



TISCALI S.p.A.

Registered offices: SS 195 Km 2.3, Sa Illetta, Cagliari, Italy

Paid-in share capital EUR 92,019,488.07

Tax code, VAT Number and enrolment number in the Cagliari Companies'

Register 02375280928

***ILLUSTRATIVE REPORT OF THE BOARD OF DIRECTORS ON THE PROPOSALS
TO THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING TO BE HELD
ON 15 MAY 2012, DRAWN UP IN ACCORDANCE WITH ARTICLE 3 OF ITALIAN
MINISTERIAL DECREE No. 437/1998***

Cagliari, Italy, 30 March 2012

Shareholders,

This document has been drawn up by the Board of Directors of Tiscali S.p.A. (“Tiscali” or the “Company”), in compliance with current legislation, in relation to the Tiscali shareholders’ meeting called in ordinary session in single calling on 15 April 2012, at [11 a.m.] at the registered offices, in order to discuss and resolve on the following agenda:

Agenda

1. Approval of the annual financial statements at 31 December 2011. Related and consequent resolutions;
2. Report on Remuneration pursuant to Article 123 *ter*, section 6 of Italian Legislative Decree No. 58 dated 24 February 1998. Related and consequent resolutions;
3. Appointment of the members of the Board of Directors, subject to establishing the number. Establishment of the duration of the office and the fees. Related and consequent resolutions;
4. Appointment of the Board of Statutory Auditors and its Chairman, establishment of the fees. Related and consequent resolutions.

* * *

1. Approval of the annual financial statements at 31 December 2011. Related and consequent resolutions

Shareholders,

A copy of the draft annual financial statements of Tiscali S.p.A. (the “**Company**”) at 31 December 2011, approved by the Board of Directors on 30 March 2012 and accompanied by the reports of the Directors, the Statutory Auditors and the Independent Auditing Firm, has been deposited, in accordance with current legislation, at the registered offices, with Borsa Italiana S.p.A. and can be found on the Company’s website www.tiscali.com. Furthermore, the consolidated financial statements have also

been deposited with the related reports. With regard to the illustration of the draft financial statements, reference should be made to the Directors' report on operations.

The final figure of the Company's draft financial statements disclosed losses for 2011 amounting to EUR 29,933,828.46. We propose the approval of the annual financial statements in their entirety and with regard to the individual entries and the coverage of the accumulated losses at 31 December 2011 using the reserve for covering losses for EUR 6,401,339.96 and carrying the excess loss forward for EUR 23,532,488.50.

Accordingly, we hereby propose that a resolution be adopted in line with the following proposal:

“Tiscali S.p.A.’s ordinary shareholders’ meeting, having analyzed the draft financial statements at 31 December 2011, accompanied by the legal reports, and having heard the Chairman’s statement,

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1. *to approve the financial statements relating to 2011, in their entirety and with regard to the individual entries, as drawn up by the Board of Directors, which is granted extensive discharge with regard to its operations;*
2. *to cover the accumulated losses at 31 December 2011 using the reserve for covering losses for EUR 6,401,339.96 and carrying the excess loss forward for EUR 23,532,488.50;*
3. *to grant the Chairman and Chief Executive Officer pro tempore the widest powers, so that, also via legal representatives and in observance of the legal terms and formalities, they execute this resolution, as well as make, where appropriate or necessary, additions, amendments or cancellations which may be requested by the competent authorities for registration with the Companies’ Register.”*

2. Report on Remuneration pursuant to Article 123 *ter*, section 6 of Italian Legislative Decree No. 58 dated 24 February 1998. Related and consequent resolutions.

Shareholders,

As from this year, pursuant to Article 123 *ter* of Italian Legislative Decree No. 58/1998, the shareholders' meeting called annually to approve the financial statements for the year is called to express its final vote with regard to the policy adopted by the Company concerning the remuneration of the members of the management body, the general managers and the executives with strategic responsibilities and with regard to the adoption and implementation of these policies. We hereby state that, in pursuance of the afore-mentioned Article 123 *ter*, section 6 of Italian Legislative Decree No. 58/1998, the shareholders' meeting is called to resolve, favourably or otherwise, with regard to the first Section of the report in question, containing the Company's Remuneration policy, without this resolution being binding.

We therefore submit the first Section of the Report on remuneration for your approval, containing the Company's policy regarding the remuneration of the directors and executives with strategic responsibilities, drawn up in compliance with Enclosure 3A, layouts 7 *bis* and 7 *ter*, of CONSOB Regulation No. 11971 dated 14 May 1999, which has been made available to the general public by the legal deadlines and can be consulted on the website www.tiscali.com together with the second section of the same report which is not subject to resolution by the shareholders' meeting.

Accordingly, we hereby propose that a resolution be adopted in line with the following proposal:

“Tiscali S.p.A.’s ordinary shareholders’ meeting, having analysed Section 1 of the Report on Remuneration

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- 1. to express a favourable opinion on Section 1 of the 2011 Report on remuneration, as drawn up by the Board of Directors;*
- 2. to grant the Chairman and Chief Executive Officer pro tempore the widest powers, so that, also via legal representatives and in observance of the legal terms and formalities, they execute this resolution.”*

3. Appointment of the members of the Board of Directors, subject to establishing the number. Establishment of the duration of the office and the fees. Related and consequent resolutions.

Shareholders,

The office of the current Company Directors will expire as of the date of this shareholders' meeting. Therefore, it is necessary to proceed with the appointment of the members of the Board of Directors. You are hereby reminded that at present the Board of Directors is made up of 5 members with a duration in office of 3 years and an annual gross fee of EUR 25 thousand. With regard to the election of the new Directors, you are reminded that Article 11 ("Board of Directors") of the Articles of Association envisages that:

"If the management of the Company is entrusted to a Board of Directors, the Board takes steps to appoint a Chairman and possibly a Deputy Chairman, choosing from amongst its members, if the shareholders' meeting has not already taken steps to do so. The Directors remain in office for a three-year period or a shorter duration established by the meeting at the time of their appointment; they can be re-appointed.

The Directors are appointed by the meeting on the basis of lists presented by the shareholders in which the candidates shall have to be listed by means of consecutive number. Each shareholder may submit, or jointly submit, one list only, even if via third parties or through trust companies. Each candidate may be present on one list only or be disqualified.

Shareholders are only entitled to present lists if,

alone or together with other shareholders, they represent at least the percentage of the shares with the right to vote during ordinary shareholders' meetings envisaged by applicable legislation, which shall be indicated in the notice for the calling of the meeting. The lists presented by the shareholders must be deposited, as will also be indicated in the notice of calling, at the Company's registered offices by the twenty-fifth

day prior to the date of the meeting called to resolve on the appointment of the Board members.

Each list shall have to be accompanied by the information required by applicable legislation and indicate the identity of the shareholders who have presented the same and the total investment percentage owned. In-depth information on the personal and professional characteristics of the candidates must be provided at the bottom of the list presented by the shareholders, or attached to the same. The declarations by means of which the individual candidates accept their candidature and declare, at their own liability, the inexistence of causes of ineligibility or incompatibility as well as the existence of the requisites of good standing and professionalism prescribed for the office by applicable legislation and the Articles of Association, and the eventual possession of the independence requisites established by applicable legislation, must be filed together with each list.

Each list shall have to indicate at least one candidate who presents the independence requisites established by applicable legislation if the Board of Directors is made up of a number of members equal to or less than seven, and at least two candidates who present the afore-mentioned independence requirements in other cases.

Lists presented without observing the above instructions, shall be considered as not presented .

Each shareholder may vote for one list only, even if via third parties or through trust companies.

The election of Directors proceeds as follows:

a) five sevenths of the Directors to be appointed are taken from the list receiving the majority of votes expressed by shareholders, in the consecutive order in which they are listed on said list, with rounding off - in the event of a fractional number less than a whole unit, to the higher unit;

b) the remaining Directors are appointed from the other lists. For this purpose, the votes obtained by the lists shall be subsequently divided by one, two, three, four, five,

etc, according to the number of Directors to be elected. The quotients thus obtained will be progressively assigned to candidates on each list, in accordance with their respective order. The quotients thus assigned to candidates on the various lists shall be arranged into a single list in descending order.

Those who have obtained the highest quotients are elected.

In the event several candidates have obtained the same quotient, the candidate on the list which has not yet elected any Director or which has elected the lowest number of Directors shall be appointed.

In the event that none of these lists has elected a Director yet or all have elected the same number of Directors, the candidate on the list which has obtained the greatest number of votes shall be elected from among these lists.

In the event of the lists receiving equal votes and again quotients being equal, the entire meeting shall vote once again and the candidate who obtained the simple majority of the votes shall be elected.

If, in the event of the presentation of several lists, none of the candidates indicated on the list which has obtained the greatest number of votes after the first and which is not connected, not even indirectly, with the shareholders who have presented or voted for this latter list, have been elected in accordance with the provisions above, the first candidate in order of presentation on the minority list shall in any event be elected in replacement of the last candidate in order of presentation elected on the list which obtained the number of votes immediately superior to that achieved by the minority list.

If the Board of Directors is made up of a number of members of up to seven and, as per the afore-mentioned appointment procedure, no member in possession of the independence requisites established by applicable legislation is elected, the last of those elected taken from the list which has obtained the greatest number of votes shall have to be replaced by the first candidate listed subsequently on this list who has these requisites.

If by contrast the Board of Directors is made up of more than seven members and, as

per the afore-mentioned appointment procedure, at least two members in possession of the independence requisites established by applicable legislation are not appointed, the last of those elected not in possession of these requisites taken from the list which has obtained the greatest number of votes after the first and which is not connected in any way, not event indirectly, with the shareholders who have presented or voted for this latter list, shall have to be replaced by the first candidate listed subsequently on this list who has these requisites and, if following this replacement a member in possession of the independence requisites established by the applicable legislation still has to be elected, the last of those elected not in possession of these requisites taken from the list which has obtained the greatest number of votes shall have to be replaced by the first candidate listed subsequently on this list who has these requisites;

c) the list voting appointment method envisaged above is applied in the sole case of complete renewal of the Directors; with regard to the appointment of Directors not appointed for any reason in accordance with the above procedure, the shareholders' meeting resolves with the legal majority.

Not even during the course of the mandate can the shareholders' meeting vary the number of Board members, unless this takes place within the limit as per the Articles of Association, taking steps to make the related appointments. The Directors thus elected fall from office with the others.

If, due to resignation or for other reasons, half - in the event of even numbers. or more than half - in the event of uneven numbers - of the Directors fall from office, the entire Board shall be understood to have fallen and the shareholders' meeting must be called immediately to re-appoint all the Directors".

Pursuant to current legislation, shareholders are only entitled to present lists if, alone or together with other shareholders, they represent at least 4.5% (four point five percent) of the shares with the right to vote during ordinary shareholders' meetings, in accordance with the terms and forms indicated in the notice for the calling of the meeting. You are hereby reminded that, pursuant to Article 2390 of the Italian Civil

Code, “the directors cannot undertake the capacity of unlimitedly liable shareholder in competing companies, nor carry out a competitive activity on their own account or on behalf of third parties, nor be directors or general managers in competing companies, unless authorised by the shareholders’ meeting”. Therefore, the Board of Directors submits any relevant cases which should be as such in relation to the candidates for the examination and authorisation of the shareholders’ meeting.

This having been stated, we hereby invite you to present candidatures for the office of Director, in compliance with the Article of Association provisions referred to above and the applicable legislation and, on the basis of the candidatures proposed, to proceed with voting for the election of the Directors, subject to establishment of their number, and determination of the duration of the office and the fee.

Therefore, we hereby propose that a resolution be adopted in line with the following proposal:

“Tiscali S.p.A.’s ordinary shareholders’ meeting, having acknowledged the Directors’ Report and having heard the Chairman’s statement,

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1. *to establish the number of members of the Board of directors as [°°°] and appoint [°°°] as Directors of the Company and that the same remain in office for [°°°] accounting periods, and therefore until the date of the shareholders’ meeting called to approve the financial statements at [°°°];*
2. *to establish the gross annual fee of each Director as Euro [°°°] ;*
3. *to grant the Chairman and Chief Executive Officer pro tempore the widest powers, so that, also via legal representatives and in observance of the legal terms and formalities, they execute this resolution, as well as make, where appropriate or necessary, additions, amendments or cancellations which may be requested by the competent authorities or in accordance with the legislative and regulatory provisions in force and, in general, carry out all the fulfilments and make the communications envisaged by legislative and regulatory provisions in force”.*

4. Appointment of the Board of Statutory Auditors and its Chairman, establishment of the fees. Related and consequent resolutions.

Shareholders,

The office of the current Company Statutory Auditors will expire as of the date of this shareholders' meeting. Therefore, it is necessary to proceed with the appointment of the members of the Board of Statutory Auditors and the indication of its Chairman. With regard to the election of the new Statutory Auditors, you are reminded that, in accordance with the Articles of Association, the current members of the Board of Statutory Auditors can be re-appointed and that Article 18 ("Board of Statutory Auditors") of the Articles of Association envisages that:

"The Board of Statutory Auditors is made up of three Statutory Auditors and two Alternate Auditors appointed by the shareholders' meeting. The Statutory Auditors remain in office for a three-year period and can be re-appointed. The fall from office of the Statutory Auditors due to expiry of the term only becomes effective when the Board has been re-established. Pursuant to Article 1, section 2, letters b) and c) of the regulations pursuant to Italian Ministry of Justice Decree No. 162 dated 30 March 2000, the sectors of activities and the matters pertaining to telecommunications, electronic communications in general, media, software and IT activities, as well as matters pertaining to private and administrative law disciplines, economic disciplines and those relating to the business organisation, are considered strictly pertinent to that of the Company.

Board of Statutory Auditor meetings can also be held with the aid of telecommunications mediums, in observance of the formalities as per Article 12 (Calling and holding of Board Meetings) of these Articles of Association.

The shareholders' meeting which appoints the Statutory Auditors and the Chairman of the Board of Statutory Auditors, establishes the emolument due to the same. The appointment of the Board of Statutory Auditors takes place on the basis of lists

presented by the shareholders, in which five candidates must be indicated, three for the office of Statutory Auditor and two for the office of Alternate Auditor, listed by means of a consecutive number, in order of professional seniority.

Each shareholder may submit, or jointly submit, one list only, even if via third parties or through trust companies. Each candidate may be present on one list only or be disqualified. Shareholders are only entitled to present lists if, alone or together with other shareholders, they represent at least the percentage of the shares with the right to vote during ordinary shareholders' meetings envisaged by applicable legislation, which shall be indicated in the notice for the calling of the meeting. The lists presented by the shareholders must be deposited, as will also be indicated in the notice of calling, at the Company's registered offices by the twenty-fifth day prior to the date of the meeting called to resolve on the appointment of the members of the Board of Statutory Auditors. If on expiry of the afore-mentioned deadline, just one list has been presented, or only lists presented by shareholders who are connected as per the applicable legislation, lists can be presented up to the third day after this date, and the investment percentage envisaged for the presentation of the lists is reduced by half.

Each list shall have to be accompanied by the information required by applicable legislation and indicate the identity of the shareholders who have presented the same, the total investment percentage owned and a certificate which proves the ownership of said investment, as well as a declaration of the shareholders other than those who hold, also jointly, a relative controlling or majority interest, bearing witness to the absence of the connecting relationships with the latter as envisaged by applicable legislation. In-depth information on the personal and professional characteristics of the candidates must be provided at the bottom of the list presented by the shareholders, or attached to the same. The declarations by means of which the individual candidates accept their candidature and declare, at their own liability, the inexistence of causes of ineligibility or incompatibility as well as the existence of the requisites of good standing and professionalism prescribed for the office by applicable legislation and the Articles

of Association, must be filed together with each list.

Lists presented without observing the above instructions, shall be considered as not presented .

Each shareholder may vote for one list only, even if via third parties or through trust companies.

Those who cover the role of Statutory Auditors in five listed companies, cannot undertake the office of Auditor in the Company. The Statutory Auditors can undertake other management and audit appointments within the limits established by applicable legislation.

At least one of the Statutory Auditors and at least one Alternate Auditor, must be chosen from those listed in the official register of auditors with at least three years' experience in the auditing of accounts. Auditors failing to meet the aforementioned condition must have a total of at least three years' experience in specific company purpose-related duties. Specific company purpose-related duties are understood to be all those referable to the corporate purpose as per Article 3 (Corporate Purpose) in these Articles of Association and in any event those relating to the telecommunications sector.

They are elected as follows:

a) two Statutory Auditors and one Alternate Auditor are elected from the list receiving the most votes, in the order in which they appear on said list;

b) the third Statutory Auditor shall be the candidate for the related office in first place, among the Statutory Auditors, on the list which has received the most votes after the first, from among the lists presented and voted for by shareholders who are not connected, even indirectly, with the shareholders who have presented and voted for the list in first place due to number of votes;

c) the second Alternate Auditor shall be the candidate for the related office indicated as first, among the Alternate Auditors, on the same minority list indicated above.

In the event of equal votes between the lists presented and voted for by shareholders

who are not connected, even indirectly, with the shareholders who have presented and voted for the list in first place due to number of votes, the candidate on the list which has been presented by shareholders in possession of the majority investment or, alternatively, by the greatest number of shareholders, shall be elected.

The chairmanship of the Board of Statutory Auditors goes to the candidate for the office of Statutory Auditor in first place on the list which has received the most votes after the first, from among the lists presented and voted for by shareholders who are not connected, even indirectly, with the shareholders who have presented and voted for the list in first place due to number of votes.

If just one list is presented, the first three candidates in consecutive order shall be elected Statutory Auditors by majority, and the fourth and fifth candidates shall be appointed Alternate Auditors; the chairmanship of the Board of Statutory Auditors will go to the first candidate.

In the event of early termination of a Statutory Auditor from office, the same shall be replaced by the Alternate Auditor elected from among the candidates belonging to the same list as the Auditor no longer in office.

The shareholders' meeting takes steps to appoint the Statutory Auditors and Alternate Auditors necessary for supplementing the Board of Statutory Auditors following early termination from office, as follows:

a) if steps must be taken to replace Auditors elected from the majority list, the appointment takes place by majority vote, choosing from among the candidates on the list which the Auditors to be replaced belonged to, who at least ten days before the date fixed for the shareholders' meeting in first calling have confirmed their candidature, together with the declarations relating to the inexistence of causes of ineligibility or incompatibility, as well as the existence of the requisites of good standing and professionalism prescribed for the office by applicable legislation and the Articles of Association;

b) if, by contrast, steps must be taken to replace the Statutory Auditors appointed by

the minority, the shareholders' meeting shall replace the same by majority vote, choosing from among the candidates on the list which the Auditor to be replaced belonged to, who at least ten days before the date fixed for the shareholders' meeting in first calling have confirmed their candidature, together with the declarations relating to the inexistence of causes of ineligibility or incompatibility, as well as the existence of the requisites of good standing and professionalism prescribed for the office by applicable legislation and the Articles of Association.

The new Auditors appointed fall from office together with those already in office.

The outgoing Auditors can be re-appointed."

Pursuant to current legislation, shareholders are only entitled to present lists if, alone or together with other shareholders, they represent at least 4.5% (four point five percent) of the shares with the right to vote during ordinary shareholders' meetings, without prejudice to the other matters envisaged in the notice for the calling of this meeting also with reference to the reduction of this threshold by half. With regard to the fee, you are hereby reminded that at present it is determined on the basis of the professional tariffs in force for business accountants, with an increase of 50% for the Chairman; the assessment of the fee of the Board of Statutory Auditors also in light of the new Group structure and the current Company activities, is proposed. This having been stated, we hereby invite you to present candidatures for the office of Statutory Auditor, in compliance with the Article of Association provisions and legislation referred to above and, on the basis of the candidatures proposed, to proceed with voting for the election of the Statutory Auditors and for the determination of the fee.

Therefore, we hereby propose that a resolution be adopted in line with the following proposal:

"Tiscali S.p.A.'s ordinary shareholders' meeting, having acknowledged the Directors' Report, having heard the Chairman's statement, on conclusion of the list voting procedure

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1. *to appoint the following for three accounting periods, and therefore until the date of the shareholders' meeting called for the approval of the financial statements relating to 2014;*

- [°°°] Statutory auditors

- [°°°] Alternate auditors

- [°°°] Chairman of the Board of Statutory Auditors;

2. *to establish the gross annual fee of the Chairman of the Board of Statutory Auditors as EUR [°°°] and the gross annual fee of the Statutory Auditors as EUR [°°°];*

3. *to grant the Chairman and Chief Executive Officer pro tempore the widest powers, so that, acting separately, also via legal representatives and in observance of the legal terms and formalities, they execute this resolution, as well as make, where appropriate or necessary, additions, amendments or cancellations which may be requested by the competent authorities for registration with the Companies' Register."*

Shareholders,

We hereby invite you to express favourably on the afore-illustrated proposals.

Cagliari, Italy, 30 March 2012

Tiscali S.p.A.

On behalf of the Board of Directors

The Chairman, Renato Soru