

**REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS
PURSUANT TO ARTICLE 153 OF ITALIAN LEGISLATIVE DECREE NO. 58/98 AND ARTICLE 2429.3
OF THE ITALIAN CIVIL CODE.**

To the shareholders' meeting of Tiscali Spa,

During the financial year ended as at 31 December 2011, we performed the supervisory activities envisaged by law, in accordance with the standards of conduct for Boards of Statutory Auditors recommended by the Italian Accounting Profession.

Bearing in mind that the analytical check in this connection on the contents of the financial statements is not entrusted to this Board, we report that we have overseen the general layout assigned to said statements as well as the compliance with the law with regard to the form and structure thereof.

Also in observance of the indications provided by CONSOB as per its communication dated 6 April 2001, subsequently integrated by the communications No. DEM/3021582 dated 4 April 2003 and No. DEM/6031329 dated 7 April 2006, we hereby reveal the following:

- a) we have overseen the observance of the law and the Articles of Association;
- b) we obtained the due information on the activities carried out and on the transactions of greatest economic, financial and equity importance entered into by the company also via its subsidiaries, from the Directors as per the frequency envisaged by Article 14 of the Articles of Association, and we can reasonably ensure that the action resolved and adopted complies with the law and the Articles of Association and that therefore it is not manifestly imprudent, in potential conflict of interest or in contrast with the resolutions adopted by the shareholders' meeting or such that it compromises the integrity of the company's equity;
- c) we have gained awareness of and overseen, as far as it is our responsibility, the adequacy of the company's organisational structure and the suitability of the provisions imparted by the Company to the subsidiaries as per Article 114.2 of Italian Legislative Decree No. 58/98, by means of gathering information from the various division heads and meetings with the independent auditing firm for the purpose of a reciprocal exchange of significant data and information, and in this connection we have no particular observations to make;
- d) this Board has obtained periodic information from the Board of Statutory Auditors of the subsidiary Tiscali Italy SpA with regard to the management and audit systems and the general performance of the subsidiary company. No significant data or information emerged in this connection, as would have to be highlighted in this report;

- e) we have assessed and overseen the adequacy of the internal audit system and the administrative-accounting system as well as the reliability of the latter to correctly represent the operating events, by means of obtaining information from the heads of the respective divisions, the examination of the corporate documents and the analysis of the work carried out by the independent auditing firm, overseeing the activities of the head of internal auditing, and in this connection we have not particular observations to make;
- f) we have taken note and obtained information on the organisational and procedural activities entered into as per Italian Legislative Decree No. 231/2011 and subsequent amendments and additions on the administrative liability of Entities for the offences envisaged by said legislation. These activities are illustrated in the Report on corporate governance and ownership structure. The Supervisory Body - whose composition has once again been established in joint form by means of resolution adopted by the Board of Directors on 5 August 2011, and approved by the Board of Statutory Auditors - reported on the activities carried out during 2011 without indicating events or situations which must be highlighted in this report;
- g) In the report on operations and the explanatory notes to the statutory and consolidated financial statements - as per the Regulations for carrying out related party transactions, which came into force on 1 January 2011 - the Board of Directors provided in-depth illustration of the transactions entered into with subsidiaries and related parties, clarifying the economic effects. Transactions with related parties have been analytically indicated in the report on operations where the balance sheet and income statement balances are summarised; therefore, reference should be made to the specific section in the consolidated financial statements "*Transactions with related parties*". We have not become aware of the existence of any atypical or unusual transactions with third parties, Group companies or related parties;
- h) no charges/complaints pursuant to Article 2408 of the Italian Civil Code were received during the year;
- i) we held meetings with the representatives of the independent auditing firm, as per Article 150.2 of Italian Legislative Decree No. 58/98 and Article 19.1 of Italian Legislative Decree No. 39/10, during the course of which no significant data or information emerged which must be indicated in this Report;
- j) on 20 April 2012, the independent auditing firm Reconta Ernst & Young SpA issued its reports on the statutory financial statements and the consolidated financial statements at 31 December 2011, drawn up in compliance with the International Financial Reporting Standards (IFRS) adopted by the European Union. These reports express a positive opinion

and include references to information on the subject of the business as a going concern and on certain potentially significant disputes outstanding, in relation to which we refer you to said reports;

- k) the independent auditing firm issued the Report pursuant to Article 19.3 of Italian Legislative Decree No. 39/10 on 20 April 2012;
- l) in pursuance of Article 149.1, letter c) *bis* of Italian Legislative Decree No. 58/98, we formally acknowledge that the Directors in their report on Corporate governance state that the Tiscali Group complies and conforms with the Code of Conduct for Italian listed companies, published in March 2006. Compliance with the legislation envisaged by the afore-mentioned Code has been effectively ascertained by this Board and has been covered, with regard to its various aspects, in the report on Corporate governance which the Board of Directors makes available to yourselves, to which we make reference for more suitable and complete disclosure in this connection;
- m) during 2011, Reconta Ernst & Young SpA carried out professional services relating to the legal audit of the statutory and consolidated financial statements. Services other than the legal audit have not been provided, and nor have services been provided by other parties belonging to the network of said auditing firm. The total of the fees due for 2011 has been summarised below:

	EUR /000
Audit services:	
Parent Company - Tiscali Spa	258
Subsidiary companies	185
Total	443

Having taken into account: (i) the declaration of independence issued by Reconta Ernst & Young SpA as per Article 17.9 of Italian Legislative Decree No. 39/10, (ii) the transparency report produced by the same as per Article 18.1 of Italian Legislative Decree No. 39/10 as published on the website and (iii) the appointments granted to the same by Tiscali and by the other Group companies, the Board of Statutory Auditors does not believe that critical aspects exist with regard to the independence of Reconta Ernst & Young SpA;

- n) the independent auditing firm Reconta Ernst & Young SpA did not issue any opinion required by law, with the exception of its report on the half-year period as at 30 June 2011;

- o) the supervisory activities described above have been carried out during ten meetings of this Board, four meetings of the Internal Audit Committee and attending all the four Board of Directors meetings, as per Article 149.2 of Italian Legislative Decree No. 58/98;
- p) during the supervisory activities carried out and on the basis of the information obtained from the independent auditing firm, no omissions and/or reprehensible action and/or irregularities have been revealed or in any event significant events which would require reporting to the audit bodies or mentioning in this Report;

In as far as it falls within our responsibilities, we express a favourable opinion for the approval of the financial statements as at 31 December 2011 together with the Report on operations and the resolution proposals drawn up by the Board of Directors.

Cagliari, Italy, 23 April 2012

THE BOARD OF STATUTORY AUDITORS

PAOLO TAMPONI



PIERO MACCIONI



ANDREA ZINI

