

Tiscali S.p.A.

Fairness opinion of the independent auditing firm on the criterion for determining the share issue price for the share capital increase with the exclusion of the option right

(Art. 158 of Italian Legislative Decree no. 58 of 24 February 1998)

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To the Shareholders of
Tiscali S.p.A.

1. REASON, OBJECT AND NATURE OF THE ASSIGNMENT

Pursuant to art. 158, first paragraph of Italian Legislative Decree no. 58 of 24 February 1998, we received a communication from Tiscali S.p.A. (hereinafter "Tiscali" or "the Company") on the resolution adopted by the Board of Directors on 17 December 2014 to present to the shareholders' meeting of the Company the proposal to assign the Board of Directors, pursuant to art. 2443 of the Italian Civil Code, the power to increase share capital against payment with the exclusion of the option right in accordance with art. 2441, fifth paragraph 5 of the Italian Civil Code, accompanied by the appropriate Directors' Report, which illustrates and justifies the exclusion of the option right, indicating the criteria which the Directors, in exercising their powers, must adopt in order to determine the share issue price (the "Directors' Report").

This proposal makes provision for the conferral to the Board of the power to carry out the divisible share capital increase against payment, on one or more occasions, with the exclusion of the option right pursuant to art. 2441, fifth paragraph 5 of the Italian Civil Code, through the issuing, including in several tranches, of up to 1,000,000,000 ordinary shares with no par value, and must be presented for approval to the Extraordinary Shareholders' Meeting convened in single call on 30 January 2015.

The share capital increase with the exclusion of the option right is reserved to Société Générale ("SG") and is incorporated in the wider debt restructuring plan of the Group of companies headed up by Tiscali (the "Group"), according to the methods outlined hereunder.

In consideration of the features of the transaction agreed with SG and described below, at the time of conferral of the power, the Board of Directors proposed that the shareholders' meeting refrain from fixing the share issue price, but proposed that the criteria be determined which the Board of Directors must then adhere to in determining the share issue price.

The reserved share capital increase will be resolved in accordance with the fifth paragraph of the aforementioned art. 2441 of the Italian Civil Code. Therefore, as auditors appointed to carry out the legally-required audit of the separate financial statements and consolidated financial statements of the Company and in consideration of the characteristics of the aforementioned share capital increase, we'd like to express, in accordance with art. 158 of Italian Legislative Decree no. 58 of 24 February 1998, our fairness opinion on the criteria identified by the Directors for determining the share issue price.

In order to provide Shareholders with the appropriate information on the methods of determining the share issue price, this report sets out the criteria used to determine said price and an evaluation of the adequacy of the methods used in terms of reasonableness and the non-arbitrary nature of said methods.

In examining the criteria adopted by the Directors to determine the share issue price, we did not perform an economic evaluation of the Company.

2. DESCRIPTION OF THE TRANSACTION AND OF THE CRITERIA USED TO DETERMINE THE SHARE ISSUE PRICE

Description of the transaction

On 24 December 2014, the Company signed a “Stand-by Equity Facility Agreement” (the “Agreement”) with SG. Pursuant to the Agreement, SG undertakes, in respect of Tiscali, to subscribe a paid share capital increase of the Company, to be carried out in one or more tranches, with the exclusion of the option right, in accordance with art. 2441, fifth paragraph of the Italian Civil Code, in divisible form for a maximum period, which can be extended if necessary, of one year effective from the date said Agreement is signed.

The Directors’ Report highlights that the above share capital increase (the “Share capital increase”) will be carried out through the issuing of up to 1,000,000,000 ordinary company shares with no par value (the “Shares”). SG will subscribe the Shares on the basis of the discretionary subscription requests formulated by Tiscali according to the terms and conditions in the Agreement (the “Subscription requests”).

Pursuant to the Agreement, SG has undertaken to subscribe, for each tranche, a number of Shares equal to the lesser of:

- (i) the number of Shares indicated in the Subscription Request;
- (ii) the difference between: (1) the maximum number of Shares to be issued to service the Share Capital Increase; and (2) the number of Shares already subscribed by SG in respect of previous Subscription Requests; and
- (iii) the guaranteed number of Shares, equal to the lower of: (1) no. 100,000,000 Shares; (2) a number of Shares equal to two times the arithmetic mean of the daily transaction volumes relating to Tiscali shares (excluding bulk transactions carried out) in the 15 open stock market days immediately prior to the date of conclusion of each Pricing Period, as defined below; and (3) a number of Shares equal to the ratio between EUR 7,000,000 and the Share subscription price.

In any case, SG will have the right, at its discretion, to subscribe the number of Shares indicated by the Company in the Subscription Request, also when said quantity of Shares exceeds the limits set forth in previous points (ii) and (iii).

The Directors highlight that, pursuant to the Agreement, SG’s commitment to subscribe, at the request of the Company, each tranche of the Share Capital Increase, is subject, *inter alia*, to the following conditions precedent being met:

- (i) the Shares deriving from any previous tranche have been issued, admitted to trading and delivered to SG;
- (ii) for the entire period between the Subscription Request and the date of subscription of the Shares: (a) the declarations made by the Company in favour of SG in accordance with the Agreement are true and (b) no provision is made for the performance of transactions that involve the detachment of subscription or assignment rights relating to the Shares or events that, although not giving rise to the detachment of rights, have an influence on the price of the Shares, which makes it necessary for Borsa Italiana S.p.A. to adjust the price of the Shares;
- (iii) for the entire period between the Subscription Request and the date of subscription of the Shares, the Company, except in the case of the disclosures required by art. 114, fifth paragraph of Italian Legislative Decree 58/1998, makes no provision (nor envisages it will be obliged to) for publicly disclosing nor, as far as it is aware, is any other entity required to publicly disclose, any privileged information (as said term is defined under art. 181 of Italian Legislative Decree 58/1998) between the date on which SG received the Subscription Request and the more recent between (a) the tenth day of the open market following the date of admission of the shares to trading; (b) the date on which, for the first time, the

- number of Shares to be subscribed is less than 20% of the total number of Tiscali shares traded on the market from the date of admission to trading; or (c) the date communicated by SG to Tiscali as the last day of said period;
- (iv) the period included between the Subscription Request and the date of subscription of the Shares does not fall within the fifteen days preceding the publication by the Company of the annual or interim financial reports or interim reports on operations;
 - (v) the date of subscription of the Shares does not fall within the “restricted period” relating to a previous tranche, whereby the “restricted period” means, for each tranche to be subscribed, the period included between the date of receipt of the relative Subscription Request and the most recent date between (a) the tenth day of the open market following the date of admission of the shares to trading; (b) the date on which, for the first time, the number of Shares to be subscribed is less than 20% of the total number of Tiscali shares traded on the market from the date of admission to trading; or (c) the date communicated by SG to Tiscali as the last day of said period;
 - (vi) no event of default set forth in the Agreement is verified between the date of the Subscription Request and the subscription of the Shares.

The Directors also point out that, pursuant to the Agreement, SG undertakes:

- (i) to subscribe the Shares at the request of Tiscali according to the terms and conditions of the Agreement;
- (ii) not to carry out any purchases or sales of Tiscali shares during the Pricing Period, as defined hereunder, unless said transactions fall within its ordinary business activities;
- (iii) not to sell Shares deriving from each tranche of the Share Capital Increase before the publication of the press release in which the Company announces that it has called up a tranche of the Share Capital Increase and discloses the associated subscription price.

Tiscali undertakes, *inter alia*:

- (i) to issue or deliver the Shares to SG according to the terms and conditions of the Agreement;
- (ii) not to disclose any privileged information to SG;
- (iii) to disclose the privileged information relating to it as soon as possible; and
- (iv) not to sell or purchase, directly or indirectly, nor perform any hedging activities having the same economic effect as a purchase or sale of shares, starting from the date of each Subscription Request and until the conclusion of the relative "restricted period".

The Agreement may be terminated by SG, *inter alia*, if one of the following situations arises, unless they are corrected by Tiscali within a reasonable period of time (nonetheless not longer than one month):

- (i) the significant breach of the obligations assumed by Tiscali pursuant to the Agreement;
- (ii) the non-truthfulness of the declarations and guarantees issued by Tiscali according to the Agreement;
- (iii) the invalidity or non-obtainment of the necessary authorisations to ensure Tiscali's compliance with obligations in the Agreement;
- (iv) the insolvency or subjecting of the Company to bankruptcy proceedings;
- (v) the existence of proceedings that, in the Company's opinion, may compromise the validity of the issuing of Shares subscribed by SG;
- (vi) the exclusion or suspension from trading of the shares for at least 5 consecutive open market days;
- (vii) the existence of legislative or regulatory restrictions on the ability to freely trade or transfer the shares for at least 2 open market days between the date on which SG receives the Subscription Request and the last day of the Pricing Period, as defined below.

The Directors further highlight that:

- (i) the execution of the Agreement is subject to approval of the Share Capital Increase by the competent company bodies by 31 March 2015;
- (ii) no guarantee and/or placement consortia are envisaged with respect to the Share Capital Increase.

The Share Capital Increase, as outlined above, is incorporated in the wider debt restructuring plan of the Group in accordance with the agreements signed on 23 December 2014 (the “New Group Facilities Agreement” or “New GFA”) and regarding, *inter alia*, the reduction, rescheduling and revision of the conditions of the Group’s financial indebtedness, deriving from the Group Facilities Agreement signed on 2 July 2009.

In particular, the Directors highlight that the new GFA essentially makes provision for:

- (i) the restructuring of the Group’s financial indebtedness into the following three credit lines:
 - Facility A1, for an amount of roughly EUR 42 million, to be repaid by 30 November 2015, through the use of the proceeds from any of the Company’s share capital increases;
 - Facility A2, for an amount of roughly EUR 42 million, to be repaid in half-yearly instalments, the last of which expiring on 30 September 2017;
 - Facility B, for an amount of roughly EUR 55 million, to be repaid in half-yearly instalments, the last of which expiring on 30 September 2017;
- (ii) the eventual conversion to equity of the residual portion of Facility A1, on the Company's initiative, subject to the verification of certain specific conditions;
- (iii) an interest rate applicable to Facility A1 of 6.5% for 2014 and of 7.5% for 2015;
- (iv) an interest rate applicable to Facility A2 and to Facility B of 6.5% for 2014, of 7.5% for 2015, of 9% for 2016 and of 10% for 2017;
- (v) financial parameters in line with the performances of the Tiscali Group set forth in the new business and financial plan (the “Business Plan”).

The Directors envisage that the signing of the Agreement and execution of the Share Capital Increase may allow the Company to repay Facility A1.

Criteria used to determine the Share issue price

The Directors, for the purposes of identifying the criterion for determining the Share issue price, analysed the evaluation methods which are commonly applied for similar transactions, both on the national and international markets, also taking into account the applicable provisions of the Italian Civil Code.

In particular, the subscription price of the Shares of each tranche of the Share Capital Increase was set as 95% of the daily weighted average price for traded volumes (Volume Weighted Average Price or “VWAP”) of ordinary Company shares registered in the three open market days following the presentation of each Subscription Request by the Company (“Pricing Period”).

If the closing price of ordinary Tiscali shares recorded on the last day of the pricing period is lower than 97% of the VWAP on the same day, the Company and/or SG will have the right to postpone the closing of the Pricing Period until the next open market day. The aforementioned right may be exercised up to a maximum of five times with reference to the individual Subscription Request.

The choice of identifying the methods for determining the Share subscription price according to the above was based on the need, identified by the Board of Directors, to ensure that said subscription price, at the time of the

execution of each tranche, is consistent with the market value of the shares, without prejudice to compliance with the applicable provisions of art. 2441, sixth paragraph of the Italian Civil Code.

The Board of Directors believes that the aforementioned mechanism for defining the issue price makes it possible to take account of stock market prices at the time of the single issue and to absorb the effects of any speculative share transactions in the short-term through the provision of a prudential discount of 5% on the daily weighted average price calculated in the reference period. In particular, with regard to the VWAP of the ordinary Company shares recorded in the Pricing Period, said criterion is held by the Directors to be suited to ensuring that the issue price of the new Shares is reflected in their market value.

Said Directors point out that the stock market prices may be subject to significant fluctuations over time, in relation to both the general economic environment and the domestic and international financial context, and speculative forecasts; therefore, the evaluations based on stock market prices, even if relating to time periods of different lengths, may be affected by said fluctuations during the time period in which the Share Capital Increase is executed. The Pricing Period, identified as three open market days after the presentation of each Subscription Request by the Company, is deemed consistent by the Directors given that it takes into consideration the share performance which, on the one hand, incorporates all the latest information which may affect stock market prices and, on the other, is adequate considering the volumes traded on the market.

Furthermore, the Company and/or SG has the right to postpone the closure of the Pricing Period until the next open market day, if the closing price of the ordinary Tiscali shares recorded on the last day of the Pricing Period is less than 97% of the VWAP registered within the same period, which is targeted at neutralising any fluctuations recorded in the very short-term period.

Lastly, the Directors highlight that the application of a discount of 5% is fully in line with the discounts applied in similar transactions, however infrequent on the market. In support of the above, the Directors note that the Company examined 22 similar transactions to the one forming the object of this report (of which 15 performed abroad and 7 in Italy) which over the last few years had SG and other intermediaries as counterparties. This analysis showed that, based on the public data not subject to an independent audit, the discount applied on the average market price was generally within the 5-10% range, with an average of around 6.2%. Also, the Directors would like to add that the commissions applied to this transaction are in line with the market practice for similar transactions.

Therefore, the Board of Directors believes that the criterion indicated is suited to identifying an issue price consistent with the market value, notwithstanding that, at the time of each Subscription Request, the Board will verify, based on the information available at the time, as well as through the appropriate simulations based on the stock market prices of Tiscali shares, compliance with the parameters set out in art. 2441, sixth paragraph of the Italian Civil Code.

3. DOCUMENTATION USED AND WORK PERFORMED

In performing our job, we obtained from the Company the documents and information deemed useful in the case in question. To this end, we analysed the documentation obtained, and in particular:

- a) the Directors' Report which, pursuant to art. 2441, sixth paragraph of the Italian Civil Code, illustrates and justifies the proposed assignment to the Board of the Directors of the power, in accordance with art. 2443 of the Italian Civil Code, to execute a Share Capital Increase with the exclusion of the option right, pursuant to art. 2441, fifth paragraph of the Italian Civil Code indicating the criteria adopted by the Directors to determine the share issue price;

- b) the report of the Board of Directors dated 17 December 2014;
- c) the Agreement signed with SG on 24 December 2014;
- d) the agreements signed on 23 December 2014 relating to the new GFA;
- e) the Business Plan and the document for internal use of said Board of Directors, which illustrates the plan's drafting approach, also known as the "Guidelines for the 2014-2017 Business Plan";
- f) the certification report of the Restructuring Plan dated 23 December 2014 drafted by Alberto Tron in accordance with art. 67, third paragraph, letter d), Royal Decree no. 267 of 16 March 1942;
- g) the separate financial statements and consolidated financial statements of Tiscali for the year ended 31 December 2013, subject to an audit by us;
- h) the condensed half-yearly consolidated financial statements of Tiscali as at 30 June 2014, subject to a limited audit by us;
- i) the consolidated financial report of Tiscali as at 30 September 2014, not subject to an audit;
- j) the information provided to the market pursuant to art. 114, fifth paragraph of Italian Legislative Decree 58/98, regarding the data of the Company and of the Group as at 31 October 2014, published on 28 November 2014, not subject to an audit;
- k) the applicable Articles of Association of the Company;
- l) additional accounting and non-accounting information deemed useful for the purposes of this report.

Our work involved, *inter alia*:

- a) the collection, also through discussions with the Company's Management, of information on the events which occurred after the date of the condensed half-yearly consolidated financial statements as at 30 June 2014, which may have a significant impact on the calculation of the values forming the object of this examination;
- b) a discussion with the Company's Management of the economic, equity and financial position of the Group as at 30 September 2014 shown in Tiscali's consolidated financial report as at said date;
- c) reading the minutes of the meetings of the Company's Board of Directors in 2014;
- d) a critical review of the evaluation methods adopted by the Directors, considering all elements deemed necessary to verify that said methods are reasonable, adequate and technically appropriate, in the specific case in question, to determine the criteria for calculating the Share issue price;
- e) an observation of the trend in the stock market prices of Tiscali shares for significant time periods;
- f) the performance of additional analyses deemed necessary to assess the consistency of the criterion for determining the Share issue price.

The activities described above were carried out to the extent necessary to fulfil the purpose of our assignment, indicated in previous paragraph 1.

We also obtained proof that, as far as the Company's Management is aware, no significant changes occurred to the data and information used to conduct our analyses, or other facts and circumstances which may have an effect on the criteria for determining the Share issue price indicated in the Directors' Report which, as such, could be relevant for the purposes of this report.

4. CONSIDERATIONS ON THE ADEQUACY OF THE CRITERIA USED TO DETERMINE THE ISSUE PRICE

In the assumption of the exclusion of the option right, the provision of art. 2441, sixth paragraph of the Italian Civil Code, establishes that the share issue price must be determined “*on the basis of the value of shareholders’ equity, also taking into account, for shares listed on the stock market, the trend in prices in the last half*”. According to accredited doctrine, said provision is interpreted in the sense that the share issue price need not necessarily be equal to the equity value, since its calculation must be performed “on the basis” of said value; this leaves the Directors with margins for discretion, who may issue new shares at a price not coinciding with the value of shareholders’ equity. With reference to this parameter, it should also be noted that, as of today’s date, the Company has negative consolidated shareholders’ equity and so this provision is not actually applicable. Similarly, it is believed that the regulation’s reference to the trend in prices in the last half gives the Directors the freedom of choice in identifying the value of the share which is deemed most representative of the market trend in the period of observation.

As described in the previous paragraphs, in consideration of the characteristics of the transaction agreed with SG, at the time of conferral of the power, the Board of Directors proposed that the shareholders' meeting refrain from fixing the share issue price, but proposed that the criteria be determined which the Board of Directors must then adhere to in determining the share issue price.

Within said context, in order to ensure compliance of the procedure for determining the Share issue price with the provisions of art. 2441, sixth paragraph of the Italian Civil Code, the Board of Directors preferred the stock market price criterion, which expresses the value of a company based on the stock market capitalisation through the prices of the shares traded on regulated share markets, according to the definition mechanism described in paragraph 2.

Based on the work performed, the following considerations came to light:

- the decision of the Directors to opt for the definition of a criterion for determining the issue price, in place of the definition of an exact price, is in line the market practice for share capital increase transactions of a similar nature and with the guidelines of the applicable doctrine;
- in relation to the discount to be applied to the issue price, the doctrine does not exclude the applicability of an amendment to said price given that, although referring to stock market prices, does not assume that the issue price and the market value match perfectly. The application of a 5% discount is in line with the practice identified in similar transactions analysed by the Company. In this regard, we verified the documents and communications published by the companies included in the sample analysed by the Company, by identifying the discount percentages emerging from the analysis conducted by the Company. The discount applied to the average market price for the transactions analysed sits in the lower part of the range indicated in the Directors' Report, of between 5% and 10%, with an average of 6.2%;
- the use, for the purposes of determining the issue price, of the VWAP recorded in a period of three consecutive open market days after the presentation of each Subscription Request by the Company, is deemed consistent given that it takes into consideration the share performance which, on the one hand, incorporates all the latest information which may affect stock market prices and, on the other, is adequate considering the volumes traded on the market;
- with reference to the right of the Company and/or SG to postpone the closure of the Pricing Period until the next open market day, if the closing price of the ordinary Tiscali shares recorded on the last day of the Pricing Period is less than 97% of the VWAP registered within the same period, this clause is targeted at neutralising any fluctuations recorded in the very short-term period.

The Directors also established that, at the time of each Subscription Request, the Board will verify, based on the information available at the time, as well as through the appropriate simulations based on the stock market prices of Tiscali shares, compliance with the parameters set out in art. 2441, sixth paragraph of the Italian Civil Code.

5. SPECIFIC LIMITS AND OTHER SIGNIFICANT ASPECTS WHICH EMERGED WHILE FULFILLING OUR ASSIGNMENT

As outlined previously, in fulfilling our assignment we used the data, documents and information provided by the Company, assuming its truthfulness, accuracy and completeness, without conducting any checks in this regard. Similarly, we did not perform an economic assessment of the Company. In the same way, we did not perform, given outside the scope of our appointment, checks and/or evaluations of the validity and/or effectiveness of the legal transactions stipulated by the Company as part of its Group indebtedness restructuring project.

The Share Capital Increase proposal formulated by the Board of Directors, having defined the maximum number of shares which will be issued, does not indicate the issue price of the aforementioned shares, but instead the criterion for determining said price. Therefore, this report does not concern the consistency of the Share issue price, still not defined as of today, but the adequacy of the criteria proposed by the Directors for the determination of the share issue price, criteria which, if approved by the Extraordinary Shareholders' Meeting, the Board of Directors must adhere to when determining the price at the time of execution of the Share Capital Increase.

The execution of the Share Capital Increase will be entrusted to the Board of Directors that will be responsible for implementing the shareholders' meeting mandate by identifying, from time to time, the Share issue price, submitting the Subscription Request to SG. Considering that the criterion for determining the issue price is linked to future market trends, the execution of the resolved company Share Capital Increase will therefore make reference to a market value of the shares updated to the date of said execution. The extensive time period in which the Company Share Capital Increase can be implemented does not mean, nevertheless, we can rule out the fact that, in the event in which the considerations forming the basis of the criteria adopted by the Directors change, what has been indicated in this report regarding the adequacy of the criteria may no longer be applicable on the dates of execution of the share capital increase. In fact, the stock market price criterion, which is indicated in particular in the presence of companies with a high level of capitalisation, may be shaped by factors external to the assessed company such as, for example, periods of particular volatility in the financial markets, speculative pressures or anomalous circumstances, which could limit market prices' capacity to reflect intrinsic evaluations.

This is an especially topical issue in a market context characterised by significant levels of uncertainty and highly turbulent phenomena; therefore we cannot rule out the fact that the persistence of the ongoing financial crisis and its development may lead to market values currently unforeseeable and also significantly different from current market values.

6. CONCLUSIONS

Now, therefore, based on the documentation examined and the procedures described above, taking account of the nature and scope of our work indicated in this report and without prejudice to what has been outlined in paragraph 5 above, we believe that the criteria identified by the Directors for determining the Share issue price for the purposes of the share capital increase proposal with the exclusion of the option right pursuant to art. 2441, sixth paragraph of the Italian Civil Code, are adequate given reasonable and of a non-arbitrary nature, and we express a favourable opinion on the fairness of the criteria identified for determining the Share issue price.

Milan, 9 January 2015

Reconta Ernst & Young S.p.A.

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