



**ORDINARY SHAREHOLDERS' MEETING
of Tiscali S.p.A. – 28 and 29 April 2008**

***EXPLANATORY REPORT BY THE BOARD OF DIRECTORS ON THE AGENDA
PROPOSALS FOR THE ORDINARY SHAREHOLDERS' MEETING OF 28 and 29
APRIL 2008, PREPARED IN ACCORDANCE WITH ARTICLE 3 OF D.M. 437/1998***

Cagliari, 14 April 2008

To the Shareholders,

This report was prepared by the Board of Directors in compliance with prevailing laws, for the ordinary Shareholders' Meeting of Tiscali S.p.A., with first call set for 28 April 2008 and second call for 29 April 2008, to resolve on the following agenda:

1. Approval of the financial statements for the year ending at 31 December 2007. Related and resulting resolutions.
2. Appointment of the Directors subject to determination of the number of members of the Board of Directors. Determination of the term of office and remuneration. Related and resulting resolutions.
3. Appointment of the auditors for the financial years 2008 – 2016. Related and resulting resolutions.

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1. **Approval of the financial statements for the year ending at 31 December 2007. Related and resulting resolutions.**

To the Shareholders,

copies of the draft financial statements of Tiscali S.p.A. (the "Company") for the year ending at 31 December 2007, attached to the Directors' Report, the Statutory Auditors' Report, and the independent auditing firm's report have been filed at the registered offices and Borsa Italiana S.p.A in accordance with prevailing laws. Please refer to the report on operations for the explanations regarding these draft financial statements.

You are therefore invited to approve the financial statements for the year ending at 31 December 2007 which closes with a loss of 75,324,000 euros. We propose covering this loss with a corresponding amount from the share premium reserve which amounted to 902,492,000 euros at 31 December 2007.

We therefore request that you pass a resolution to the following effect:

"Having examined the draft financial statements for the year ending at 31 December

2007, with the attached reports as required by law, and having heard the Chairman's account, the Ordinary Shareholders' Meeting of Tiscali S.p.A.,

resolves

1. *to approve the 2007 financial statements in their entirety and for each single item, as prepared by the Board of Directors, which is granted broad discharge in respect of the relevant management;*
2. *to cover the loss of 75,324,000 euros posted in 2007 with a corresponding amount from a portion of the share premium reserve;*
3. *to confer the most wide-ranging powers to the Chairman and temporary Chief Executive Officer in order to allow them execute this resolution in compliance with the law, including through the employment of agents, on a separate basis, and to make any formal changes or deletions that may be requested by the authorities for registration with the Companies' Register where advisable or necessary."*

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2. **Appointment of the Directors subject to determination of the number of members of the Board of Directors. Determination of the term of office and remuneration. Related and resulting resolutions.**

To the Shareholders,

the term of office of the current Company Directors will expire on the date of the Meeting called to approve the financial statements for the year ending at 31 December 2007.

Therefore the new members of the Board of Directors must be appointed, subject to determination of the number of members. In fact, in accordance with article 10 ("Company administration") of the Articles of Association, the Board of Directors may comprise between 3 (three) and 11 (eleven) members, as decided by the Shareholders' Meeting when making the appointments.

In addition, the duration of office must be established which may not exceed 3 (three)

years. Remuneration must also be decided.

Regarding the election of the new Directors, note that in accordance with the Articles of Association, the current Directors can be re-elected and we note that article 11 (“Board of Directors”) of the Articles of Association provides that:

“The Directors will be appointed by the Meeting in accordance with the lists presented by the Shareholders in which the candidates must be listed in progressive order.

Each shareholder may not present or agree to the presentation of more than one list, including through a third party or through a trust company. Each candidate may be listed on one list only, breach of which may lead to ineligibility.

Only those shareholders, who alone or in groups with other shareholders, represent the percentage of shares with voting rights in the ordinary Shareholders’ Meeting provided under prevailing laws, have the right to present the lists. This percentage will be noted in the notice of the Meeting.

The lists presented by the shareholders must be filed at the registered office of the Company, as will be noted in the notice of calling, at least fifteen days prior to the date set for the first call of the meeting.

The information requested by prevailing laws must be presented along with each list in addition to the identity of the shareholders who presented it, and the percentage holding held in total. Complete information on the personal and professional characteristics of the candidates must be noted at the base of the lists presented by the shareholders or must be attached. The individual candidates must also file a declaration where they accept the candidature along with each list, where they confirm, under their own responsibility, that there are no reasons to prevent their eligibility or that they are not incompatible for the role, and that they satisfy all reputation and professional requirements as provided for the office under prevailing laws and the Articles of Association, and any necessary requirements established by prevailing laws. Each list must indicate at least one candidate who complies with the necessary requirements of independence established by prevailing laws where the Board of Directors comprises a number of members that equals or is less than seven, and at least two candidates satisfying independence requirements in the other cases.

Any list presented that does not comply with the above requirements will be considered as not having been presented.

Each shareholder may not vote for more than one list, including through a third party or through a trust company.

The election of Directors will proceed as follows:

a) five sevenths of the Directors to elect will be taken from the list that obtains the majority of votes expressed by the shareholders in the order in which the candidates appear on the list, to be elected by rounding off to the higher unit in the event of a result with a fraction less than a unit;

(b) the remaining Directors will be taken from the other lists. For this purpose the votes obtained by the lists will be progressively divided by one, two, three, four, five, etc, according to the number of Directors to be elected. The quotients thus obtained will then be assigned on a progressive basis to the candidates on each list, in accordance with their respective order. The quotients assigned to the candidates on the various lists will be compiled onto a single list in descending order.

Those with the highest quotients will be elected.

If more than one candidate obtains the same quotient, the candidate from the list that still has not elected any Director, or which has elected the lowest number of Directors, will be elected.

In the event that no list has yet elected a Director, or all have elected the same number of Directors, the candidate who obtained the greatest number of votes will be elected.

If there is the same number of votes for a list, with quotients being equal, a new vote will be held by the entire Meeting, and the candidate who obtains the simple majority of votes will be elected.

If there is more than one list presented, none of the candidates indicated on the list that obtained the second highest number of votes and that are not connected in any way, including indirectly, with the Shareholders who presented or voted for that list will be elected in accordance with the provisions above, however the candidate who is first in order of presentation of the minority list will be elected to replace the last candidate in order of presentation elected in the list that obtained the number of votes immediately higher than that achieved by the minority list.

If the Board of Directors comprises up to seven members, and in accordance with the appointment procedure above, no members with the independence requirements established by prevailing law has been elected, the last person elected taken from the list that obtained the majority of votes must be replaced by the first candidate listed in the list that possesses the independence requirements.

On the other hand, if the Board of Directors comprises more than seven members, and in accordance with the above mentioned appointment procedure, at least two members possessing the independence requirements established by prevailing law have not been elected, the last person elected who does not possess those requirements taken

from the list that obtained the second highest number of votes and that is not connected in any way, including indirectly, with the shareholders that presented or voted for that list must be replaced with the first candidate listed on the list that possesses the independence requirements, and if following this replacement, a member possessing the independence requirements pursuant to prevailing law still has to be elected, the last person elected that does not possess these requirements taken from the list that obtained the highest number of votes must be replaced with the first candidate subsequently listed in the list that has said requirements;

c) the appointment mechanism through list voting as noted above will be applied in the event the entire Board of Directors has to be replaced. For the appointment of Directors who are not appointed in accordance with the above mentioned procedure for any reason, the Meeting will decide with the majority as required by law.”

In accordance with article 147-ter of Legislative Decree 58/1998, article 144-quater of the Regulation adopted by Consob with resolution 11971/1999 and article 11 (“Board of Directors”) of the Articles of Association, in accordance with the stock capitalisation of 1,015,077 million euros of the company on 28 March 2008, the date of the Shareholders’ Meeting, only those Shareholders who individually or in groups with other Shareholders represent at least 2% (two per cent) of the shares with voting rights in ordinary Shareholders’ Meetings will have the right to present the lists.

Finally, we note that in accordance with article 2390 of the Civil Code, *“the Directors cannot become Shareholders with unlimited responsibilities in competing companies, or carry out a competing business on behalf of themselves or third parties, or act as directors or general managers in competing companies, without authorisation from the meeting.”* Therefore the Board of Directors will submit any relevant possibilities which may exist in relation to the candidates for the examination and authorisation of the Meeting.

In order to provide the fullest possible information, we note that currently the administrative body of the company is represented by a Board of Directors which originally comprised 8 (eight) Directors, reduced to 6 (six) from last 28 February following resignations, and that their duration of office, apart from those appointed following the co-option or subsequently elected, was 3 (three) financial years starting from 5 May 2005.

As regards remuneration to Directors who currently receive 25,000,00 euros (twenty-five thousand) per Director as their gross annual sum, the Board of Directors intends to request the Shareholders to consider the situation whereby the newly appointed Board of Directors will be paid both their ordinary remuneration in addition to a fee that can vary in accordance with the value generated for the Shareholders during the term of office of the Board.

Considering the above, we ask you to present your candidates for the office of Director, in compliance with the above mentioned Articles of Association, and on the basis of the candidates proposed, to vote for the election of the Directors, to determine their remuneration and the duration of office, subject to determination of the number of members of the Board of Directors.

We therefore request that you pass a resolution to the following effect:

“Having examined the Directors’ Report, and having heard the Chairman’s account, the ordinary Shareholders’ Meeting of Tiscali S.p.A.,

resolves

1. *to establish the number of members of the Board of Directors as [°°° (°°°)] and to appoint [°°°] Directors to the company who will remain in office for [°°° (°°°)] financial years, and therefore up to the date of the meeting called to approve the financial statements regarding the last financial year of office;*
2. *to establish the gross annual remuneration per Director as [°°° (°°°)] euros;*
3. *to confer the most wide-ranging powers to the Chairman and temporary Chief Executive Officer in order to allow them execute this resolution in compliance with the law, including through the employment of agents, on a separate basis, and to make any formal changes or deletions that may be requested by the authorities for registration with the Companies’ Register where advisable or necessary.”*

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3. **Appointment of the auditors for the financial years 2008 – 2016. Related and resulting resolutions.**

To the Shareholders,

with the issue of the auditors' report on the financial statements for the year ended at 31 December 2007, the third three-year appointment of the company Deloitte & Touche S.p.A. made by the Shareholders' Meeting of 5 May 2005 comes to an end.

Law 262/2005, as amended by Legislative Decree 303/2006 updated the provisions of Legislative Decree 58/1998 with reference to the auditing of listed companies and their groups.

The new text of article 159 of Legislative Decree 58/1998 now provides that the appointment of the auditors of the financial statements and the consolidated financial statements will be decided on by the meeting, which will also approve the fee to be given in accordance with a proposal made by the control body. In addition, as an amendment to article 159, paragraph 4, of Legislative Decree 58/1998, said Law 262/2005 established that the total duration of the independent auditing firm appointment should be nine financial years, and prohibited its renewal unless three years have passed from the previous appointment.

In application of the new regulations as noted above, the Board of Statutory Auditors of the Company must therefore issue the Shareholders' Meeting with a proposal regarding appointment of the auditors for the financial statements and the consolidated financial statements.

To that end, upon request by the Company, the Board of Statutory Auditors received three offers from the following leading independent auditing firms:

- Ernst & Young S.p.A.;
- KPMG S.p.A.;
- Pricewaterhouse Coopers S.p.A.

Along with the Internal Audit Committee, the Statutory Board of Auditors examined the offers sent. The cost and commitment elements of the professional service offers received, separated out by type of activity, for each of the financial years 2008 - 2016,

can be summarised as follows:

Company	Financial Statements	Consolidated Financial Statements	Half-yearly Report	Annual accounting position	Half-yearly accounting position	Total
E&Y	(1)	(1)	(1)	-	-	780,000
KPMG	235,375	142,500	75,000	211,200	183,875	847,950
PWC	404,000	372,000	119,000	-	-	895,000

(1) The offer of Ernst & Young S.p.A. is made by legal entity rather than by activity.

The offer by Ernst & Young S.p.A. indicates the timescales and fees to audit the financial statements, including those for the activities pursuant to article 155, paragraph 1, letter a) of Legislative Decree 58/1998 regarding the checks carried out during the financial year to ensure the company accounts are being properly kept, and that the operations are recognised correctly in the accounting records. The fees shown do not include out-of-pocket expenses and secretarial costs (that will be charged at cost, in accordance with the manner shown in the offer), or VAT, or the supervisory fees due to Consob. The offer provides for the annual adjustment of the fees (first adjustment on 1 July 2009), in accordance with the total variation of the ISTAT cost of living index for the previous year. The calculation of the number of hours and the fees for the auditing firm offer do not include any additional activities that may be necessary if unexpected significant or complex transactions should occur. The fees may be therefore subject to adjustment on a flat fee basis, if, during the appointment, exceptional or unexpected events should occur which could change the expected work to carry out in terms of resources or timescales.

The Board of Statutory Auditors noted that the difference between the least costly offer and the most costly offer is about 15%, and in this case it therefore decided that the financial aspect had to be considered since the difference between the various offers over the space of nine years would be significant. In addition, these independent auditing firms are all leaders in the field, and appear to have the necessary organisation and experience to be able to carry out this task. None of them appear to be involved in non-auditing activities to the extent that they could compromise their independence due to the nature and/or extent of such activities.

The Board of Statutory Auditors also noted that:

- the offer by Ernst & Young S.p.A. includes the audit of the financial statements and the consolidated financial statements for the years 2008 to 2016 in order to provide an opinion in accordance with article 156 of Legislative Decree 58/1998, and that said plan satisfies the requirements in terms of adequacy and completeness for a company of the size and requirements of the Company and the Tiscali Group;
- the offer contains the illustration of the level of commitment planned for auditing purposes limited to the consolidated half-yearly report for the years from 2008 to 2016 (to 30 June) and that the commitment is adequate;
- the offer contains the illustration of the procedures used to carry out the checks provided under article 156, paragraph 1, letters a) and b) of Legislative Decree 58/1998 and that these procedures are adequate;
- the independent auditing firm fulfils the independence requirements necessary by law, and there is no incompatibility as things stand;
- this independent auditing firm has the organisation and technical competence necessary to the carry out the task adequately;
- the fees requested seem to be reasonable and in line with market prices.

Therefore, as decided in the meeting of 19 March 2008, the Board of Statutory Auditors propose that the Ordinary Shareholders' Meeting in accordance with article 159 of Legislative Decree 58/1998, appoint the auditing firm Ernst & Young S.p.A. (registered with the special Auditing Company Register held by Consob), to carry out the auditing of the financial statements of Tiscali S.p.A. and the consolidated financial statements of the Tiscali Group for the years 2008 - 2016, and the auditing limited to the consolidated half-yearly report of Tiscali S.p.A. for the above-mentioned years, approving the fees due to this auditing firm for each of the aforesaid financial years as noted above, as result from the offer of 19 March 2008, also providing that such fees will be subject to annual adjustment (first adjustment on 1 July 2009), in accordance with the total variation of the ISTAT cost of living index for the previous year. The fees as noted above may be adjusted on a flat fee basis if, during the appointment, exceptional or unexpected events should occur such as to change the expected work to be carried out in terms of resources or timescales.

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, and the favourable opinion of the Internal Control Committee, has considered the offer for professional services presented by the auditing firm Ernst & Young S.p.A., and having heard the account of the Chairman,

resolves

1. *to appoint the independent auditing firm Ernst & Young S.p.A. for the financial years from 2008 to 2016 in accordance with article 159 Legislative Decree 58/1998, to carry out:*
 - *the audit of the financial statements and the consolidated financial statements in order to provide an opinion in accordance with Legislative Decree 58/1998;*
 - *auditing limited to the consolidated half-yearly report (at 30 June);*
 - *carry out checks during the year to ensure that the company accounts are being properly kept and that the operations are recognised in the accounting reports in accordance with paragraph 1, letter a) of Legislative Decree 58/1998;*
2. *to determine the fee for each financial year due to Ernst & Young S.p.A. in accordance with article 159 of the above mentioned Legislative Decree, in the terms described in the proposal;*
3. *to confer the most wide-ranging powers to the Chairman and temporary Chief Executive Officer in order to allow them execute this resolution in compliance with the law, including through the employment of agents, on a separate basis, and to make any formal changes or deletions that may be requested by the authorities for registration with the Companies’ Register where advisable or necessary”.*

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To the Shareholders,

We invite you to approve the above mentioned proposals.

Cagliari, 14 April 2008

Vittorio Serafino

On behalf of the Board of Directors
of Tiscali S.p.A.
The Chairman, Vittorio Serafino