

Independent auditors' report
pursuant to Articles 14 and 16 of Italian Legislative Decree No. 39 dated 27 January 2010

To the shareholders of
Tiscali S.p.A.

1. We have carried out an audit on the consolidated financial statements of Tiscali S.p.A. and its subsidiaries ("Tiscali Group") as of and for the year ended 31 December 2011, comprising the income statement, statement of comprehensive income and balance sheet, the statement of cash flows, the statement of changes in shareholders' equity and the related explanatory notes. Tiscali S.p.A.'s Directors are responsible for drafting the financial statements in compliance with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued by way of implementation of Article 9 of Italian Legislative Decree No. 38/2005. We are responsible for the professional opinion expressed on the financial statements, based on our audit.
2. Our audit was performed in accordance with the auditing standards and criteria recommended by Consob. In accordance with such standards and criteria, we planned and performed our audit to obtain every element necessary in order to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the balances and disclosures in the financial statements, as well as assessing the appropriateness and suitability of the accounting standards applied and the reasonableness of the estimates made by the directors. We believe that our audit provides a reasonable basis for our professional opinion.

For the opinion on the previous year's consolidated financial statements, whose balances are presented for comparative purposes, please refer to our report dated 5 April 2011.

3. In our opinion, the consolidated financial statements as of the Tiscali Group at 31 December 2011 are compliant with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued by way of implementation of Article 9 of Italian Legislative Decree No. 38/2005; they have therefore been prepared clearly in all the material aspects and provide a true and fair view of the financial and equity position, the economic result and the cash flows of the Tiscali Group for the year ended as of that date.
4. By way of disclosure, the following aspects are pointed out, more fully dealt with in the explanatory notes:
 - a. as indicated in the note "Evaluation of the company as a going-concern and future outlook", the Tiscali Group closed the accounting period with a consolidated loss of EUR 38.1 million and negative consolidated shareholders' equity of EUR 130 million; furthermore, as of 31 December 2011, the Tiscali Group had a gross financial debt of EUR 206.6 million and current liabilities greater than current assets (non-financial) for EUR 109.6 million.

The Directors have described the factors which indicate the continuation of uncertainties linked to a situation of equity, economic and financial imbalance, in the presence of gross financial debt which is still significant, subject to covenants and other contractual obligations. The Directors believe that the achievement of a balanced equity, financial and economic situation over the long-term depends, in the context of uncertainty of the current economic and financial scenario, on the achievement of the results set out in the Group's business plan for the period 2012-2017, and therefore on the realisation of forecasts and assumptions contained therein, in particular, those relating to the evolution of the telecommunications market and the achievement of the growth objectives established (in a market context characterised by heavy competitive pressure). The business plan also hypothesises, in 2014, the rescheduling of the part of financial debt in excess with respect to the cash flows which is envisaged will be generated over the plan's duration. These factors are coupled with ongoing disputes, described below in point b., whose outcomes, although not currently foreseeable, have been assessed as potentially significant by the Directors.

The Directors, when assessing the elements indicated above, have described the action taken, on the basis of which they believe that the Tiscali Group is reasonably able to continue with the implementation of the business plan and that over the long-term this will make it possible to achieve a balanced equity, financial and economic situation. In conclusion, the Directors acknowledge that at present uncertainties still remain, that may raise considerable doubt on the ability of the Tiscali Group to continue to operate under the going-concern

assumption; however, after making the necessary checks and after assessing the uncertainties found in the light of the factors described, they have the reasonable expectation that the Group has adequate resources to continue operations in the near future and therefore have adopted the going-concern assumption when preparing the financial statements;

- b. the Directors reveal the existence of a number of potentially significant disputes brought by third parties vis-à-vis the Dutch subsidiary World Online International NV. The Dutch Supreme Court issued its final sentence in November 2009, confirming some of the profiles of responsibility of World Online International NV, without however passing sentence with regard to any damages, which would have to be covered by new and separate proceedings by the injured third parties; as things stand, no proceedings of this type appear to have been launched. Developments in the current situation are described in the explanatory notes. With regard to these disputes, the Directors believe that elements sufficiently defined for quantifying the potential liability do not exist and, therefore, has not made any provision in the financial statements.
5. The drawing up of the report on operations and the report on corporate governance and the ownership structure in compliance with the matters envisaged by the provisions of the law, is the responsibility of Tiscali S.p.A.'s Directors. We are responsible for expressing an opinion on the consistency of the report on operations and the information as per section 1, letters c), d), f), l), m) and section 2, letter b) of Article 123 *bis* of Italian Legislative Decree No. 58/98, presented in the report on corporate governance and the ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures indicated by Auditing Standard No. 001 issued by the Italian Accounting Profession and recommended by CONSOB. In our opinion, the report on operations and the information as per section 1, letters c), d), f), l), m) and section 2, letter b) of Article 123 *bis* of Italian Legislative Decree No. 58/98, presented in the report on corporate governance and the ownership structure, are consistent with the consolidated financial statements of the Tiscali Group as of 31 December 2011.

Milan, Italy, 20 April 2012

Reconta Ernst & Young S.p.A.

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2. Our audit was performed in accordance with the auditing standards and criteria recommended by Consob. In accordance with such standards we planned and performed our audit to obtain every element necessary in order to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the balances and disclosures in the financial statements, as well as assessing the appropriateness and suitability of the accounting standards applied and the reasonableness of the estimates made by the directors. We believe that our audit provides a reasonable basis for our professional opinion.

For the opinion on the previous year's financial statements, whose balances are presented for comparative purposes as required by law, please refer to our report dated 5 April 2011.

3. In our opinion, the financial statements of Tiscali S.p.A. at 31 December 2011 are compliant with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued by way of implementation of Article 9 of Italian Legislative Decree No. 38/2005; they have therefore been prepared clearly in all the material aspects and provide a true and fair view of the financial and equity position, the economic result and the cash flows of Tiscali S.p.A. for the year ended as of that date.
4. By way of disclosure, the following aspects are pointed out, more fully dealt with in the explanatory notes:
 - a. as indicated in the note "Evaluation of the company as a going-concern and future outlook", Tiscali S.p.A. closed the financial statements with a loss of EUR 29.9 million and shareholders' equity of EUR 65.1 million; it is the parent company of a Group (the "Tiscali Group") which closed 2011 with a consolidated loss of EUR 38.1 million and negative consolidated shareholders' equity of EUR 130 million; furthermore, as of 31 December 2011, the Tiscali Group had a gross financial debt of EUR 206.6 million and current liabilities greater than current assets (non-financial) for EUR 109.6 million.

The Directors have described the factors which indicate the continuation of uncertainties linked to a situation of equity, economic and financial imbalance, in the presence of gross financial debt which is still significant, subject to covenants and other contractual obligations. The Directors believe that the achievement of a balanced equity, financial and economic situation over the long-term depends, in the context of uncertainty of the current economic and financial scenario, on the achievement of the results set out in the Group's business plan for the period 2012-2017, and therefore on the realisation of forecasts and assumptions contained therein, in particular, those relating to the evolution of the telecommunications market and the achievement of the growth objectives established (in a market context characterised by heavy competitive pressure). The business plan also hypothesises, in 2014, the rescheduling of the part of financial debt in excess with respect to the cash flows which is envisaged will be generated over the plan's duration. These factors are coupled with ongoing disputes, described below in point b., whose outcomes, although not currently foreseeable, have been assessed as potentially significant by the Directors.

The Directors, when assessing the elements indicated above, have described the action taken, on the basis of which they believe that the Tiscali Group is reasonably able to continue with the implementation of the business plan and that over the long-term this will make it possible to achieve a balanced equity, financial and economic situation. In conclusion, the Directors acknowledge that at present uncertainties still remain, that may raise considerable doubt on the ability of the Tiscali Group to continue to operate under the going-concern assumption; however, after making the necessary checks and after assessing the uncertainties found in the light of the factors described, they have the reasonable expectation that the Group has adequate resources to continue operations in the near future and therefore have adopted the going-concern assumption when preparing the financial statements;

- b. the Directors reveal the existence of a number of potentially significant disputes brought by third parties vis-à-vis the Dutch subsidiary World Online International NV. The Dutch Supreme Court issued its final sentence in November 2009, confirming some of the profiles of responsibility of World Online International NV, without however passing sentence with regard to any damages, which would have to be covered by new and separate proceedings by the injured third parties; as things stand, no proceedings of this type appear to have been launched. Developments in the current situation are described in the explanatory notes. With regard to these disputes, the Directors believe that elements sufficiently defined for quantifying the potential liability do not exist and, therefore, has not made any provision in the financial statements.
5. The drawing up of the report on operations and the report on corporate governance and the ownership structure in compliance with the matters envisaged by the provisions of the law, is the responsibility of Tiscali S.p.A.'s Directors. We are responsible for expressing an opinion on the consistency of the report on operations and the information as per section 1, letters c), d), f), l), m) and section 2, letter b) of Article 123 *bis* of Italian Legislative Decree No. 58/98, presented in the report on corporate governance and the ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures indicated by Auditing Standard No. 001 issued by the Italian Accounting Profession and recommended by CONSOB. In our opinion, the report on operations and the information as per section 1, letters c), d), f), l), m) and section 2, letter b) of Article 123 *bis* of Italian Legislative Decree No. 58/98, presented in the report on corporate governance and the ownership structure, are consistent with the financial statements of Tiscali S.p.A. as of 31 December 2011.

Milan, Italy, 20 April 2012

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