

LOTTOMATICA GROUP S.P.A.

CHARTER GOVERNING RELATED PARTY TRANSACTIONS

UPDATED BY THE BOARD OF DIRECTORS ON JULY 28, 2011

INDEX

1.	Foreword	2
2.	Definitions	2
3.	Exemptions	7
4.	Internal policies	8
	4.1 Transactions of Lesser Importance.....	8
	4.2 Transactions of Greater Importance.....	9
	4.3 Transactions falling under the competence of the shareholders' meeting.....	11
	4.4 Framework resolutions.....	11

1. FOREWORD

- 1.1 This charter (hereinafter referred to as, the “**Charter**”) is intended to govern related party transactions carried out by Lottomatica Group S.p.A. (hereinafter referred to as, “**Lottomatica**” or, the “**Company**”), either directly or through its Subsidiaries, pursuant to the regulation adopted by Consob by means of resolution no. 17221 of March 12, 2010, as subsequently amended, supplemented and construed by the same Consob (hereinafter referred to as, the “**Regulation**”), enforcing Section 2391-*bis* of the Italian Civil Code. In the event of any inconsistency between this Charter and the Regulation, the latter will prevail.
- 1.2 To the above aim, the Company shall make sure that (i) this Charter, the Regulation as well as any updated list of its Related Parties are continuously acknowledged by the Subsidiaries, and (ii) the Subsidiaries timely inform the Company on any transactions they may consider to enter into with Related Parties to the Company, other than transactions equivalent to those hereby exempted, including any detail concerning the consummation of the same.
- 1.3 This Charter, as amended by the Board of Directors of the Company on July 28, 2011, shall enter into effect on that same date and replace any other provision set by the Company on this same matter, including the version hereof approved by the same Board of Directors of the Company on November 15, 2010.
- 1.4 As permitted by the Regulation, the Company waived (i) to apply this Charter to individuals and entities other than Related Parties, and (ii) to cap the fees and expenses for the services rendered by the independent experts that may be appointed by the Internal Audit and Compliance Committee.

2. DEFINITIONS

- 2.1 In addition to the definitions provided elsewhere in this Charter, the expressions having an initial capital letter, either in their singular or plural form, shall have the meanings set forth hereinbelow:

Associated Company: an entity, even without legal personality, on which another entity or an individual exercises a Significant Influence, but not Control or Joint Control;

Close Relatives: each family member of an individual who may be expected to influence, or be influenced by, that individual with respect to the matters covered by this Charter. They may include: (a) the non legally separated spouse and the partner; (b) the sons and daughters, the dependants, including those of the non legally separated spouse or of the partner;

Consolidated Financial Law: the legislative decree no. 58 of February 24, 1998, as amended and supplemented;

(to) Control: the power to determine the financial and managing policies of an entity

in order to gain benefits from its activities. Control is presumed – unless in exceptional cases it can be clearly proven otherwise – when more than a half of the voting rights of an entity is owned, either directly or indirectly. Control of an entity also exists when a half, or less, of the voting rights is owned if:

- (a) more than a half of the voting rights is held, in the aggregate, by virtue of an agreement; or
- (b) power is given by virtue of the bylaws or of an agreement to govern the financial and managing policies of that entity;
- (c) power is given to appoint or remove the majority of the members of that entity's governing body;
- (d) power is given to cast the majority of the voting rights at meetings of that entity's governing body;

Executive Directors: the directors of the Company deemed so pursuant to the self-regulatory code of listed companies promoted by the Italian Stock Exchange (hereinafter referred to as, the “**Code**”);¹

Independent Directors: the directors of the Company so qualified pursuant to the Code² and as evaluated by the Company;

¹ Pursuant to Section 2C1 of the Code, executive directors are the following:

– the managing directors of the issuer or a subsidiary having strategic relevance, including the relevant chairmen when these are granted individual management powers and when they play a specific role in the definition of the business strategies;
– the directors vested with management duties within the issuer or in one of its subsidiaries having strategic relevance, or in a controlling company when the office concerns also the issuer;
– the directors who are members of the executive committee of the issuer, when no managing director is appointed or when the participation in the executive committee, taking into account the frequency of the meetings and the scope of the relevant resolutions, entails, as a matter of fact, the systematic involvement of its members in the day-to-day management of the issuer.
The granting of powers only in cases of urgency to directors, who are not provided with management powers is not enough, per se, to cause them to be identified as executive directors, unless such powers are actually exercised with considerable frequency”.

² Pursuant to Sections 3C1 and 3C2 of the Code, the independence of directors shall be evaluated “having regard more to the contents than to the form and keeping in mind that a director usually does not appear independent in the following events, to be considered merely as an example and not limited to:

a) if he/she controls, directly or indirectly, the issuer also through subsidiaries, trustees or through a third party, or is able to exercise over the issuer dominant influence, or participates in a shareholders' agreement through which one or more persons may exercise a control or considerable influence over the issuer;
b) if he/she is, or has been in the preceding three fiscal years, a relevant representative of the issuer, of a subsidiary having strategic relevance or of a company under common control with the issuer, or of a company or entity controlling the issuer or able to exercise over the same a considerable influence, also jointly with others through a shareholders' agreement;
c) if he/she has, or had in the preceding fiscal year, directly or indirectly (e.g. through subsidiaries or companies of which he/she is a significant representative, or in the capacity as partner of a professional firm or of a consulting company) a significant commercial, financial or professional relationship:
– with the issuer, one of its subsidiaries, or any of its significant representatives;
– with a subject who, jointly with others through a shareholders' agreement, controls the issuer, or – in case of a company or an entity – with the relevant significant representatives;
or is, or has been in the preceding three fiscal years, an employee of the abovementioned subjects;
d) if he/she receives, or has received in the preceding three fiscal years, from the issuer or a subsidiary or holding company of the issuer, a significant additional remuneration compared to the “fixed” remuneration of non-executive director of the issuer, including the participation in incentive plans linked to the company's performance, including stock option plans;
e) if he/she was a director of the issuer for more than nine years in the last twelve years;
f) if he/she is vested with the executive director office in another company in which an executive director of the issuer holds the office of director;
g) if he/she is shareholder or quotaholder or director of a legal entity belonging to the same network as the company appointed for the accounting audit of the issuer;
h) if he/she is a close relative of a person who is in any of the positions listed in the above paragraphs.

3.C.2. For the purpose of the above, the legal representative, the president of the entity, the chairman of the Board of Directors, the executive directors and executives with strategic responsibilities of the relevant company or entity, must be considered as “significant representatives”.

Independent Directors' Committee: the committee of the Company composed exclusively by Independent Directors and charged with the enforcement of this Charter;

Issuers' Regulation: the regulation adopted by Consob through resolution no. 11971 of May 14, 1999, as amended and supplemented;

Joint Control: the contractually agreed sharing of Control;

Joint Venture: a contractual arrangement whereby two or more parties undertake an economic activity subject to Joint Control;

Key Managers: those individuals having the power and responsibility, either directly or indirectly, of the planning, direction and supervision of the activities of an entity, including its directors and effective statutory auditors or equivalent offices;

Ordinary Transactions: Related Party Transactions that are (a) carried out in the ordinary course of business, including the related financial activities, and (b) executed at conditions (i) comparable to those applicable to non Related Parties for transactions having similar nature, size and risks, or (ii) based on regulated tariffs or imposed prices, or (iii) equal to those applied to subjects with which the Company is bound to execute at a given consideration pursuant to the law, concessions or other imperative provisions;

Related Party: a person, whether an individual or an entity, that even with another person(s)

(a) directly or indirectly, also through Subsidiaries, trustees or intermediaries:

- (i) exercises (Joint) Control over the Company, or is subject to (Joint) Control of the Company or is under common (Joint) Control; or
- (ii) exercises a Significant Influence over the Company by virtue of an interest held in the same;

(b) is an Associated Company of the Company;

(c) is a Joint Venture in which the Company is a participant;

(d) is a Key Manager of the Company or of its controlling entity;

(e) is a Close Relative of an individual referred to under items (a) or (d) above;

(f) is an entity in which a person referred to under items (a), (d) or (e) above exercises (Joint) Control or a Significant Influence or owns, directly or indirectly, a significant portion, but not less than 20%, of the voting rights;

(g) is a pension fund, whether collective or individual, Italian or foreign, established for the employees of the Company, or of any Related Party to the Company.

A list of all the Related Parties shall be (i) prepared as at the day prior to the entry into effect of this Charter and then updated on a six-month basis, as well as (iii) integrated with the administrative and accounting procedures implemented by the Company pursuant to the Consolidated Financial Law;

Related Party Transaction: any transfer of assets or of resources, or any services rendered or obligations assumed, among the Company or a Subsidiary and a Related Party to the Company, regardless of whether or not a consideration is agreed upon. The following are in any event to be deemed as such: mergers, non proportional spin-offs and allocations of wages and economic benefits to Key Managers, in whatever form;

Significant Influence: the power to co-determine the financial and operating policies of an entity without owning its Control. Significant Influence may be gained through interest ownership, bylaws provisions or agreements. A person is presumed to have a Significant Influence when directly or indirectly owning 20% or more of the shareholders' voting rights of that entity, unless it can be demonstrated otherwise. On the contrary, if less than 20% of the shareholders' voting rights is directly or indirectly owned, then such person is presumed not to have a Significant Influence, unless it can be demonstrated otherwise. Significant Influence is usually deduced from one or more of the following clues, irrespective of whether the absolute or relative majority of voting rights is owned by someone else:

- (a) representation on the board of directors or equivalent governing body;
- (b) participation in the decision making process, including participation in decisions about dividends or other distribution of profits;
- (c) transactions between the influencing and the influenced party that are deemed significant in terms of size, frequency and amounts involved;
- (d) exchange of executives;
- (e) the sharing of essential technical information;

Significant Interest: any interest of an economic nature held by a Related Party for a given transaction to be entered into by the Company or any of its Subsidiaries or Associated Companies, where such interest is predominant on the interest of the Company for that transaction.

No Significant Interest is given as a result of the mere sharing of one or more Key Managers among Lottomatica and any of its Subsidiaries or Associated Companies.

Small Amount Transactions: Related Party Transactions worth not more than:

- (a) Euro 500,000 per year, so long as the overall compensation of a Key Manager is concerned, inclusive of any economic benefits; and
- (b) Euro 1 million per year, in any other case, it being understood that, for the purposes hereof, Small Amount Transactions carried out in execution of a

unitary intent shall be jointly considered;

Subsidiary: an entity Controlled by another entity;

Transactions of Greater Importance: Related Party Transactions where at least one of the following ratios exceeds 5%:

- a) ratio between (i) the value of the Transaction of Greater Importance and (ii) the consolidated net equity drawn from the latest published report of the Company or, if greater, its market capitalization at closure of the last trading day within the reference period of the latest published consolidated report.

By “value of the Transaction of Greater Importance” it has to be meant:

- (i) for cash components, the consideration paid (or due, if not yet paid) by the bound party;
- (ii) for financial instruments, the *fair value* determined as at the closing of the Transaction of Greater Importance in accordance with international accounting standards pursuant to (EC) Regulation no. 1606/2002;
- (iii) for credit facilities or guarantees, the maximum amount made available.

If the economic conditions of the Transaction of Greater Importance depend, in whole or in part, on items not yet known nor easily determined, the value of the same shall be the agreed maximum consideration due. Should the agreed maximum consideration due not be easily determined as well, then the same shall be deemed a Transaction of Greater Importance should it have a particular strategic, economic or financial relevance for the Company, or a particular information relevance for the market;

- b) where the object of the Transaction of Greater Importance is an entity or a going concern, ratio between the total assets of the targeted entity/going concern and the total assets of the Company, both (where possible) as gathered from the respective latest published consolidated balance sheets.

For Transactions of Greater Importance involving the acquisition or disposal of interests having an impact on the area of consolidation of the Company, the total assets of the targeted entity shall be taken into account, regardless of the percentage of the targeted entity’s capital involved.

Should the area of consolidation of the Company not be impacted, it shall be taken into account, rather than the assets of the targeted entity:

- (i) in case of acquisitions, the relevant consideration plus any assumed liabilities;
- (ii) in case of disposals, the relevant consideration.

For Transactions of Greater Importance involving the acquisition or disposal of other assets it shall be taken into account:

- (i) in case of acquisitions, the greater between the relevant consideration and the book value attributed to the concerned assets;
 - (ii) in case of disposals, the book value attributed to the disposed assets;
- (c) where the object of the Transaction of Greater Importance is the acquisition of an entity or a going concern, (also the) ratio between the total liabilities of the acquired entity/going concern and the total assets of the Company, both (where possible) as gathered from the respective latest published consolidated balance sheets;

Transactions of Lesser Importance: Related Party Transactions other than Transactions of Greater Importance and Small Amount Transactions;

Unrelated Directors/Statutory Auditors/Shareholders: the directors/statutory auditors/shareholders of an entity that are not a party to nor anyway personally involved in a given transaction (including as a consequence of being a Related Party to any such party).

- 2.2 The above definitions shall be construed by reference to the international accounting standards adopted pursuant to article no. 6 of (EC) Regulation no. 1606/2002.

3. EXEMPTIONS

- 3.1 The provisions of this Charter shall not apply to (i) Small Amount Transactions, (ii) proportional spin-offs, (iii) shareholders' meeting resolutions on the compensation of members of the board of directors pursuant to section no. 2389, first paragraph, of the Italian civil code, (iv) board of directors' resolutions on compensation that fall within the overall threshold set by the shareholders' meeting pursuant to Section no. 2389, third paragraph, of the Italian civil code, nor to (v) shareholders' meeting resolutions on the compensation to members of the board of statutory auditors pursuant to section no. 2402 of the Italian civil code.
- 3.2 Without prejudice to the mandatory information on Related Party Transactions to be provided in the Company's semi-annual and annual reports, and without prejudice to article no. 4.2, letter (g) hereof, the provisions of this Charter shall not apply to (i) Related Party Transactions of the Company with, or among, its Subsidiaries, as well as with its Associated Companies, provided that no Significant Interests are held by any other Company's Related Parties (other than Subsidiaries), nor to (ii) the Company's:
- (a) stock based compensation plans approved by the shareholders' meeting pursuant to the applicable provisions of the Consolidated Financial Law, nor to the relevant execution;
 - (b) board resolutions (other than those under article no. 3.1 hereof) on compensation of (x) directors vested with particular offices as well as of (y)

other Key Managers, so long as, in either case, a compensation policy has been (i) adopted by the board of directors with the active involvement of a committee exclusively composed of non Executive Directors, the majority of whom Independent, (ii) illustrated to the shareholders' meeting for approval or acknowledgement, and then (iii) effectively applied;

- (c) Ordinary Transactions, provided that the Independent Directors' Committee timely receives complete and adequate information so as to appraise that this is the case.

3.3 Without prejudice to the mandatory publication of an information document pursuant to article 4.2, letter (f) hereof, in case of urgency, and if expressly so provided by the bylaws of the Company, the provisions of this Charter shall not apply to Related Party Transactions of the Company falling out of the competences of the shareholders' meeting, provided that:

- (a) if the concerned Related Party Transaction falls under the responsibility of a managing director or of the executive committee, the chairman of the board of directors is informed of the reasons of urgency prior to the closing;
- (b) the concerned Related Party Transaction is included, without prejudice to its effectiveness, among the items on the agenda of the first ordinary shareholders' meeting;
- (c) the reasons for urgency are illustrated by the chairman of the board of directors through a report to be made available to the public at least twenty one days prior to the shareholders' meeting, jointly with the assessment by the statutory auditors as to the occurrence of such urgency, at the registered office of the Company and in the manner set by the Regulation;
- (d) within the day immediately after the shareholders' meeting, the information on the voting results, with particular regard to the number of total votes cast by Unrelated Shareholders, is made available to the public in the manner set by the Regulation.

4. INTERNAL POLICIES

4.1 Transactions of Lesser Importance

- (a) Transactions of Lesser Importance falling within the competences of the board of directors of the Company or of its delegated bodies shall be approved or executed, respectively, taking into account the prior motivated and non binding opinion by the Independent Directors' Committee. The Independent Directors' Committee is engaged upon proposal by the lead Independent Director of the Company, and may be supplemented by as many Unrelated Directors as (and if) deemed appropriate by the same Committee (provided that the majority of the Committee as supplemented is always made by Independent Directors). The opinion shall be focused on the interest of the

Company for the Transaction as well as on the convenience and fairness of the relevant terms and conditions, and, if the board is the competent body to approve the Transaction, then mirrored in the board resolution, which shall be adequately grounded particularly when contradicting the same opinion;

- (b) should one or more members of the Independent Directors' Committee be a party to or anyway personally involved in the Transaction of Lesser Importance (including being a Related Party to any such party), the same shall be replaced by an equal number of Unrelated Directors (provided that the majority of the Committee as supplemented is always made by Independent Directors), and/or, if not available, of Unrelated Statutory Auditors. Any such replacements shall preferably follow rotation criteria;
- (c) the managing director of the Company, with the avail of the Corporate Affairs department, shall ensure that the Independent Directors' Committee receives with due advance adequate and complete information on any prospective Transactions of Lesser Importance;
- (d) the chairman of the board of directors of the Company shall ensure that adequate information on the executed Transactions of Lesser Importance are provided by the delegated bodies to all directors and statutory auditors on a quarterly basis;
- (e) the Independent Directors' Committee may request the assistance, at the expense of Company, of one or more independent experts of its choice. The opinion under letter (a) hereinabove shall be rendered by one independent expert appointed jointly by the chairman of the board of directors and by the chairman of the board of statutory auditors, should there not be at least three Unrelated Directors and/or Statutory Auditors under letter (b) hereinabove;
- (f) without prejudice to the application of the Consolidated Financial Law provisions on price sensitive communication, the Company shall make available to the public at its registered office and in the manner set by the Regulation, within fifteen days from the close of each quarter, an information document summarizing the counterparties, the object and the consideration of any Transactions of Lesser Importance approved in the reference quarter despite (and jointly with) a negative opinion pursuant to letter (a) or (e) hereinabove, as well as the reasons why such opinion was not shared.

4.2 Transactions of Greater Importance

- (a) Transactions of Greater Importance shall be the exclusive competence of the board of directors rather than of any of its delegated bodies. The board resolution shall be passed in accordance with the prior motivated favourable opinion by the Independent Directors' Committee. The Independent Directors' Committee is engaged upon the proposal by the lead Independent Director, and shall be composed exclusively by (no less than three) Independent Directors, and supplemented by as many Unrelated Independent

Directors as (and if) deemed appropriate. The opinion shall be focused on the interest of the Company for the transaction as well as on the convenience and fairness of the relevant terms and conditions, and then adequately mirrored in the board resolution;

- (b) should one or more members of the Independent Directors' Committee be a party to or anyway personally involved in the Transaction of Greater Importance (including being a Related Party to any such party), the same shall be replaced by an equal number of Unrelated Independent Directors and/or, if not available, of Unrelated Statutory Auditors. Any such replacements shall preferably follow rotation criteria;
- (c) the Independent Directors' Committee with the above composition shall, even through delegated member(s), be involved in the negotiation and preliminary phases of Transactions of Greater Importance through (i) the timely receipt of a complete flow of information, and (ii) the faculty to gather additional information from and submit comments to the bodies and individuals engaged to conduct such negotiation;
- (d) provisions under 4.1(c), 4.1(d) and 4.1(e) hereinabove shall also apply to Transactions of Greater Importance, provided that reference to the lack of "*at least three Unrelated Directors (the majority of whom Independent)*" under 4.1(e) shall be deemed to refer to the lack of "*at least three Unrelated Directors (all of whom Independent)*";
- (e) in any event, the board of directors may approve a Transaction of Greater Importance despite the contrary opinion of the Independent Directors' Committee, provided that, to the extent expressly permitted by the bylaws of the Company, (i) execution of the Transaction is authorized by the shareholders' meeting with the favourable vote of at least a half of the voting Unrelated Shareholders, and (ii) the Unrelated Shareholders attending the meeting represent at least 10% of the share capital with voting rights, both circumstances as evidenced in the minutes or in the relevant attachments to be made public within the day following the meeting. Alternatively, the Independent Directors' Committee may render an opinion that subjects the execution of the transaction to specific given conditions that, if met by the board of directors, allow the execution of the same without the need to seek the authorization by the shareholders' meeting;
- (f) within seven days from the approval by the competent body of the Company of a Transaction of Greater Importance or, should such body directly resolve to submit a contract proposal, from the moment the relevant agreement is executed, even in the form of a binding memorandum of understanding, the Company shall make available to the public, at its registered headquarters and in the manner set by the Regulation, an information document drafted in accordance with the sample provided for by the Regulation. In the event under (e) above, the information document shall be made available within seven days following approval of the proposal to be submitted to the shareholders' meeting. Should the significant threshold be exceeded by a combination of

transactions, the above information document shall be made available within fifteen days from the approval or execution, as the case may be, of the transaction causing the threshold to be exceeded;

- (g) should a Transaction of Greater Importance qualify as an Ordinary Transaction, the above provisions shall not apply but the Company shall:
 - (i) notify Consob, within the term under (f) hereinabove, first period, of the counterparty, object of and consideration for the exempted Transaction of Greater Importance; and
 - (ii) indicate in the semi annual and annual management reports which Transactions of Greater Importance benefited from the exemption provided herein.

4.3 Transactions falling under the competence of the shareholders' meeting

- (a) Whenever a Transaction of Lesser Importance or a Transaction of Greater Importance falls under the competence of the shareholders' meeting of the Company, or requires its prior authorization, articles 4.1 and 4.2 hereinabove shall govern the approval – by the board of directors – of the resolution proposal, as well as the relevant execution;
- (b) as an exception to the above letter (a), in case of urgency matters connected to a corporate crisis, without prejudice to the information duties vis-à-vis the public provided herein, the Related Party Transaction falling under the competence or subject to the authorization of the shareholders' meeting may be executed provided that:
 - (i) such faculty is expressly permitted by the bylaws of the Company;
 - (ii) the grounds underlying the urgency are highlighted in a report by the board of directors and favourably evaluated by the board of statutory auditors;
 - (iii) the report and the comments under (ii) hereinabove are made available to the public at least 21 days prior to the day of the shareholders' meeting, at the registered headquarters of the Company and in the manner set by the Regulation.

4.4 Framework resolutions

- (a) The board of directors of the Company may approve, by means of a single resolution (so called “framework resolution”), a series of financing, guarantee, treasury management, asset transfer Related Party Transactions (i) homogeneous among them and (ii) to be entered into with specific categories of Related Parties.
- (b) In such an event, and without prejudice to article no. 3 above:

- (i) provisions under articles no. 4.1 and 4.2 above shall apply to the framework resolution having regard to the predictable maximum amount involved by the contemplated Related Party Transactions, jointly considered, rather than to each single Related Party Transaction falling under the framework resolution;
- (ii) the framework resolution shall:
 - (1) be effective for no more than one year;
 - (2) refer to sufficiently determined Related Party Transactions;
 - (3) indicate at least the foreseeable maximum amount of the contemplated Related Party Transactions as a whole, as well as the relevant terms and conditions;
- (iii) the chairman of the board of directors or the managing director shall report on a quarterly basis to the board of directors on the implementation of the framework resolution.