



TISCALI S.p.A.

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

Paid-in share capital EUR 169,076,822.67

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 28 APRIL 2016, PURSUANT TO
ARTICLE 3 OF MINISTERIAL DECREE 437/1998***

Cagliari, 25 March 2016

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 28 April 2016, at 11:00 a.m., at the registered office, to discuss and resolve upon the following:

Agenda

Ordinary session

1. Approval of the Financial Statements as at 31 December 2015. Related and consequent resolutions.
2. Review of the first section of the Report on Remuneration. Related and consequent resolutions.

Extraordinary session

3. Resolutions pursuant to Article 2446 Civil Code. Consequent amendment of Article 5 of the Article of Association. Related and consequent resolutions.

Pursuant to and for the purposes of Article 3 of Italian Ministerial Decree No. 437/1998 and Article 125 – ter of Italian Legislative Decree 58/1998, we hereby submit for your attention this report with reference to point 1 and 2 of the ordinary session of the above agenda, deferring the illustration of point 3 of the extraordinary session until the report which will be made public by the legal deadlines.

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1. Approval of the Financial Statements as at 31 December 2015. Related and consequent resolutions

Dear Shareholders,

A copy of the Financial Statements draft of Tiscali S.p.A. (the “**Company**”) as at 31 December 2015, approved by the Board of Directors at the meeting of 25 March 2016 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 6 April 2016. 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 2016, shows a loss for the period of EUR 77.875.899,78, which are in excess of one third of the share capital; accordingly to the above, there is the situation under Article 2446 of the Italian Civil Code. We are hereby proposing to approve the Financial Statements, as a whole and with regard to the individual items, and to acknowledge, given the situation in relation to Article 2446 of the Civil Code, that the coverage of the losses incurred during the year 2015, shall be deliberate by the next Shareholders' Meeting in special session. 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 2015, along with the required reports, and after hearing the Chairman's presentation,

resolves

1. *to approve the Financial Statements related to the 2015 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 acknowledge, given the situation in relation to Article 2446 of the Civil Code, that the coverage of the losses incurred during the year 2015, for Euro 77.875.899,78 shall be deliberate by the next Shareholders' Meeting in special session;*
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."*

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 favorable opinion regarding Section 1 of the 2015 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.”*

* * *

Dear Shareholders,

deferring the illustration of point 3 of the extraordinary session of the agenda until the report which will be made public by the legal deadlines, we invite you to express a favorable opinion on the above described proposals.

Cagliari, 25 March 2016

Tiscali S.p.A.

On behalf of the Board of Directors

The Chairman, Renato Soru