

# tiscali:

TISCALI S.p.A.

Registered office in Cagliari, località (district) Sa Illetta, S.S. (State Road) 195 km. 2,3

Share Capital Euro 92,052,029.67 paid-in

Tax Code, VAT no. and

Cagliari Register of Companies no. 02375280928

REPORT OF THE BOARD OF DIRECTORS DRAFTED IN ACCORDANCE WITH ARTICLE 72  
OF CONSOB REGULATION 11971/99, AND SUBSEQUENT AMENDMENTS AND ADDITIONS  
(**“ISSUERS’ REGULATION”**)

## CONTENTS

### Introduction

1. Share capital increase
  - 1.1. Subscription price of shares of each tranche of the Share Capital Increase
  - 1.2. Criteria for determining the subscription price
  - 1.3. Number of shares to be subscribed for each tranche of the Share Capital Increase
  - 1.4. Conditions to which Société Générale (SG)'s subscription commitment is subject
  - 1.5. Commitments of the parties and other contractual clauses
  - 1.6. Events of Default
  - 1.7. Forms of Share placement and information on the counterparty
  - 1.8. Information on the nature and size of the commissions applied by SG
  - 1.9. Information on the publication of a prospectus
2. Reasons for and allocation of the proceeds from the Share Capital Increase, also in relation to the Company's management performance
3. Analysis of the breakdown of the net short- and medium/long-term financial debt of the Group compared with the data resulting from the position as at 30 September 2014
4. Estimate of the results for 2014 and general indications on the management performance during said year
5. Guarantee and/or placement consortia
6. Period forecast for the execution of the Share Capital Increase
7. Date of dividend entitlement on the newly-issued Shares
8. Economic-equity and financial effects of the Share Capital Increase
9. Effects on the unit value of the Shares of any dilution of said value or of the redistribution of said value between several share categories
10. Amendment of the Articles of Association resulting from approval of the resolution forming the object of this report
11. Proposed resolution

## Introduction

Dear Shareholders,

this report, drafted in accordance with Article 72 of the Issuers' Regulation and, in particular, in compliance with Annex 3A, schemes no. 2 and no. 3 of said regulation, aims to provide the necessary information on the proposal set out in the only item on the agenda of the extraordinary shareholders' meeting of Tiscali S.p.A. ("**Tiscali**" or the "**Company**") convened in single call for 30 January 2015 at 11 am at the company's registered office, to resolve on the following matter:

*"Proposal to assign the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, the power to carry out a divisible increase in share capital against payment, on one or more occasions, by 31 December 2017, with the exclusion of the option right pursuant to Article 2441, fifth paragraph 5 of the Italian Civil Code, to be reserved to Société Générale, through the issuing, also in several tranches, of up to 1,000,000,000 ordinary shares with no par value. Subsequent amendments to the Articles of Association. Inherent and consequent resolutions".*

This report, also drafted pursuant to Article 3 of Minister Decree 437/98, is made available to the public according to the terms and methods set forth by law.

### 1. Share capital increase

On 24 December 2014, as communicated in the press release circulated on said date, the Company signed a "Stand-by Equity Facility Agreement" (the "**Agreement**") with con Société Générale ("**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 Article 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 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**").

#### 1.1. Subscription price of Shares of each tranche of the Share Capital Increase

Pursuant to the Agreement, the time period for determining the subscription price of the Shares of each tranche of the Share Capital Increase is identified as three consecutive open market days following the presentation of each Subscription Request to SG by the Company (the "**Pricing Period**").

In particular, the Share subscription price of each tranche of the Share Capital Increase will be equal to 95% of the daily weighted average price for volumes traded ("**VWAP**") of ordinary Company shares recorded in the 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.

SG must inform Tiscali of the price of the Shares relating to the Subscription Request by 6.00pm (Italian time) on the last day of the Pricing Period.

#### 1.2. Criteria for determining the subscription price

In compliance with the provisions established by Article 2441, sixth paragraph of the Italian Civil Code, the share capital increase proposals with the exclusion of the option right pursuant to the fifth paragraph of said article, must be illustrated by the directors in the appropriate report, which must outline the criteria adopted to determine the share issue price.

The Board of 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.

The choice of identifying the methods for determining the Share subscription price according to paragraph 1.1 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 Article 2441, sixth paragraph of the Italian Civil Code.

In fact, 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. The size of the discount was also the subject of negotiations with SG, according to market practice.

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.

In any case, bear in mind 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 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 by 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.

The application of a 5% discount on the daily weighted average price of the share determined in the Pricing Period is targeted at absorbing the impact of any speculative share transactions. In addition, 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, it should be noted that the Company examined 22 transactions of the same type as 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, it should be added 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 Article 2441, sixth paragraph, of the Italian Civil Code, despite the absence of uniform guidelines in the theoretical principles on the value of this latter provision.

### **1.3. Number of shares to be subscribed for each tranche of the Share Capital Increase**

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 (included); 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).

### **1.4. Conditions to which Société Générale (SG)'s subscription commitment is subject**

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 Article 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 Article 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.

### **1.5. Commitments of the parties and other contractual clauses**

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, 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".

### **1.6. Events of Default**

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.

### **1.7. Forms of Share placement and information on the counterparty**

The Share Capital Increase will take place with the exclusion of the option right pursuant to Article 2441, fifth paragraph of the Italian Civil Code and will be reserved to SG. In fact, the Agreement makes provision for the commitment of SG, under the terms and conditions contained therein and summarised above, to subscribe the Shares involved in each Subscription Request.

SG is one of the main merchant banks with diversified activities and more than 12,000 professionals operating in 31 countries throughout Europe, America and Asia.

SG operates as an intermediary, offering extensive access to the issuers' market and effective solutions for investors. The services offered to its customers centre on three hubs of activity - investment banking, financing and markets – in addition to the global franchises of equity derivatives and natural resources.

The Agreement makes it possible to devise a financing solution based on the issuing of shares, drawn up directly by said SG. This instrument allows issuers to diversify their sources of funding, preserving their financial equilibrium. The Board knows that SG, a leading institution in equity line solutions, has already structured and implemented various "Stand-by Equity Facility Agreement" transactions all over Europe, proof of its innovative capacity, the confidence shown by customers and its experience in equity financing transactions.

#### **1.8. Information on the nature and size of the commissions applied by SG**

The Agreement requires Tiscali to pay SG a variable commission of between 1% and 3% of the subscription amount, in relation to the number of shares issued for each Subscription Request, an amount which will be deducted from the amount that SG will have to pay to the company for the release of the Shares subscribed (the "**Commissions**"). In the event the Agreement is terminated before the expiry, if the amount of the Commissions already paid by Tiscali to SG is less than EUR 300,000, the Company will need to pay to SG an amount equal to the difference between EUR 300,000 and the commissions already paid.

#### **1.9. Information on the publication of a prospectus**

It is envisaged that, at the time of the Share Capital Increase and before the execution of the first Disbursement Request, the Company will publish a prospectus for admission to trading of the shares to be issued in execution of said Share Capital Increase, given that it is expected that these will exceed 10% of the ordinary Tiscali shares already admitted to trading on the MTA (screen-based share market) on the date on which the Agreement execution will start.

\* \* \* \* \*

The execution of the Agreement is subject to approval of the Share Capital Increase by the competent company bodies by 31 March 2015.

To this end, on 17 December 2014, Tiscali's Board of Directors resolved to submit the proposal illustrated in this report to the Company's Extraordinary Shareholders' Meeting, which sets out the assignment to said Board, pursuant to Article 2443 of the Italian Civil Code, of the power to carry out the divisible share capital increase against payment, on one or more occasions, by 31 December 2017, with the exclusion of the option right pursuant to Article 2441, fifth paragraph of the Italian Civil Code, through the issuing, including in several tranches, of up to 1,000,000,000 ordinary shares, to be allocated for subscription by SG, according to the terms and conditions established in the Agreement, on the basis of the discretionary subscription requests formulated by the Company.

## 2. Reasons for and allocation of the proceeds from the Share Capital Increase, also in relation to the Company's management performance

The Share Capital Increase, as outlined above, is incorporated in the wider debt restructuring plan of the Group of companies headed up by Tiscali (the “**Group**”) in accordance with the agreements signed on 23 December 2014 (the “**New GFA**”) and concerning, inter alia, the reduction, rescheduling and revision of the conditions of the Group's financial debt, deriving from the Group Facilities Agreement signed on 2 July 2009 between, inter alia, J.P. Morgan Europe Ltd, as “GFA Agent”, Tiscali UK Ltd (“**Tiscali UK**”), as “Borrower” and Tiscali, as guarantor, together with its subsidiaries Tiscali Italia S.p.A., Tiscali International B.V. and Tiscali Financial Services S.A., of the debt of Tiscali UK.

The lenders, pursuant to the new GFA, are currently Sothic Capital European Opportunities Loan Fund S.à r.l., BG Select Investments (Ireland) Ltd, Silver Point Luxembourg Platform S.à r.l., SPV Capital Funding Luxembourg S.à r.l., (jointly, the “**Funds**”) and Intesa Sanpaolo S.p.A. – London Branch (“**ISP**”).

In particular, the New GFA essentially makes provision for:

- (i) the restructuring of the Group's financial debt with respect to Funds and ISP into the following three credit lines:
  - Facility A1, vis-à-vis all Funds, for an amount of more than 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, vis-à-vis all Funds, for an amount of more than EUR 42 million, to be repaid in half-yearly instalments, the last of which expiring on 30 September 2017;
  - Facility B, vis-à-vis ISP, 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.

For more information on the above, please refer to the press release circulated by the Company on 24 December 2014.

Therefore, the signing of the Agreement and the execution of the Share Capital Increase is expected to allow the Company to repay Facility A1, hence bringing a considerable reduction in the Group's debt exposure, as deriving from the New GFA, moreover benefitting, based on the repayment timescales, from a discount of up to 10% on the nominal value of the debt repaid. From an economic-financial and equity point of view, the proposed transaction will have the traditional effects of a share capital increase with exclusion of the option right; however, from an operational standpoint, this transaction will make it possible to benefit from the typical flexibility of a credit line, in that it will allow the achievement of the aforementioned periodic funding objectives through operating methods characterised by greater speed of execution with respect to the deliberation and execution of a share capital increase targeted at the market.

Indeed owing to the greater flexibility and speed of execution, the assignment to the Board of Directors of the power to increase share capital, also to be carried out in several tranches, may make it possible to benefit from more favourable market conditions for the obtainment of funds on the financial markets, also where it is necessary to act particularly quickly, also taking account of the elements of uncertainty and volatility that characterise said markets.



### 3. Analysis of the breakdown of the net short- and medium/long-term financial debt of the Group compared with the data resulting from the position as at 30 September 2014

The table below shows the Group's net financial position as at 31 October 2014, compared with the position as at 30 September 2014.

NET FINANCIAL POSITION	31.10.14	30.09.14
<i>(EUR 000)</i>		
A. Cash	12,223	10,965
B. Other cash equivalents	-	-
C. Securities held for trading	-	-
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>	<b>12,223</b>	<b>10,965</b>
<b>E. Current financial receivables</b>	<b>95</b>	<b>99</b>
<b>F. Non-current financial receivables</b>	<b>-</b>	<b>-</b>
G. Current bank payables	11,627	12,759
H. Current portion of non-current debt	138,621	137,859
I. Other current financial payables (*)	7,184	7,193
<b>J. Current financial debt (G) + (H) + (I)</b>	<b>157,432</b>	<b>157,812</b>
<b>K. Net current financial debt (J)-(E)-(D)-(F)</b>	<b>145,114</b>	<b>146,748</b>
L. Non-current bank payables	0	0
M. Bonds issued	-	-
N. Other non-current payables	51,489	51,456
<b>O. Non-current financial debt (L) + (M) + (N)</b>	<b>51,489</b>	<b>51,456</b>
<b>P. Net Financial Debt (K) + (O)</b>	<b>196,604</b>	<b>198,204</b>

The cash and cash equivalents of the Tiscali Group as at 31 October 2014 stood at EUR 12.2 million.

The main sources of funding as at 31 October 2014 are as follows:

- financial debt relating to the loan agreement signed on 2 July 2009 following the restructuring of the Group's debt ("Group Facilities Agreement") for an amount of EUR 138.6 million. The debt is shown in the row "H. Current portion of non-current debt";
- payables for financial leasing represented by the "Sale and Lease back" contract signed with reference to the Company's Cagliari (Sa Illetta) office, stipulated in 2007 and the object of a restructuring agreement signed on 2 July 2009, totalling EUR 58.3 million. The debt is accounted for in the following manner:
  - short-term portion, amounting to EUR 6.9 million, shown in row "I. Other current financial payables";
  - long-term portion, amounting to EUR 51.4 million, shown in row "N. Other non-current payables";
- current payables due to banks for current account overdrafts relating to Tiscali Italia Spa, Tiscali and Veesible S.r.l. amounting to EUR 11.6 million (shown in row "G. Current bank payables").

#### **4. Estimate of the results for 2014 and general indications on the management performance during said year**

The macroeconomic context continues to be characterised by marked instability and decreasing levels of consumption. At the same time, the telecommunications sector is also characterised by a falling trend in volumes and prices, with heavy competitive pressure.

In this scenario, Tiscali is focusing its efforts on implementing the business plan and the restructuring plan, defined on 23 December 2014 with its financial creditors, which may allow the Group to achieve a position of equity, economic and financial balance in the long-term. For 2014, the Company forecasts Group revenues to be down marginally compared to 2013 and net EBITDA is predicted between a range of EUR 40 and EUR 45 million.

#### **5. Guarantee and/or placement consortia**

No guarantee and/or placement consortia are envisaged with respect to the Share Capital Increase.

#### **6. Period forecast for the execution of the Share Capital Increase**

The Agreement allows Tiscali to formulate Subscription Requests within a term of one year from the date of conclusion of the Agreement, a term which can be extended if necessary. The proposed resolution, in any case, establishes 31 December 2017 as the final deadline for exercising the power.

#### **7. Date of dividend entitlement on the newly-issued Shares**

The newly-issued ordinary shares will provide regular dividend entitlement and, therefore, will ensure that shareholders have the same rights as ordinary Tiscali shares in circulation at the date of the relative issue.

#### **8. Economic-equity and financial effects of the Share Capital Increase**

As a result of the Share Capital Increase – and based on the assumption that it is completed for an amount equal to that of Facility A1 described in paragraph 2 above – the consolidated shareholders' equity of the Company as at 30 September 2014 (considering the effects of the Share Capital Increase as at said date) would be negative for around EUR 123 million, gross consolidated debt equal to roughly EUR 167 million, while the net consolidated financial position would be negative for approximately EUR 156 million. These amounts were defined not considering any effect resulting from the transactions connected to the Share Capital Increase described in paragraph 2 above.

#### **9. Effects on the unit value of the Shares of any dilution of said value or of the redistribution of said value between several share categories**

The implementation of the Share Capital Increase will involve a dilutive effect whose exact extent cannot be determined at the current state of play, given that it will depend on the amounts of the tranches that will be subscribed by SG in execution of the Agreement, based on the Subscription Requests formulated by Tiscali.

In the assumption of the full implementation of the Share Capital Increase according to previous paragraph 8, with the subsequent issuing of 1,000,000,000 new ordinary Tiscali shares, the dilutive effect for Company shareholders will be around 35%.

By contrast, the effects of the Share Capital Increase on the value of Tiscali shares cannot be determined, given that they depend on the price at which the Shares will be subscribed at the time of each Disbursement Request.

#### **10. Amendment of the Articles of Association resulting from approval of the resolution forming the object of this report**

The approval of the proposed assignment to the Board of Directors of the power to resolve the Share Capital Increase will involve an amendment to article 5 of the applicable Articles of Association.

A comparison is shown below of the text of article 5 of the Articles of Association in force and the text of said Articles of Association modified following the possible approval of the resolution proposals illustrated in the previous points.

<b>APPLICABLE TEXT</b>	<b>PROPOSED TEXT</b>
<p><b>Share capital and shares</b>            The share capital amounts to EUR 92,019,513.67 (ninety-two million nineteen thousand five hundred and thirteen point sixty-seven).            Company shareholdings are represented by 1,861,494,698 (one billion eight hundred and sixty-one million four hundred and ninety-four thousand six hundred and ninety-eight) shares with no par value.            On 30 June 2009, the Extraordinary Shareholders' Meeting of the company, inter alia, resolved:            - to issue Warrants that entitle the respective holders of the right to subscribe a new ordinary share for every 20 (twenty) warrants. These warrants circulate separately from the Shares and, without prejudice to the provisions and periods of suspension regarding exercising pursuant to the "Regolamento Warrants Tiscali S.p.A. 2009-2014", (Regulation of Tiscali S.p.A. Warrants 2009-2014"), whose exercise period would take effect from 1 December 2009 until the fifteenth of December two thousand and fourteen;            - to increase, to service the exercising of the above warrants, share capital up to a maximum of EUR 8,999,096.80 (eight million nine hundred and ninety-nine thousand and ninety-six point eighty); the increase will be implemented through the issuing, including on several occasions or tranches, of 89,990,968 (eighty-nine million nine hundred and ninety thousand nine hundred and sixty-eight) ordinary shares with no par value, with regular dividend entitlement, with identical characteristics to those in circulation, to be reserved exclusively to the exercising of said</p>	<p><b>Share capital and shares</b>            The share capital amounts to EUR 92,052,029.67 (ninety-two million fifty-two thousand and twenty-nine point sixty-seven).            Company shareholdings are represented by 1,861,535,343 (one billion eight hundred and sixty-one million five hundred and thirty-five thousand three hundred and forty-three) shares with no par value.            The fully paid-in shares are indivisible and freely transferable.            On 30 January 2015, the Extraordinary Shareholders' Meeting of the Company resolved to assign the Board of Directors, pursuant to Article 2443, second paragraph of the Italian Civil Code, with the right to carry out the divisible increase in share capital against payment, in one or more tranches, by 31 December 2017, with the exclusion of the option right in accordance with Article 2441, fifth paragraph of the Italian Civil Code, through the issuing of up to 1,000,000,000 ordinary shares with no par value to be allocated for subscription by Société Générale ("SG"). The Extraordinary Shareholders' Meeting also established that the subscription price of the Shares issued for each tranche, including premium, is equal to 95% of the daily weighted average price for traded volumes (Volume Weighted Average Price) of ordinary Company shares registered in the three open market days following the presentation of each Subscription Request by the Company (the "Pricing Period"). If the closing price of the ordinary Company shares recorded on the last day of the</p>

<p>warrants, for an issue price of EUR 0.8 (zero point eight), including premium of EUR 0.7 (zero point seven) for each new share issued. The fully paid-in shares are indivisible and freely transferable.</p> <p>Cash payments made by shareholders to the Company in the form of a loan can be carried out according to the legal limits:</p> <ul style="list-style-type: none"> <li>- in the form of capital contributions without right of repayment;</li> <li>- in the form of an interest-bearing or non-interest bearing loan with natural right of repayment;</li> </ul> <p>The share capital is established beforehand for the achievement of the corporate purpose and may also be increased through the contribution in kind and/or credits in conformity with the combined provisions of articles 2342, 2343 and 2476 of the Italian Civil Code.</p> <p>The Shareholders' Meeting may resolve the reduction of share capital, also through the assignment to individual shareholders or to groups of shareholders of given company assets or shares or quotas in other companies, in which the Company has a share.</p> <p>The Shareholders' Meeting may resolve an increase in share capital pursuant to and in accordance with the limits of Article 2441, fourth paragraph, second sentence of the Italian Civil Code, and assign the Board of Directors with the right to increase share capital in accordance with Article 2443 of the Italian Civil Code.</p>	<p><b>Pricing Period is lower than 97% of the Volume Weighted Average Price recorded in the same day, the Company and/or SG will have the right, exercisable up to a maximum of five times, to postpone the closing of the Pricing Period until the next open market day.</b></p> <p><b>Cash payments made by shareholders to the Company in the form of a loan can be carried out according to the legal limits:</b></p> <ul style="list-style-type: none"> <li><b>- in the form of capital contributions without right of repayment;</b></li> <li><b>- in the form of an interest-bearing or non-interest bearing loan with natural right of repayment.</b></li> </ul> <p><b>The share capital is established beforehand for the achievement of the corporate purpose and may also be increased through the contribution in kind and/or credits in compliance with the combined provisions of articles 2342, 2343 and 2476 of the Italian Civil Code.</b></p> <p><b>The Shareholders' Meeting may resolve the reduction of share capital, also through the assignment to individual shareholders or to groups of shareholders of given company assets or shares or quotas in other companies, in which the Company has a share. The Shareholders' Meeting may resolve an increase in share capital pursuant to and in accordance with the limits of Article 2441, fourth paragraph, second sentence of the Italian Civil Code, and assign the Board of Directors with the right to increase share capital in accordance with Article 2443 of the Italian Civil Code.</b></p>
--	--

The Board of Directors believes that the amendments to the Articles of Association pursuant to this point do not determine any right of termination for Tiscali shareholders.

## 11. Proposed resolution

In light of the above, the Board of Directors intends to submit the following proposed resolution for your attention.

### Proposal

The Extraordinary Shareholders' Meeting of Tiscali S.p.A., having examined the report drafted by the Board of Directors pursuant to Article 125-ter of Italian Legislative Decree no. 58 of 24 February 1998, as subsequently amended and Article 72 of the Regulation adopted by means of CONSOB resolution no. 11971 of 14 May 1999, as subsequently amended, as well as the proposal formulated therein;

### resolves:

- 1) to assign the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, the power to carry out a divisible increase in share capital against payment, on one or more occasions, excluding the option right pursuant to Article 2441, fifth paragraph of the Italian Civil Code, through the issuing of up to 1,000,000,000 ordinary shares with no par value, to be reserved for subscription by Société Générale;
- 2) to establish that the subscription price of each share issued for each tranche of the Share Capital Increase, including any share premium, is equal to 95% of the daily weighted average price for traded volumes (Volume Weighted Average Price) of ordinary Company shares registered in the three open market days following the presentation of each Subscription Request by the Company (the "Pricing Period"). If the closing price of the ordinary Company shares recorded on the last day of the Pricing Period is lower than 97% of the VWAP recorded in the same period, the Company and/or SG will have the right, exercisable up to a maximum of five times, to postpone the closing of the Pricing Period until the next open market day;
- 3) to amend Article 5 of the Articles of Association as follows:

*"The share capital amounts to EUR 92,052,029.67 (ninety-two million fifty-two thousand and twenty-nine comma sixty-seven). Company shareholdings are represented by 1,861,535,343 (one billion eight hundred and sixty-one million five hundred and thirty-five thousand three hundred and forty-three) shares with no par value. The fully paid-in shares are indivisible and freely transferable.*

*On 30 January 2015, the Extraordinary Shareholders' Meeting of the Company resolved to assign the Board of Directors, pursuant to Article 2443, second paragraph of the Italian Civil Code, with the right to carry out the divisible increase in share capital against payment, in one or more tranches, by 31 December 2017, with the exclusion of the option right in accordance with Article 2441, fifth paragraph of the Italian Civil Code, through the issuing of up to 1,000,000,000 ordinary shares with no par value to be allocated for subscription by Société Générale ("SG"). The Extraordinary Shareholders' Meeting also established that the subscription price of the Shares issued for each tranche, including premium, is equal to 95% of the daily weighted average price for traded volumes (Volume Weighted Average Price) of ordinary Company shares registered in the three open market days following the presentation of each Subscription Request by the Company (the "Pricing Period"). If the closing price of the ordinary Company shares recorded on the last day of the Pricing Period is lower than 97% of the Volume Weighted Average Price recorded in the same day, the Company and/or SG will have the right, exercisable up to a maximum of five times, to postpone the closing of the Pricing Period until the next open market day.*

*Cash payments made by shareholders to the Company in the form of a loan can be carried out according to the legal limits:*

- in the form of capital contributions without right of repayment;  
- in the form of an interest-bearing or non-interest bearing loan with natural right of repayment.  
The share capital is established beforehand for the achievement of the corporate purpose and may also be increased through the contribution in kind and/or credits in compliance with the combined provisions of articles 2342, 2343 and 2476 of the Italian Civil Code.

The Shareholders' Meeting may resolve the reduction of share capital, also through the assignment to individual shareholders or to groups of shareholders of given company assets or shares or quotas in other companies, in which the Company has a share. The Shareholders' Meeting may resolve an increase in share capital pursuant to and in accordance with the limits of Article 2441, fourth paragraph, second sentence of the Italian Civil Code, and assign the Board of Directors with the right to increase share capital in accordance with Article 2443 of the Italian Civil Code".

- 4) to confer the Board of Directors, and on its behalf the Chairman and the Chief Executive Officer, with the power to sub-delegate, all the widest powers to implement and execute the above resolutions for the successful performance of the transaction, including therein, merely by way of a non-exhaustive example, the power to:
- a. to draft and present all documents required for the purposes of executing the share capital increase and to fulfil the formalities needed to proceed with the offer for subscription and admission to trading on the MTA (screen-based share market) organised and managed by Borsa Italiana S.p.A. of the newly-issued shares, including therein the power to prepare and present to the competent authorities any necessary or appropriate request, application, document or prospectus;
  - b. apply any modification and/or addition to the resolutions adopted rendered necessary and/or appropriate, also as a result of a request from any competent authority or at the time of registration, and in general, to carry out all required activities for the full implementation of said resolutions, with all necessary and appropriate powers for this purpose, with no exclusions or exceptions, including the task of filing the updated Articles of Association with the amendment to share capital at the competent Register of Companies.

**On behalf of the Board of Directors of Tiscali S.p.A.  
The Chairman and Chief Executive Officer  
Renato Soru**



**Statement of the Executive in charge of drawing up the Company's accounting documents**

I, the undersigned Pasquale Lionetti, the Executive in charge of drawing up the company accounting documents of Tiscali S.p.A., hereby certify, pursuant to art. 154-bis, second paragraph of Italian Legislative Decree 58/98, as amended, that the accounting information contained in this Report of the Board of Directors drafted in accordance with Article 72 of the Issuers' Regulation corresponds to the documentary results, books and accounting records.

**Tiscali S.p.A.**

**Executive in charge of drawing up the Company's accounting documents**

A handwritten signature in blue ink, appearing to read 'P. Lionetti', is positioned to the left of the page.