



TISCALI S.p.A.

Registered office: Cagliari, Località Sa Illetta, s.s. 195 km. 2,3

Paid-in share capital EUR 91,200,922.89

Tax Code, VAT no. and

Cagliari Register of Companies no. 02375280928

***BOARD OF DIRECTORS' EXPLANATORY REPORT ON THE AGENDA ITEMS FOR
THE ORDINARY SHAREHOLDERS' MEETING OF MAY 30 2017, PURSUANT TO
ARTICLE 3 OF MINISTERIAL DECREE 437/1998***

Cagliari, April 28 2017

Dear Shareholders,

This document was prepared by the Board of Directors of Tiscali S.p.A. (“Tiscali” or the “Company”), in compliance with applicable legislation, in reference to the Ordinary Shareholders’ Meeting of Tiscali, convened on a single call for May 30 2017, at the registered office, to discuss and resolve upon the following:

Agenda

Ordinary session

1. Integration of the Board of Directors. Related and consequent resolutions.
2. Approval of the financial statements as at 31 December 2016. Related and consequent approvals.
3. Examination of the first section of the Remuneration Report. Related and consequent approvals.
4. Appointment of the Audit Firm for the years 2017 - 2025. Related resolutions.

Pursuant to and for the purposes of Article 3 of Italian Ministerial Decree No. 437/1998 and Article 125 – ter of Italian Legislative Decree 58/1998, we hereby submit for your attention this report with reference to all point of the agenda.

* * *

1. Integration of the Board of Directors. Related and consequent resolutions

Dear Shareholders,

Following the resignation of Board Member Nikolay Katorzhnov e Konstantin Yanakov, the Board of Directors, during the meeting held on February 24 2017, co-opted Dmitry Gavrilin e Sergey Sukhanov pursuant to Article 2386 of the Italian Civil Code. According to this regulatory provision, two members of the Board of Directors will need to be appointed during next shareholders the meeting.

It should be specified that in the event of the election of two members of the Board of Directors, the voting list appointment mechanism is not applicable, article 11 (Board of Directors) of the Articles of Association, specifying its use only in the event of integral

renewal of the Board.

Having specified the above, we invite you to vote to appoint a director and resolve on the relevant fee and duration in office; in this respect, the Board of Directors proposes confirming Dmitry Gavrilin e Sergey Sukhanov for this office, already co-opted in the board meeting of February 24 2017. The Board proposes that Dmitry Gavrilin e Sergey Sukhanov remain in office, as the rest of the Board, until the approval of the 2017 financial statements and receives a gross annual fee of EUR 50 thousand, without any variable remuneration or attendance fee, as is the case for the other non-executive directors.

Attached to this report are a copy of the curricula vitae and the relevant declaration for the acceptance of the candidature and to state the non existence of causes of ineligibility or incompatibility as well as the existence of the honourable and professional qualifications required under the Articles of Association. We thus propose you to adopt a resolution in line with this proposal:

“The Ordinary Shareholder’s Meeting of Tiscali S.p.A., having regard to the Directors’ report and having heard the explanation of the Chairman,

r e s o l v e s

- 1. to appoint Dmitry Gavrilin e Sergey Sukhanov as Directors of the Company and for her to remain in office for the same duration as the other members of the board and thus until the date of the Meeting called to approve the financial statements as at 31 December 2017;*
- 2. to set Dmitry Gavrilin e Sergey Sukhanov gross annual fee at EUR 50,000.00 (fifty thousand);*
- 3. to confer upon the Chairman and the interim Managing Director the broadest powers to, also through attorneys and to the extent allowed by law, carry out this resolution and to make such necessary and appropriate additions, changes or deletions that may be requested by competent authorities for registration in the companies’ register.”*

2. Approval of the Financial Statements as at 31 December 2016. Related and consequent resolutions

Dear Shareholders,

A copy of the Financial Statements draft of Tiscali S.p.A. (the “**Company**”) as at 31 December 2016, approved by the Board of Directors at the meeting of 28 April 2017 with attached the reports from the Directors, the Statutory Auditors and the Auditing Firm, shall be filed, in compliance with the applicable laws, with the registered office and Consob, and shall be made available on the Company’s website, www.tiscali.com - section *Governance/Shareholders’ Meetings* within legal terms. For explanations regarding the Financial Statements, please see the Directors’ Report on Operations.

The final data contained in the Financial Statements as at 31 December 2016, shows a loss for the period of EUR 349.000. We are hereby proposing to approve the Financial Statements, as a whole and with regard to the individual items, and to carry forward accumulated losses at 31 December 2016 of Euro 349.452,26. To this end, we are proposing to issue a resolution in line with the following proposal:

“The Ordinary Shareholders’ Meeting of Tiscali S.p.A., after reviewing the Financial Statements as at 31 December 2016, along with the required reports, and after hearing the Chairman’s presentation,

resolves

- 1. to approve the Financial Statements related to the 2016 period, as a whole and with regard to the individual items, as prepared by the Board of Directors, and which provides comprehensive information on its operations;*
- 2. to carry forward accumulated losses at 31 December 2016 of Euro 349.452,26;*
- 3. to confer the broadest powers to the Chairman and to the CEO pro-tempore, provided that, also through powers of attorney, this resolution is implemented and if appropriate or necessary, formal additions, changes and cancellations are made upon request from the competent authorities.”*

3. Review of the first section of the Report on Remuneration. Related and consequent resolutions.

Dear Shareholders,

Pursuant to article 123-ter of Legislative Decree 58/1998, the Shareholders' Meeting, called annually for the Financial Statements approval, is asked to vote with regard to the policy adopted by the Company for the remuneration of the members of the administrative bodies, of the general managers, and of the executives with strategic responsibilities, as well as to the procedures used for the adoption and the implementation of these policies. We would like to highlight that, pursuant to paragraph 6 of article 123-ter of Legislative Decree 58/1998, the Shareholders' Meeting is called upon to express a favourable or unfavourable opinion about the first Section of the Report on Remuneration, which contains the Remuneration Policy of the Company, without such resolution being binding.

We are therefore submitting for your approval the first section of the Report on Remuneration with the Policy adopted by the Company as regards the remuneration of Directors and executives with strategic responsibilities, drafted in compliance with Attachment 3A 7-bis and 7-ter of the CONSOB Regulation of 14 May 1999, no. 11971, that has been made available to the public according to the law and that can be consulted on the website www.tiscali.com, together with the second section of the same report which is not being submitted for approval to the Shareholders' Meeting. To this end, we are proposing to issue a resolution in line with the following proposal:

“The Ordinary Shareholders' Meeting of Tiscali S.p.A., after reviewing Section 1 of the Report on Remuneration,

resolves

- 1. to issue a favorable opinion regarding Section 1 of the 2016 Report on Remunerations, as drafted by the Board of Directors,*
- 2. to confer the broadest powers to the Chairman and to the CEO pro-tempore in order to implement this resolution also through powers of attorney.”*

4. Appointment of the Audit Firm for the years 2017 - 2025. Related resolutions.

Dear Shareholders,

with the issue of the auditors' report on the financial statements for the year ended at 31 December 2016, the nine-year appointment of the company EY S.p.A. made by the Shareholders' Meeting of April 29 2008 comes to an end.

The aforementioned assignment is not renewable since with the approval of annual report 2016 the novenary period provided by art. 17 of the D. Lgs.vo 27 January 2010, no. 39 (the "Decree"). Art. 13 of the Decree provides that the Shareholders' Meeting shall confer on the statutory audit of the accounts and determine the remuneration for the auditors for the entire duration of the assignment as well as any criteria for its adjustment during its On the reasoned proposal of the control body.

The Board of Statutory Auditors therefore carried out its activities, with the assistance of corporate structures, in compliance with the rule of law: when formulating its proposal to the shareholders, it assessed the technical suitability of the auditor, its independence and the completeness of the plan Review and organization of the audit firm in relation to the breadth and complexity of the assignment to be carried out. To this end, the main auditing companies, Deloitte & Touche S.p.A., PricewaterhouseCoopers S.p.A., BDO and KPMG S.p.A., have been invited to formulate their bids for the statutory auditor of the company's accounts for the period 2017-2025.

Pursuant to the new applicable law, the procedure for awarding the statutory audit was as follows: (i) the conduct of a selection procedure in accordance with the provisions of art. 16, paragraph 3, of the Rules; And (ii) following the selection procedure, the Board of Statutory Auditors, pursuant to art. 16 paragraph 2 of the Rules of Procedure has therefore provided a reasoned recommendation, the text of which is attached as an

Annex to this Report (the "Recommendation") for the assignment of the audit function, containing two possible reference alternatives and a duly justified preference for one of the two.

The Board of Directors analyzed the Recommendation provided by the Board of Statutory Auditors and the documentation relating to the selection process. On the basis of its analysis, the Board of Directors, in sharing the selection and valuation criteria used by the Board of Statutory Auditors, has decided to adhere to and fully comply with the Recommendation, including the preference expressed by the Board of Statutory Auditors .

Consequently, the Board of Directors intends to propose to the Shareholders' Meeting to confer the auditing assignment for the years 2017-2025 to the company Deloitte & Touche S.p.A. or, subordinately, to PricewaterhouseCoopers SpA, expressing a preference for the company Deloitte & Touche SpA, being the company having the highest score as a result of the bid evaluation procedure and, therefore, considered it more suitable to fulfilling the assignment and in line with the identified needs of the Company.

In view of the above, we request that you pass a resolution to the following effect:

“The Ordinary Shareholders’ Meeting of Tiscali S.p.A., having considered the Directors’ Report, the proposal made by the Board of Statutory Auditors in accordance with article 159, paragraph 1, Legislative Decree 58/1998, has considered the offer for professional services presented by the auditing firm Deloitte & Touche S.p.a., and having heard the account of the Chairman,

resolves

- 1. to appoint the independent auditing firm Deloitte & Touche S.p.a. for the financial years from 2017 to 2025, subject to early termination, in the terms and conditions of the offer formulated by the said auditing firm and reported in the reasoned proposal of the Board of Statutory Auditors;*
- 2. to delegate to the Chief Executive Officer all the widest powers, in compliance*

with the legal provisions, for the full execution of the said resolution, with all and any power for this purpose necessary and appropriate, none excluded and excluded, including that of The resolutions that have taken place, any non-substantive modifications that were deemed necessary and / or appropriate for inclusion in the Register of Companies”.

In the event that the outcome of the vote on the above proposal is not approved, the Board of Directors then submits to the approval of the Shareholders' Meeting the following proposal:

“The Ordinary Shareholders’ Meeting of Tiscali S.p.A., having considered the Directors’ Report, the proposal made by the Board of Statutory Auditors in accordance with article 159, paragraph 1, Legislative Decree 58/1998, has considered the offer for professional services presented by the auditing firm PricewaterhouseCoopers S.p.A., and having heard the account of the Chairman,

resolves

- 1. to appoint the independent auditing firm PricewaterhouseCoopers S.p.A. for the financial years from 2017 to 2025, subject to early termination, in the terms and conditions of the offer formulated by the said auditing firm and reported in the reasoned proposal of the Board of Statutory Auditors;*
- 2. to delegate to the Chief Executive Officer all the widest powers, in compliance with the legal provisions, for the full execution of the said resolution, with all and any power for this purpose necessary and appropriate, none excluded and excluded, including that of The resolutions that have taken place, any non-substantive modifications that were deemed necessary and / or appropriate for inclusion in the Register of Companies”.*

* * *

Dear Shareholders,

we invite you to express a favorable opinion on the above described proposals.

Cagliari, April 30 2017

Tiscali S.p.A.

On behalf of the Board of Directors

The Chairman, Alexander Okun