

TISCALI S.P.A. REMUNERATION REPORT

13 JUNE 2014

INTRODUCTION

This remuneration report (“Report”) has been drawn up by Tiscali S.p.A. (the “Company”) pursuant to applicable legislation and Article 6 of the Code of Conduct (hereinafter the “Code”). The Report was approved by the Board of Directors on 13 June 2014, having consulted the Remuneration Committee, and was submitted for the examination and vote of the shareholders’ meeting during the session approving the financial statements as of 31 December 2013 as per Article 123 *ter*, section 6 of Italian Legislative Decree No. 58 dated 24 February 1998 (hereinafter the “TUF”). The Report is divided into two parts: the former describes the essential lines of the Company’s remuneration policy, also applied to the other Tiscali Group companies. The latter illustrates the remuneration of the members of the Board of Directors and the Board of Statutory Auditors of the Company, the General Manager and the other Executives with Strategic Responsibilities (hereinafter also “Executives”) Given the primary holding function of the Company, also the Managing Director and the Executive of the Group’s operating companies are considered, Tiscali Italia S.p.A. and Vevisible Srl, wholly-owned, respectively, directly and indirectly, by the Company. With regard to the Executives, the fees are provided in aggregate form as per current legislation. With respect to the 2013 Report, mention is made of the differences indicated in paragraph 3 below of the first section where the policy of the Company is more fully described with regard to the agreements which *ex ante* discipline the economic aspects of the relationships with certain parties in the event of their fall from office or business relationship, to the non-compete agreements, as well as to the matters as per the following points 1.2 and 3 of the second section.

SECTION I. The Company’s remuneration policy.

1. Introduction.

This remuneration policy was adopted by the Board of Directors on 13 June 2014, upon the proposal of the Remuneration Committee, together with the approval of the Report. In accordance with the recommendations of the Code, the Remuneration Policy defines the ends pursued and the principles which underlie the determination of the emoluments of the management bodies, the general manager and the Executives.

2. Drafting and approval of the remuneration policy.

The main parties and bodies involved in drafting and approving the Remuneration Policy are the Shareholders' meeting, the Board of Directors, the Appointments and Remuneration Committee and the Board of Statutory Auditors.

2.1 Board of Directors.

The Board of Directors:

- internally establishes an Appointments and Remuneration Committee;
- establishes, upon the proposal of the Appointments and Remuneration Committee and subject to consulting the Board of Statutory Auditors, the remuneration of the directors vested with particular offices;
- defines the Remuneration Policy, upon the proposal of the Appointments and Remuneration Committee;
- approves the Remuneration Report submitting it to the shareholders' meeting;
- as per Article 114 bis of the TUF, drafts any remuneration plans based on shares or other financial instruments, submits them for the approval of the shareholders' meeting and sees to the implementation of the same.

2.2 Appointments and Remuneration Committee

The Company's Appointments and Remuneration Committee is established within the Board of Directors and is mainly made up of non-executive and independent directors. Currently, it is made up of: Franco Grimaldi (Chairman of the Committee and Independent Director), Assunta Brizio (Member of the Committee and Independent Director) and Gabriele Racugno (Member of the Committee and non-executive Director). The Appointments and Remuneration Committee carries out the following tasks:

- makes proposals to the Board of Directors for the remuneration of the Chief Executive Officer and the other Directors who cover specific offices;
- makes general recommendations to the Board of Directors regarding the remuneration of Group executives with strategic responsibilities;
- aids the Board of Directors in the preparation and implementation of any remuneration plans based on shares or other financial instruments;
- assesses the adequacy and application of the Remuneration Policy.

2.3 General shareholders' meetings.

The shareholders' meeting:

- establishes the fee of the members of the Board of Directors and the Board of Statutory Auditors as per Article 2364.1.3 of the Italian Civil Code;
- expresses an advisory opinion on the first section of the Report;

- as per Article 114 bis of the TUF, resolves on any remuneration plans based on shares or other financial instruments intended for directors, employees and co-workers, including therein the executives with strategic responsibilities.

2.4 Board of Statutory Auditors.

The Board of Statutory Auditors expresses its opinion with regard to the remuneration proposals for the executive directors, and more generally, the directors vested with particular offices, checking the consistency of said proposals with the Remuneration Policy.

3. Aspects of the Remuneration Policy.

The remuneration of the directors, General Manager and strategic Executives is defined so as to ensure an overall remuneration structure capable of recognising the professional value of the parties involved and attract, motivate and retain the resources in possession of the professional qualities requested so as to profitably pursue the Company's objectives. The remuneration aims to create value over the mid and long-term for the Issuer, the shareholders and the other stakeholders. Furthermore, the Remuneration Policy aims to encourage the individuals who occupy key positions in the pursuit of the operational performance objectives of the Company and the Group, with the aim of maintaining the constant alignment between the interests of management and those of majority of the shareholders.

Variable portions of remuneration are envisaged, commensurate with the achievement of specific objectives and performances. If a variable portion is envisaged, this in any event has a maximum limit and the individual objectives take into account the medium and long-term objectives of the Company and, at the same time, are: specific and defined, gaugeable, realistic, suitably challenging and provide incentive. In the event that the Company carries out transactions which are particularly exceptional due to strategic importance and with regard to the effects on the Company's own results, the Board of Directors - upon the proposal of the Remuneration Committee - has the faculty to assign, on a discretionary basis, specific bonuses to executive directors, Executives or to other parties specifically identified involved in the afore-mentioned transactions.

The Company may envisage incentive or loyalty retention plans based on shares or other financial instruments intended for directors, employees and co-workers, including therein the Executives, as per Article 114 bis of the TUF. At present, there is no plan (stock options) for assigning shares to the Group's managers and employees.

The Remuneration Policy does not envisage, as a rule, that the directors, executives or employees which cover roles of particular strategic relevance enter into agreements which *ex ante* discipline the economic aspects in the event of termination of the office or relating to any early termination of the relationship by the Company or the party concerned. As indicated in the second Section below,

there may be *ad hoc* agreements aimed at regulating the cases of interruptions of the business relationship or termination of the office for reasons other than just cause or objective justified reason (for example in the event of termination of the business relationship by the Company in the event of just cause or objective justified reason or termination under the initiative of the individual due to just cause such as, by way of example, the essential modification of the role or the proxies assigned and/or change of control). In this case, if appropriate and convenient, the Company from time to time assesses the possible conclusion of these agreements aimed at disciplining the conclusion of the business relationship in a consensual manner. Without prejudice to the legislative and contractual obligations, the Company aspires to the market standards always having regard with respect to the primary corporate interest. Again on an exceptional basis and in the presence of particular situations, also possibly in combination with the above agreements, the Group may enter into non-compete agreements with the Managing Director, the General Manager, the Executives or other employees which cover roles of particular strategic importance, which envisage a fee in relation to the remuneration and the duration and range of the restriction deriving from said agreement. The restriction however refers to the commodities sector and the geographic sphere in which the Group operates.

The Company did not avail itself of the collaboration of independent experts when defining this remuneration policy. The Directors, executive or otherwise, the General Manager and the Executives avail of insurance coverage for civil liability for deeds committed when carrying out their functions with exclusion of cases of fraudulent intent or gross negligence.

4. Remuneration of the directors

4.1 The Directors in general. Within the Board of Directors, just the Chairman and Chief Executive Officer, Renato Soru, has executive powers. All the non-executive Directors are paid an annual set fee resolved by the Shareholders' meeting at the time of their appointment. No extras are envisaged for the Chairman (there is by contrast *ad hoc* remuneration for the Chief Executive Officer) and for the members of the Committees set up within the Board of Directors; no attendance fees are envisaged, while costs incurred for the performance of the office are reimbursed. The Remuneration Policy does not envisage the payment of benefits in kind.

4.2 Executive directors. At present, the remuneration of the Chief Executive Officer, the only executive director, envisages just a fixed component together with certain benefits in kind while a variable portion is not provided for. The remuneration is in line with the position covered, the commitment required and the knowledge and qualities necessary and is such that it attracts, retains and motivates individuals suitable for the role of Chief Executive Officer. At present, a variable portion is not envisaged; if subsequently introduced, this would be commensurate with the medium and long-term results of the Company as illustrated in the Company's Strategic Plans.

5. Remuneration of the general managers and executives with strategic responsibility.

The remuneration of the General Managers and the Executives is established on a consistent basis with the general principles indicated above, it comprises a significant fixed annual component, in keeping with the position and commitment required and such that it attracts, retains and motivates the necessary professional individuals. A variable annual component may be present, achievable in relation to reaching pre-established company targets linked to the results expected on the basis of the Strategic Plan approved by the Company. The variable component is commensurate with specific and defined objectives, gaugeable, realistic, suitably challenging and which provide incentive and, in any event, with a maximum tendential limit of no more than 30% of the gross fixed annual remuneration without prejudice to any exceptions for the General Manager. The assignment of benefits in kind is envisaged such as a company vehicle and provision of pension and welfare plans which reflects the ordinary coverage concerning pension and welfare matters, as envisaged by the National Collective Labour Agreement.

SECTION II. The remuneration of the Board Directors, members of the Board of Statutory Auditors, General Manager and other executives with strategic responsibilities.

1. The fees of the Board Directors

1.1 Non-executive directors. The non-executive directors are paid an annual fixed fee of EUR 25 thousand gross, resolved by the Shareholders' meeting appointing the same on 15 May 2012; this fee is the same received by the previous Board. As mentioned, no extras are envisaged for the Chairman (there is by contrast *ad hoc* remuneration for the Chief Executive Officer) and for the members of the Committees set up within the Board of Directors; no attendance fees are envisaged, while costs incurred for the performance of the office are reimbursed. The Remuneration Policy does not envisage the payment of benefits in kind nor any indemnity for termination of the office.

1.2 Executive directors. At present, the remuneration of the Chief Executive Officer, Renato Soru, the only executive director, envisages just a fixed component of EUR 350 thousand gross per annum plus the reimbursement of the costs incurred for the office and the benefits in kind shown in table no. 1 below; no variable portion is envisaged nor specific compensation in the event of termination of the office. 1 below; no variable portion is envisaged. The afore-mentioned remuneration is inclusive of the emolument envisaged for the non-executive directors and was resolved by the Board of Directors on 15 May 2012, upon the proposal of the Remuneration Committee, confirming the previous emolument. In the subsequent meeting held on 14 November 2013, upon the proposals of the Appointments and Remuneration Committee, the Board approved a supplementary agreement to the management contract which envisaged an indemnity equal to

six years payments of the annual fee envisaged by the management contract (for an overall gross amount of EUR 2,100,000) in the event of revocation without just cause or resignation upon the request of the Company or the majority shareholders or further to limitation of the powers and offices. Furthermore, the Company undertakes to pay the Managing Director, by way of end of office indemnity (TFM), a gross sum equal to EUR 60,000, for each year or fraction of a year the management relationship lasts. In conclusion, the afore-mentioned supplementary agreement envisages a payment equal to EUR 800,000 gross for a non-compete commitment throughout Italy for a period of twelve months subsequent to termination, for any reason, of the management relationship.

2. Fees of the Board of Statutory Auditors.

The fee of the members of the Board of Statutory Auditors was resolved by the shareholders' meeting which appointed the same on 15 May 2012 which confirmed the Board previously in office; no fee is envisaged for the alternate Auditors except for the amount due for any period of substitution. The remuneration resolved by the afore-mentioned shareholders' meeting which appointed the same comes to EUR 35 thousand gross per annum for the Chairman of the Board of Statutory Auditors Paolo Tamponi and EUR 25 thousand gross per annum for each of the Statutory Auditors, Piero Maccioni and Andrea Zini; the previous fees came to EUR 50 thousand gross per annum for the Chairman Paolo Tamponi and EUR 35 thousand gross per annum for each of the Statutory Auditors, Piero Maccioni and Andrea Zini. No variable remuneration, benefits in kind or share-based or other allocation plans are envisaged for the members of the Board of Statutory Auditors.

3. Remuneration of the General Manager and Executives with strategic responsibilities.

As of the date of this report, the fee of Luca Scano, General Manager of the subsidiary Tiscali Italia S.p.A., amounts to EUR 200 thousand gross per annum plus the remuneration as non-executive director of Tiscali S.p.A. as per point 1 above and together with the benefits in kind shown in the table No. 1 below: a variable portion is envisaged, commensurate with the achievement of the medium and long-term objectives and with a maximum disburseable equal to 60% of the gross annual remuneration. During the meeting held on 14 November 2013, upon the proposal of the Appointments and Remuneration Committee, the Board approved an indemnity for the General Manager equal to the sum of 42 monthly payments of the gross remuneration, inclusive of the fixed and variable part (total amount equating to Euro 1,120,000) if, in the first three years subsequent to an extraordinary transaction which involves the change of control or disposal of significant assets of the Group, the termination of the employment relationship not attributable to just cause of objective justified reason takes place or resignation due to deskilling or other just cause or refusal of a transfer to another work venue. This indemnity will be paid by way of supplement to the

leaving indemnity and is understood to be inclusive of each and every different indemnity legislatively and contractually envisaged, including the indemnity replacing the notice period.

At present, in the company's opinion, there are five Executives with Strategic Responsibilities as per current legislation; these parties are employees of the subsidiaries Tiscali Italia S.p.A. and Vevisible Srl. The total fee due to the same amounts to EUR 851,678 gross per annum together with total benefits in kind of EUR 47,328 gross per annum: a variable portion is generally envisaged, commensurate with the achievement of the medium and long-term objectives and with a total maximum disburseable of EUR 295,000 gross; specific compensation for termination of the employment relationship is not envisaged.

4. Incentive plans in favour of the members of the management body, the general managers and executives with strategic responsibilities.

At present, there are no share-based incentive plans or those with other financial instruments in favour of the members of the management body, the general managers and other Executives.

5. Equity investments of the members of the management and audit bodies, the general managers and executives with strategic responsibilities.

The equity investments of the members of the management and audit bodies and the general managers are summarised in table no. 2 below. Of the five Executives indicated above, only one of them possessed as at 31 December 2012, 8,614 ordinary Tiscali S.p.A. shares and had not made any purchases or sales during 2012.

TABLE 1 - Fees relating to 2013 (amounts in EUR 000)

Name and surname	Position	Period from when the office has been covered	Expiry of the office	Total remuneration	Remuneration for participation on committees	Bonus and other incentives	Benefits in kind*	Other remuneration	Total
Renato Soru	Chairman and Chief Executive Officer	15 May 2012	Approval of 2014 annual report	350	-	-	41	12**	403
Luca Scano	Director	15 May 2012	Approval of 2014 annual report	25	-	-	17.8	200***	242.8
Franco Grimaldi	Director	15 May 2012	Approval of 2014 annual report	25	-	-	-	-	25
Gabriele Racugno	Director	15 May 2012	Approval of 2014 annual report	25	-	-	-	72****	97
Assunta Brizio*****	Director	28 August 2012	Approval of 2014 annual report	25	-	-	-	-	25

* **Benefits in kind: use of telephone, company car and insurance and/or pension/welfare policies.**

** **Reimbursement of expenses.**

*** **Payments received by Luca Scano as General Manager of the subsidiary Tiscali Italia S.p.A..**

**** **Payments which the firm of the lawyer Gabriele Racugno received for his advisory activities provided to the subsidiary Tiscali Italia S.p.A..**

***** **Director co-opted by the Board of Directors during the meeting on 28 August 2012 and confirmed by the shareholders' meeting held on 30 April 2013.**

Name and surname	Position	Period from when the office has been covered	Expiry of the office	Total remuneration	Remuneration for participation on committees	Bonus and other incentives	Benefits in kind*	Other remuneration	Total
Paolo Tamponi	Chairman	15 May 2012	Approval of 2014 annual report	35	-	-	-	-	35
Piero Maccioni	Statutory Auditor	15 May 2012	Approval of 2014 annual report	25	-	-	-	-	25
Andrea Zini	Statutory Auditor	15 May 2012	Approval of 2014 annual report	25	-	-	-	-	25
Rita Casu	Alternate Auditor	15 May 2012	Approval of 2014 annual report	-	-	-	-	-	-
Giuseppe Biondo	Alternate Auditor	15 May 2012	Approval of 2014 annual report	-	-	-	-	-	-

* **Benefits in kind: use of telephone, company car and insurance and/or pension/welfare policies.**

TABLE 2 - Equity investments of the members of the management and audit bodies and the general managers

Board of Directors

Name - Surname	Position	No. of shares held at 1 Jan. 2013	No. of shares purchased/subscribed	No. of shares sold	No. of shares held at 31 Dec. 2013
Renato Soru	Chairman and Chief Executive Officer	331,133,617	-	-	331,133,617
Luca Scano	Director and General Manager	-	-	-	-
Franco Grimaldi	Director	-	-	-	-
Gabriele Racugno	Director	-	-	-	-
Assunta Brizio*	Director	-	-	-	-

** Director co-opted by the Board of Directors during the meeting on 28 August 2012 and confirmed by the shareholders' meeting held on 30 April 2013.*

Board of Statutory Auditors

Name - Surname	Position	No. of shares held at 1 Jan. 2013	No. of shares purchased/subscribed	No. of shares sold	No. of shares held at 31 Dec. 2013
Paolo Tamponi	Chairman	-	-	-	-
Piero Maccioni	Statutory Auditor	-	-	-	-
Andrea Zini	Statutory Auditor	-	-	-	-
Rita Casu	Alternate Auditor	50	-	-	50
Giuseppe Biondo	Alternate Auditor	-	-	-	-