock Option Plan, the Directors propose increasing the share capital against payment in tranches, by the deadline of 24 December 2021, for a maximum amount to a EUR 25,193,708 to be allocated to capital, with the exclusion of the option right pursuant to paragraphs five and six of article 2441 of the Italian Civil Code, by the issuance of a maximum of 314,528,189 new ordinary Tiscali shares without an indication of par value, with the same characteristics as those in circulation, with a regular dividend, reserved for subscription by the Beneficiaries.

On the date of this report, the share capital of Tiscali subscribed and paid up amounted to EUR 91,200,922.89, divided into a total of 3,145,281,893 ordinary shares, without an indication of par value. The maximum number of ordinary shares for the Stock Option Plan corresponds to 9.99% of the afore-mentioned Company's subscribed and paid up capital.

In the Directors' opinion, the Stock Option Plan represents a fundamental instrument in order to promote the Company's key figures in a context of significant organisational and strategic changes following the integration of the two industrial groups. The Board of Directors therefore, in line with widespread and well-established practice, also internationally, as well as with the practices pursued by the Company in the past, believes that the Stock Option Plan constitutes an effective tool in terms of being an incentive and gaining the loyalty of those who perform key roles in order to maintain adequate management standards, to improve the Group's performance according to the objectives set, also by increasing the Group's competitiveness and by creating value for shareholders.

3.2 The criteria used to determine the share issue price

The Directors, for the purposes of identifying the criteria for determining the issue price of the Shares, have analysed the valuation methods commonly used by similar operations, also taking into account the applicable provisions of the Italian Civil Code.

In particular, the Directors, for the determination of the exercise price of the Options, having regard to the degree of liquidity of the Company's securities and the amount of volumes traded, referred to both the Tiscali shares stock market price method, and the stock market multiples method.

As regards the stock market prices method, the Directors opted for the reconstruction of the time series of stock prices in the 12 months prior to the date of the Board of Directors' meeting on 12 May that proposed the Stock Option Plan (so prices dating from 11 May 2016), and defined a range of reference prices, with an indication of the weighted average price observed in the above period.

As regards the stock market multiples method, the Directors opted to use the average Enterprise Value ("EV") stock market multiple/EBITDA at the end of 2017 of a sample of companies comparable to Tiscali, operating in the field of internet access and wireless communication, also including the national incumbent Telecom. The choice of an end of 2017 multiple is linked to the first date the Beneficiaries can exercise the options. This multiple was applied to the operating margins information provided in 2017 obtained directly from the Group's Industrial Plan 2016-2021 approved by the Company's Board of Directors on 25 March 2016 (the "2016-2021 Plan"), which, it is stated, does not include the effects of the Consip contract because, despite the fact that Tiscali Italia S.p.A. signed the framework agreement with Consip S.p.A. on 23 May 2016, the Company believes there are still uncertainties regarding the operational start of the contract, linked to potential further legal appeals by unsuccessful tenderers and the outcome of the testing phase which is in the course of being carried out. The indication of the net financial position at 31 March 2016 was subtracted from the Enterprise Value thus obtained.

Both methods have been applied in a post-money scenario, or in a context that takes into consideration the effect of cash deriving from the entire subscription of the Capital Increase to service the Stock Option Plan.

The average value derived from the results of the two methods described above supports a final price of EUR 0.080 per share, in line with the weighted average exercise price of the three tranches of the Stock Option Plan; moreover, the increase in the exercise price of the threetranches highlights the incentivising features of the Stock Option Plan.

The Board of Directors considers that the criteria are such as to identify an issue price in line with the market value.

3.3 Assumptions

The EBITDA forecasts presented in the Company's 2016-2021 Plan are based on assumptions of future events happening that include, among others, hypothetical assumptions of an operational and financial nature related to events and actions that the Directors and the management cannot influence. In particular, with reference to assumptions of a financial nature, the Directors confirm being in the advanced stages of negotiations with Banca IMI S.p.A. and Banca Popolare di Milano S.c.a.r.l. to refinance Tiscali Group's indebtedness that is the subject of restructuring agreements signed on 23 December 2014 (and amended on 26 November 2015)("Refinancing"); based on the state of progression of the negotiation, the Directors do not foresee any critical issues with reference to the successful finalisation of the process. Due to uncertainties linked to the achievement of the above assumptions, both as regards finalising the event and its extent and timing, the discrepancy between the final values and forecast data may be significant even if the hypothetical events and assumptions provided by the Directors and the Company's management were to materialise. The responsibility for determining the forecasts and the assumptions and underlying elements, falls solely to the Directors and the Company's management.

In any case, any assessment of the merits and/or the probability of the occurrence of the afore-mentioned requirements falls outside of the remit of this opinion.

4. VALUATION DIFFICULTIES ENCOUNTERED BY THE BOARD OF DIRECTORS

The Directors' report does not highlight any specific difficulties encountered by the Directors in the valuations referred to in the previous point.

5. DOCUMENTATION USED AND WORK CONDUCTED

While conducting our work we obtained documents and information from the Company considered useful in this case. To this end, we analysed the documentation obtained, and in particular:

a) the Directors' report on the Capital Increase proposal that identifies the criteria for determining the value of the issue price of new shares;
b) the Information Document drawn up pursuant to art.84-bis of the Regulation adopted by Consob Resolution No. 11971/1999, as subsequently amended and supplemented;
c) the document drafted by the Company's Finance Department with regard to the valuation criteria adopted to determine the issue value of the shares in support of the Board of Directors' meeting held on 12 May 2016;
d) the minutes of the Company's Board of Directors' meetings for the year 2016 and the drafts of the minutes of meetings held up to the issue date of our opinion;
e) the minutes of the Remuneration Committee dated 12 May 2016;
f) the 2016-2021 Plan approved by the Board of Directors dated 25 March 2016;
g) the stock market price trend for Tiscali shares for significant time periods prior to the issue date of our report;
h) the regulations governing the Stock Option Plan;
i) the communication by the Company of the signing of the framework agreement between Consip S.p.A. and Tiscali Italia S.p.A. on 24 May 2016;
j) the framework agreement between Consip S.p.A. and Tiscali Italia S.p.A. dated 23 May 2016;
k) reports by financial analysts;
l) Tiscali's annual and consolidated financial statements as at 31 December 2015, audited by us;
m) the annual financial statements of Aria S.p.A. for the financial year ended 31 December 2015, audited by Deloitte & Touche S.p.A.;
n) economic, assets and consolidated financial data of the Tiscali Group for the three months ending 31 March 2016 provided by management and not audited;
o) the information provided to the market pursuant to art. 114 paragraph five of the TUIF whose subject is the Company's data and that of the Group as at 31 March 2016, published on 29 April 2016;
p) the fairness opinion drawn up by Professor Marco Gambaro on the 2016-2021 Plan on 7 April 2016;
q) the independent business review on the 2016-2021 Plan drafted by the industrial advisor Arthur D. Little on 18 March 2016;
r) the opinion on the sustainability of the 2016-2021 Plan and the related financial manoeuvre by the Company by Professor Alberto Tron, an external professional hired for this purpose, dated 19 May 2016;
s) the Company's Articles of Association;
t) the additional accounting information and accounts deemed useful for the purposes of this report.

Our work has led to, among other things:

a) the gathering, also by discussions with the Company Management, of information about events which occurred after the closure of the consolidated financial statements at 31 December 2015, which may have a significant effect on the determination of the values in question;

b) a discussion with the Company Management on the Group's economic and financial situation as at 31 March 2016;
c) a critical examination of the valuation methods used by the Directors, considering each element deemed necessary to ensure that these methods were reasonable and appropriate and technically suitable, in the specific circumstances, to determine the criteria for determining the issue price of the Shares;
d) the observation of the stock market price trend of Tiscali shares for significant periods of time;
e) the carrying out of further analyses deemed necessary to assess the appropriateness of the criterion to determine the issue price of the Shares and of its application.

The above activities have been carried out to the extent necessary to achieve the objective of the task referred to in paragraph 1 above.

We have also obtained certification that, to the knowledge of the Company Management, no significant changes have occurred to the data and information used to carry out our analysis, or other facts and circumstances that may have an effect on the criteria for determining the issue price of the Shares set out in the Directors Report that, as such could be relevant for the purposes of this report.

6. COMMENTS AND CLARIFICATIONS ON THE APPROPRIATENESS OF THE VALUATION METHODS USED BY THE DIRECTORS TO DETERMINE THE ISSUE PRICE OF THE SHARES

In the case of the exclusion of the option right, the regulation in Art. 2441, paragraph six of the Italian Civil Code provides that the issue price of shares shall be determined *based on the equity value, also taking into account, for shares listed on the stock exchange, price trends over the past six months* ". According to accredited doctrine, this provision must be interpreted in the sense that the issue price of shares does not necessarily have to be equal to the asset value, given that its determination should be made "based" on this value; this leaves the Directors with a margin of discretion, who could issue new shares at a price which is not in line with the equity's value. With reference to this parameter, it is also to be noted that on the current date, the Company has negative consolidated equity and, therefore, this requirement is not currently applicable. Similarly, it is believed that the reference in the regulation to the prices trend over the past six months offers the Directors freedom of choice in identifying the share value that can be considered the most representative of the market trend for the period observed.

In this context, in order to ensure the conformity of the procedure to determine the issue price of the Shares with that laid down in art. 2441, paragraph six, of the Italian Civil Code, the Board of Directors has favoured the use of two market criteria, i.e. the stock prices criterion, which expresses the value of a company based on the stock market capitalisation through the prices of stocks traded on regulated stock markets, and the stock market multiples criterion, which is based on the principle of transferring the increase/decrease expectations of the economic and asset fundamentals of a company to the share prices of the issuer.

On the basis of work done, the following considerations emerged.

With reference to the stock market price method:

- the choice to use this market criterion is consistent with Tiscali's status as an issuer listed on regulated stock markets. Furthermore, this is the criterion already used in the past by the Directors to determine the issue price of shares relating to capital increases with the exclusion of the option right reserved for Renato Soru and Rigensis Bank AS;
- the Directors' decision to opt for a time frame of 12 months to determine a weighted average price, instead of defining a precise price, is in line with market practices for capital increase operations of a similar nature as well as with the guidelines in the doctrine. The reason underlying the choice of the longest analysis time frames is to reduce any distortive effects generated by high levels of volatility in share prices in shorter timeslots;

- this methodology is relevant when the share prices of the company analysed are significant, i.e. stock demonstrating a satisfactory level of liquidity. In order to check the significance of the Company's share prices, we carried out a liquidity analysis on Tiscali stock, both in terms of volume and values.

With reference to the stock market multiples method:

- we note that the stock market multiples method is one of the most widely used market methods in valuation practice, which is based on the principle of spreading the value, namely on the principle of transferring the increase/decrease expectations of the economic/asset fundamentals of issuers to the share prices of the issuers themselves. In particular, the choice to use the EV/EBITDA multiple is in line with valuation practice and doctrine as it is the asset side multiple that relates the enterprise value to a company's profit generation capacity;
- we note that the Directors's decision to use an average EV/EBITDA multiple as a reference valuation parameter, obtained from a sample of listed companies operating in the internet access and wireless communication sector, also including Telecom, the national incumbent of the TLC market, is aligned to the normal practice of applying the method given that Tiscali is part of the afore-mentioned sector;

- we would like to point out that the company has also used the sectoral average EV/EBITDA multiple at the end of 2017, as aligned to the first date for exercising the option to convert rights into shares reserved for the Beneficiaries of the Stock Option Plan (24 December 2017). For temporal consistency this multiple was applied to Tiscali's EBITDA 2017 information as reported in the Company's 2016-2021 Plan, approved by the Board of Directors on 25 March 2016;
- to determine the EV/EBITDA multiple of comparable companies, the Company used an average market capitalisation over a 12-month period which is consistent with the time frame chosen to determine the issue price based on the application of the stock market prices method.

Furthermore, it is considered that the average stock market capitalisation over a 6-month period prior to 11 May 2016 determines a lower value than the issue price of the shares that is, therefore, precautionary for minority Shareholders.

The Directors' decision to use both methods to determine the issue price of the Capital Increase to service the Stock Option Plan is reasonable, since these two market methods both form the basis for determining the fair value of the shares based on directly observable prices on regulated markets.

7. SPECIFIC LIMITS ENCOUNTERED BY THE AUDITOR AND ANY OTHER IMPORTANT ASPECTS THAT EMERGED WHEN PERFORMING THIS TASK

As noted above, when carrying out our task we used data, documents and information supplied by the Company, assuming its truthfulness, accuracy and completeness, without performing any checks in this regard. Similarly, we have not carried out an economic assessment of the Company.

The Capital Increase proposal formulated by the Board of Directors defined the maximum number of shares that will be issued in three tranches, indicates both the issue price of these Shares and the criteria for their determination.

The execution of the Capital Increase will be delegated to the Board of Directors that will have the task of implementing the shareholders' mandate. The long time frame in which the share Capital Increase can be achieved does not however exclude the possibility that, in the event of the considerations underlying the criteria adopted by the Directors having changed, as indicated in this report in relation to the suitability of the criteria, may not be applicable on the dates when the Capital Increase is implemented. In fact, both the criterion of stock market prices, and the criterion of stock market multiples, can be influenced by factors unrelated to the company valued such as periods of particular volatility of the financial markets, speculative pressures or abnormal circumstances, that could limit the ability of market prices to reflect intrinsic valuations.

This is particularly timely in a market context that is characterised by high levels of uncertainty and by phenomena of strong turbulence; the continuation of the current financial crisis cannot, therefore, be ruled out and its development may lead to market values which cannot currently be foreseen and also significantly different from the current ones.

8. CONCLUSIONS

Based on the documentation examined and the procedures indicated above, and taking into account the nature and scope of our work, as reported in this opinion, without prejudice to that highlighted in paragraph 7 above and on the assumption that the conditions referred to in paragraph 3.3 are met, we believe that the valuation methods adopted by the Directors are adequate, in the reasonable and non-arbitrary circumstances described and that they have been correctly applied for the purposes of determining the issue price of the three tranches, amounting to EUR 0.070 for 188,716,915 Tiscali shares, EUR 0.0886 for 62,905,637 Tiscali shares and EUR 0.1019 for 62,905,637 Tiscali shares, respectively, in the context of the capital increase with the exclusion of the option right reserved for the Beneficiaries.

Milan, 25 May 2016

Reconta Ernst & Young S.p.A.

Alberto Coglia
(Partner)