

**LOTTOMATICA GROUP S.p.A.**  
**CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT**  
***FINANCIAL YEAR 2009***

*Approved on March 3, 2010,*

*[www.lottomaticagroup.com](http://www.lottomaticagroup.com)*

(prepared pursuant to article no. 123-*bis* of the Consolidated Financial Law, 89-*bis* and 144-*decies* of the Issuers Regulation)

|   |  |
|---|--|
| <b>Chairman</b>   | Lorenzo Pellicoli  |
| <b>Vice-Chairman</b>  | Robert Dewey, Jr.  |
| <b>Managing Director and Chief Executive Officer</b>                              | Marco Sala   |
| <b>Directors</b>  | Pietro Boroli<br>Paolo Ceretti<br>Marco Drago<br>Jeremy Hanley<br>James F. McCann<br>Jaymin Patel<br>Anthony Ruys<br>Severino Salvemini<br>Gianmario Tondato Da Ruos<br>W. Bruce Turner  |
| <b>Secretary of the Board of Directors</b>  | Paola Bottero  |
| <b>Board of Statutory Auditors</b>  | Sergio Duca, Chairman<br>Angelo Gaviani (effective member)<br>Francesco Martinelli (effective member)<br><br>Giampiero Calducci (alternate member)<br>Giulio Gasloli (alternate member)<br>Umile Sebastiano (alternate member)<br>Guido Martinelli (alternate member)<br>Marco Sguazzini Viscontini (alternate member) |
| <b>General Manager</b>  | Renato Ascoli  |
| <b>Manager in charge of drawing up corporate reports and financial statements</b> | Stefano Bortoli  |

## **The report**

This report illustrates the rules, measures and procedures on corporate governance adopted by Lottomatica Group S.p.A., as issuer of ordinary shares listed on a regulated market (hereinafter alternatively referred to as the “**Company**” or as “**Lottomatica**”).

This report was approved by the Board of Directors of the Company on March 3, 2010. The data and information provided herein refers to the date of approval of the report unless otherwise stated.

The sections are generally numbered, to the extent possible, in accordance with the sections of the new format for the preparation of corporate governance and ownership structure reports issued by Borsa Italiana S.p.A. on February 2010.

## **1. PROFILE OF THE ISSUER**

The Company is one of the largest lottery operators in the world based on total wagers and among the leaders in the Italian gaming industry. The absolute majority of the stock-capital of the Company is directly owned by De Agostini S.p.A. (hereinafter referred to as “**De Agostini**”), in turn owned by B&D Holding di Marco Drago & C. S.A.p.A. (hereinafter referred to as “**B&D**”) that heads a group that has been active for over a century in the publishing business, and more recently also in the media and financing businesses.

On August 29, 2006 Lottomatica completed the acquisition of GTECH Holdings Corporation (hereinafter referred to as “**GTECH**”), a holding company of a group that is a leading provider of gaming and technology solutions worldwide with registered offices in the State of Rhode Island, United States, creating one of the world’s leading gaming solutions providers, with a significant global market presence and the broadest portfolio of lottery technology, services and content solutions.

On July 2, 2009, the Shareholders’ Meeting amended the corporate name from Lottomatica S.p.A. to Lottomatica Group S.p.A., also in the intent to give visibility to the integration process between Lottomatica and GTECH, a process that culminated in the appointment of the Managing Director of Lottomatica Marco Sala as Chief Executive Officer (hereinafter, the “**CEO**”) with competences for the entire group, as more thoroughly described in Section no. 4 that follows.

Lottomatica in 2009 has reached more than Euro 2.176 billion in CY09 consolidated revenue and over 7,700 employees in over 50 countries together with its subsidiaries.

Lottomatica is organized on the basis of the “traditional” model, which consists of a Shareholders’ Meeting, a Board of Directors and a Board of Statutory Auditors. These bodies are joined, among the other, by the Executive Committee, the Internal Audit and Compliance Committee, and the Remuneration Committee, within the Board of Directors, as well as by a manager in charge of drawing up corporate reports and financial statements, the member of the Board of Directors in charge of supervising the internal control system, the manager in charge of the internal control system as well as by the surveillance body established pursuant to legislative decree no. 231 of June 8, 2001.

## **2. INFORMATION ON THE OWNERSHIP STRUCTURE**

The deliberated share capital is equal to Euro 180,857,821.00, the underwritten and paid up portion of which amounts to Euro 172,015,373.00 divided into no. 172,015,373 ordinary shares with a par value of Euro 1.00 each, all equipped with equal rights and listed on the *Mercato Telematico Azionario* organized and managed by the Italian Stock Exchange; all shares are dematerialized.

The above share capital was the result of the transaction described hereinbelow.

On November 20, 2009, the Shareholders’ Meeting resolved to increase the share capital, with exclusion of the option rights, pursuant to Article no. 2441, paragraph 5 of the Italian Civil Code for a maximum counter value (inclusive of share premium) of Euro 304,340,000.00, through the issue of maximum no. 19,728,536 ordinary shares with a value of Euro 1.00 each, with regular rights, at an issue price of Euro 15.4268 per share, of which Euro 14.4268 as premium, reserved to Mediobanca International (Luxembourg) SA and

serving the conversion of Mandatory Exchangeable Bonds issued by UBI Banca International SA on October 29, 2009 for an overall counter value of Euro 350 million expiring on 2012. On November 24, 2009, Mediobanca International (Luxembourg) SA fully subscribed the no. 19,728,536 ordinary shares.

With particular reference to other financial instruments, the Company has in addition:

- (a) issued in 2006 non convertible subordinated non guaranteed bonds, listed on the Luxembourg Stock Exchange, due 2066 with a total value of Euro 750,000,000.00 at an annual interest rate of 8.25% for the first ten years, and starting from the tenth year at a floating interest regulated at EURIBOR six months + 505 base points;
- (b) issued *Sponsored Level I American Depositary Receipts* (ADR) on the basis of a program agreed with Bank of New York as depositary bank. Each ADR represents no. 1 ordinary share of Lottomatica, and is traded over the counter (OTC) on the United States' Pink Sheet market under the symbol "LTTOY" and with the following CUSIP number: 545697104;
- (c) issued in 2009 seven-year senior unsecured bonds (expiring December 5, 2016) for a total of Euro 750 million, and an annual gross coupon of 5.375%. The bonds have been admitted to the listing on the Luxemburg Euro-MTF market.

| OTHER FINANCIAL INSTRUMENTS<br>(that assign rights to execute shares) |           |                                    |                               |                                      |
|---|-----------|------------------------------------|-------------------------------|--------------------------------------|
|   | Listed    | No. of instruments                 | Shares serving the conversion | No. of shares serving the conversion |
| Mandatory Exchangeable Bonds  | Frankfurt | 1 (one)<br>Global Bond Certificate | Ordinary shares               | 19,728,536                           |

Lottomatica has adopted stock based compensation plans in favour of directors and/or employees of the Company or of its subsidiaries. The plans provide for the allocation of (i) options to subscribe ordinary shares (stock options) or (ii) shares (restricted stock). The main purpose of the plans consists in focusing the attention of the beneficiaries on factors of strategic interest, encouraging loyalty by providing incentives to stay with the Company or its subsidiaries, connecting compensation with the creation of value for the shareholders, increasing the Company's and its group's competitiveness by permitting the achievement of pre-set objectives, as well as ensuring the market competitiveness of beneficiary compensation packages.

For a detailed analysis of the stock base compensation plans of the Company (stock allocation and stock option plans), please refer to the information documents prepared pursuant to Article no. 84-*bis* of the regulation issued by CONSOB with resolution no. 11971 of May 14, 1999 (hereinafter, the "**Issuers' Regulation**") published on the "*Governance*" section of the internet website of the Company.

### Relevant participations to the share capital

De Agostini directly holds the absolute majority of the Company's stock capital (59.663%). The share capital of De Agostini is entirely owned by B&D. The Company is therefore included within the consolidated financial statements of B&D and it is subject to the direction and co-ordination of De Agostini.

According to the data received by the Company as at March 3, 2010, the other entities known to hold, either directly or indirectly, more than 2% of the share capital are:

- Mediobanca S.p.A. with a participation of 12.742%, following the above said subscription on November 2009 of the no. 19,728,536 ordinary shares deriving from the share capital increase serving the conversion of the Mandatory Exchangeable Bond;
- Assicurazioni Generali S.p.A. with a holding of 2.901%.

| Declarant                     | Direct Shareholder   | No. of shares                              | % owned on the ordinary capital      | % owned of voting capital (*) |
|-------------------------------|--|--|--------------------------------------|-------------------------------|
| B&D                           | . De Agostini  | 102,629,324<br>102,629,324                 | 59.663%<br>59.663%                   | 59.663%                       |
| Mediobanca S.p.A. (**)        | . Mediobanca S.p.A.<br>. Mediobanca International (Luxembourg) SA  | 21,918,941<br>2,190,405<br>19,728,536      | 12.742%<br>1.273%<br>11.469%         | 12.995%                       |
| Assicurazioni Generali S.p.A. | . Assicurazioni Generali S.p.A.<br>. Alleanza Toro S.p.A.<br>. Other no. 5 companies belonging to Generali group | 4,989,596<br>3,300<br>4,390,054<br>596,242 | 2.901%<br>0.002%<br>2.552%<br>0.347% | 2.958%                        |

(\*) The voting capital does not include the no. 3,334,190 own shares representing 1.945% of the share capital;

(\*\*) Out of the total no. of 21,918,941 shares directly and indirectly owned by Mediobanca S.p.A., no. 10,480,204 were loaned with no voting rights.

### Shareholders' agreements

The Company is cognizant of the existence of a shareholders' agreement within the meaning of Article no. 122 of the Legislative Decree no. 58 of 24 February 1998 as consequently amended (hereinafter referred to as the "**Consolidated Financial Law**", or "**TUF**"), executed on November 15, 2006, by and between the holders of the full ownership, the holders of the *nuda proprietas* and the beneficial owners of a total of no. 39,413,505 shares representing the entire stock capital of B&D, who reciprocally bound each other with regard to the totality of the shares respectively held through a voting syndicate and by means of an agreement placing limits on the transfer of the said shares, for a period of two years. Such shareholders' agreement was renewed for a three year period as from November 15, 2008, and shall therefore expire on November 15, 2011.

### "Change of control" clauses

Currently the Company is not aware of relevant agreements pursuant to Article no. 123-bis, paragraph 1, letter h) of the Consolidated Financial Law.

Standard change of control clauses that provide for an immediate reimbursement of the remaining amounts (so called "mandatory prepayment") in the event of a change of control of the Company, are provided under the following loan agreements and bond regulation:

- *Bond* (so called "Hybrid") for a nominal value of Euro 750 million issued in May 2006 by the Company due in March 2066, listed on the Luxembourg Stock Exchange;
- *Senior Credit Facility* for an amount of USD 2.76 billion executed by GTECH Corp. in May 2006, due on August 29, 2012, in connection with the acquisition of the US company GTECH Holdings Corporation. The unsecured *Senior Credit Facility* is not subordinated and is entirely and unconditionally guaranteed by Lottomatica and some of its major subsidiaries;
- *Revolving Credit Facility*, a revolving credit line of Euro 300 million, unsecured, executed by the Company in May 2008, due in August 2012 and aimed at the partial reimbursement of the *Senior Credit Facility* as well as for other corporate activities.

Moreover, it must be noted that, following the amendments to the Italian provision on public offerings and exchanges concerning instruments issued by listed companies, introduced by Article no. 13 of the Law Decree no. of 185 of November 29, 2008, later converted into Law no. 2 of January, 28, 2009, the Company

has decided not to introduce in its bylaws the *passivity rule* that provide for the obligation for the target company to refrain from carrying out deeds or transactions that may impair the fulfilment of the objectives of a public offering, unless the deed or the transaction is authorized by the Shareholders' Meeting, nor the *breakthrough rule* that renders inapplicable, should there be a public offering, those provisions of the bylaws of the target company or those of the shareholders' agreements that impair the execution of the offering and voids the special controlling powers eventually granted to the shareholders.

The choice made by the Company was justified by the scarce contendibility of the Company due to the current shareholder structure.

### **Delegation of powers to increase the share capital and authorization to purchase Company own shares**

The Extraordinary Shareholders' meeting of Lottomatica:

- on April 12, 2006 granted the Board of Directors, for a maximum period of 5 years from that date, pursuant to Article no. 2443 of the Italian Civil Code, the power to increase the share capital against payment by one or more issues, up to a maximum amount of Euro 1,720,000,000.00, of which up to a maximum of Euro 1,670,000,000.00 to be offered in options to the Shareholders and up to a maximum of Euro 50,000,000.00 to be offered in subscription to the employees of Lottomatica and/or its subsidiaries, excluding option rights, as per Article no. 2441, final paragraph, of the Italian Civil Code. As to date, the grant was exercised by issuing more than 57 million shares offered in option to the Shareholders during the share capital increase aimed at providing the Company with the means to purchase GTECH in 2006, and approximately 2 million shares offered to the employees of Lottomatica and/or of its subsidiaries pursuant to stock based plans;
- on October 18, 2006 resolved to vest the Board of Directors, for a period of 5 years from the date of the resolution, with the power to increase the share capital against payment in several issues up to a maximum amount of Euro 15,050,080.00 with the exclusion of the right to options as per Article no. 2441 paragraph 4, second sentence of the Italian Civil Code, and serving:
  - (i) one or more stock options plans reserved for the executives of the Company and/or the employees of Lottomatica and/or its subsidiaries, up to a maximum of 33% per year and with the possibility of carrying over the unused amount in any given year to the following years; and/or
  - (ii) for the acquisition of equity investments (including through mergers or de-merger transactions) or businesses or branches of businesses active in the fields of strategic business for the Company, without any limits per year. As to date the powers were exercised for the first objective by issuing more than 5 million shares;
- on April 23, 2007 empowered the Board of Directors, for a five year term as from the resolution, to increase the stock capital, free of charge, in one or more *tranches* by a maximum amount of Euro 3,200,000.00 by issuing up to no. 3,200,000 ordinary shares, to be allocated to employees of Lottomatica and/or of its subsidiaries, pursuant to Article no. 2349 of the Italian Civil Code, within the frame of existing or future stock based compensation plans. As to date, 400,000 shares were issued exercising these powers.

Moreover, on April 15, 2008, the Shareholders' Meeting authorized the purchase, in one or more times, of up to no. 15,199,189 ordinary shares, or any other number representing a maximum of 10% of its share capital in the event of an increase/decrease in share capital during the eighteen month period of the authorization, also taking into account the shares that could be from time to time owned by the subsidiaries of the Company, and, in any event, in full respect of the relevant provisions of law.

By the end of the share buy-back plan, upon termination of the 18 month period authorized by the Shareholders' Meeting, the Company had purchased no. 3,943,022 ordinary shares for an overall counter

value of Euro 74.8 million, of which no. 596,832 were granted to employees or Directors of the Company and/or of its subsidiaries in the framework of compensation plans.

Purchased shares may be disposed in one or more *tranches* at any given time without time limits.

The transaction allowed the Company to (i) intervene to curb abnormal flotation of the Company's stock price as well as to regularize the course of trade in the face of possible distortions connected to volatility or lack of liquidity; (ii) grant to the Shareholders an additional mean to easily liquidate their investment; (iii) assign the purchased shares.

The report by the Board of Directors to the Shareholders' Meeting on the share buy back program is available on the "Governance" section of the internet website of the Company.

### **Direction and coordination activity**

As indicated above, the Company is subject to the direction and coordination of De Agostini, pursuant to Article no. 2497 and following articles of the Italian Civil Code; the latter, in full respect of the independence of the Directors of the Company has issued, and updates, uniform managerial instructions to its subsidiaries, including the Company.

## **3. COMPLIANCE**

The Company complies to the Corporate Governance Code of March 2006 issued by the Italian Stock Exchange (the "**Code**") that implements the national and international corporate governance best practices by listed companies. The Code is available on the internet website of Borsa Italiana S.p.A. ([www.borsaitaliana.it](http://www.borsaitaliana.it)).

The Company annually informs the public on its corporate governance system and on its compliance with the Code by means of this report that highlights the degree of implementation to the principles and to the criteria provided by the Code and by international principles. The report is annually made available to the Shareholders together with the documentation of the annual Shareholders' Meeting called to approve the financial statements on the Company's website ([www.lottomaticagroup.it](http://www.lottomaticagroup.it)) and sent to the Italian Stock Exchange that makes it available to the public.

## **4. THE BOARD OF DIRECTORS**

The Board of Directors, during the meeting of March 5 and 6, 2009, adopted a charter aimed at transparently and permanently aligning its functions with the principles of the Code.

The Company hopes that such charter - inspired by principles shared by some of the most representative Italian listed companies on corporate governance, as well as the contributions resulting from the self evaluation of the managing body at the end of 2008 – may lead to ensure the maximum efficiency of the works of the Board.

The charter is available on the Governance section of the Company's website.

### **Appointment and replacement**

The Board of Directors is composed from seven to fifteen members who serve for a maximum of three financial years and may be re-appointed.

On accepting the directorship, the candidate Directors of the Company and the Directors that may have been co-opted are invited to preventively evaluate, as well as the moment of taking the office, whether they may diligently perform their duties. In particular, each concerned candidate Director is systematically invited to carefully consider the number of offices held as director or auditor in other companies listed on regulated markets (including foreign markets), in financial companies, banks, insurance companies or companies of a considerable size. Such offices are (i) brought to the attention of the Shareholders, when called to appoint new Directors, and of the Board of Directors, when called to periodically evaluate the continuing existence of

the conditions for the diligent performance of Directors' duties, and (ii) recorded in the annual report on corporate governance.

Moreover, the parent company De Agostini follows strict procedures when selecting the candidates Directors to be submitted to the approval by the Shareholders' Meeting or, in the event of co-opted Directors, by the Board of Directors. Such procedures always ensured a diversified composition of the Board and a mix of experiences amongst its members chosen among university professors, entrepreneurs and professional experts in the areas of business of the Company.

On the other hand, the candidates to the office of Director shall also verify that they meet the requisites required by the gaming and lottery authorities of those countries in which the Company or its subsidiaries operate; candidates are assisted in their review of the requirements by means of the guidelines available on website of the Company.

The Board of Directors is not aware of any activity carried out by any of its members in competition with the Company, nor have the Shareholders authorized in advance any such activity pursuant to Article no. 2390 of the Italian Civil Code.

Article no. 13 of the bylaws of the Company, as last amended by the Shareholders' meeting of April 15, 2008, provides that Directors are appointed by means of a voting list, so as to reserve to the Shareholders' minorities the appointment of at least one Director, in compliance with the provisions of the Savings Protection Law. Article no. 13 expressly (i) allows Shareholders owning the minimum percentage provided for by the law indicated in the notice of call of the Shareholders' Meeting called to resolve on the appointment of the Board of Directors (currently equal to 2% of the share capital of the Company), to submit lists of candidates to the office as Director, (ii) disregards those lists with less than the minimum number of votes provided for by the law and the bylaws (i.e. representing less than one eightieth of the share capital), (iii) requires that the minimum number of Directors provided for by the law (i.e. one) is taken from the list of minority Shareholders with the largest number of votes and unrelated with the list ranked first, (iv) in the event that two or more lists have obtained an equal number of votes, the list presented by those Shareholders that own the greater shareholding at the moment of the presentation of the list, or, in suborder, by the greater number of Shareholders, shall prevail, (v) requires that in order to be vested as Director, a person must possess the individual requisites provided for by the law, and that an appropriate number of Directors (at least 2) must possess the independence requisites provided by the law (Directors' independence is thoroughly described under Section no. 3 above).

Each list must be deposited at the headquarters of the Company within 15 days prior to the date of the Shareholders' Meeting convened for the appointment of new Directors, and must be accompanied by the following documentation:

- exhaustive information on the personal and professional qualifications of the candidates, indicating their alleged independency qualification pursuant to the law and codes of conduct on corporate governance issued by market management companies or trade associations;
- a statement through which each candidate accepts to be candidate and certifies under his/her own responsibility that there are no reasons of ineligibility or incompatibility provided under the law, as well as that he/she possesses all requisites provided by the law and by the bylaws;
- an indication of (i) the identity of the Shareholders that have submitted the list and (ii) the percentage of share capital jointly owned, as well as (iii) a copy of the certificates delivered by authorized intermediaries and certifying the ownership of the number of shares required to file the lists.

The Company shall immediately, and in any event within 10 days prior to the Shareholders' Meeting called to resolve on the appointment of the Directors, fulfil all the disclosure requirements set by the provisions in force as at that time.

The bylaws provide that the denial, or the grounded risk of denial, of the satisfaction expressed by public administrations or public or private entities pursuant to administrative or law provisions, also foreign, applicable to the Company or its subsidiaries, are construed as causes of ineligibility to the office of Director, or if appointed, shall result in the Director's termination of office.

As provided for by the bylaws of the Company, Directors are appointed for a maximum of three financial years, following which they may be available for re-election. Their offices expire on the date of the Shareholders Meeting called to approve the accounts on the last financial year of their appointment. The Directors are replaced in accordance with the provisions of Article no. 2386 of the Italian Civil Code and Article no. 13.5 of the bylaws, save for the Director appointed by the minorities, if given, for which it is provided an automatic replacement procedure, according to which the Director is replaced by the candidate with the following progressive number taken from the same list of the replaced Director.

## Composition

The Board of Directors comprises six executive Directors, pursuant to the powers granted individually (Managing Director) or jointly (Executive Committee), and seven non executive Directors, of which six are deemed independent pursuant to the Code and the Consolidated Financial Law. Non-executive Directors, thanks to their number and expertise, actively contribute to the discussions at Board meetings and concur to the adoption of well balanced decisions, as shown by the relevant number of meetings attended and by the high standard of their interventions and proposals, also made possible by (i) their membership of the Remuneration and of the Audit and Compliance Committees of the Company, as well as by (ii) the few other corporate offices held by them (see below a list of such offices). Non-executive Directors play an important role in the supervision of potential conflict of interest situations involving the members of the Board, as well as, more in general, on those matters where the interests of some executive Directors and those of minority shareholders might not coincide with each other, such as the remuneration of executive Directors and operations with related parties.

The Board of Directors was appointed by the Shareholders' Meeting of April 15, 2008, on the basis of the single list of candidates submitted by the majority Shareholder De Agostini:

- . Lorenzo Pellicoli (Chairman);
- . Robert Dewey Jr. (Vice-Chairman);
- . Marco Sala (Managing Director and CEO);
- . Pietro Boroli;
- . Paolo Ceretti;
- . Marco Drago;
- . Jeremy Hanley;
- . James F. McCann;
- . Jaymin Patel;
- . Anthony Ruys;
- . Severino Salvemini;
- . Gianmario Tondato Da Ruos;
- . W. Bruce Turner.

On April 28, 2009, the Board of Directors, as more thoroughly described in the sections that follow, granted, upon proposal by the Chairman, the office of group CEO, until that moment held by Lorenzo Pellicoli, to the Managing Director Marco Sala. The office of General Manager with responsibility for the domestic market was contextually granted to the director of the Gaming and Services division Renato Ascoli.

The table that follows represents the current composition of the Board of Directors and of its internal committees, together with other useful information concerning each single Director.

| BOARD OF DIRECTORS        |  |                |           |               |             |                        |                            |                    |
|---------------------------|--|----------------|-----------|---------------|-------------|------------------------|----------------------------|--------------------|
| Name                      | Offices  | In charge from | Executive | Non executive | Independent | Indep. pursuant to TUF | % attendance to BoD (2009) | Other offices held |
| Lorenzo Pellicoli         | . Chairman<br>. Chairman of the Executive Committee  | 12.04.2006     | X         |               |             |                        | 100%                       | 13                 |
| Robert Dewey, Jr.         | . Vice Chairman<br>. Member of the Remuneration Committee  | 29.08.2006     |           |               | X           | X                      | 100%                       | -                  |
| Marco Sala                | . Managing Director<br>. CEO   | 20.12.2005     | X         |               |             |                        | 100%                       | 2                  |
| Pietro Boroli             | . Member of the Executive Committee  | 20.12.2005     | X         |               |             |                        | 90%                        | 17                 |
| Paolo Ceretti             | . Member of the Executive Committee  | 20.12.2005     | X         |               |             |                        | 90%                        | 14                 |
| Marco Drago               | . Member of the Executive Committee  | 20.12.2005     | X         |               |             |                        | 100%                       | 11                 |
| Jeremy Hanley             | . Member of the Internal Audit and Compliance Committee  | 15.04.2008     |           |               | X           | X                      | 100%                       | 5                  |
| James F. McCann           | . Member of the Remuneration Committee   | 29.08.2006     |           |               | X           | X                      | 100%                       | 2                  |
| Jaymin Patel              | . Member of the Executive Committee  | 9.11.2007      | X         |               |             |                        | 100%                       | 21                 |
| Anthony Ruys              | . Member of the Internal Audit and Compliance Committee  | 29.08.2006     |           |               | X           | X                      | 70%                        | 6                  |
| Severino Salvemini        | . Supervisor of the Internal Audit and Compliance Committee<br>. Chairman of the Surveillance Body | 20.12.2005     |           |               | X           | X                      | 80%                        | 6                  |
| Gianmario Tondato Da Ruos | . Lead Indep. Director<br>. Supervisor of Remun. Committee   | 29.08.2006     |           |               | X           | X                      | 70%                        | 4                  |
| W. Bruce Turner           |  | 29.08.2006     |           | X             |             |                        | 90%                        | -                  |

**LEGEND**

**Office:** the office held in the Board of Directors or within its internal committees.

**Executive:** indicates whether the Director may be deemed as executive pursuant to the criteria provided by the Code.

**Non executive:** indicates whether the Director may be deemed as non executive nor independent pursuant to the criteria provided by the Code.

**Independent:** indicates whether the Director may be deemed as independent pursuant to the criteria provided by the Code.

**Indep. pursuant to TUF:** indicates whether the Director is compliant to the independence requirements provided by Article no. 148, paragraph 3 of the Consolidated Financial Law (as previously defined).

**% attendance to BoD (2009):** indicates the attendance, indicated by means of percentage, by the Director to the meetings of the Board.

**Other offices held:** indicates the overall number of offices held in other companies listed on regulated markets (also foreign), financial, banking, insurance and relevant sized companies.

Hereinafter a brief personal and professional resume of each Director, also available on the internet website of the Company.

**LORENZO PELLICOLI**

(*Chairman*) Born on July 29 1951 in Alzano Lombardo (BG). Married, three children. He lives in Paris. He started his career as a journalist for the newspaper *Giornale Di Bergamo* and afterwards he became *Bergamo TV Programmes Vice President*. From 1978 to 1984, he held different posts in the sector of the Italian private television for Manzoni Pubblicità, Publikompass up to his nomination as Rete4 General Manager. In 1984, he entered the Gruppo Mondadori Espresso, the first Italian publishing group. He was initially appointed General Manager for Advertising Sales and Mondadori Periodici (magazines) Vice General Manager and afterwards President and CEO of Manzoni & C. S.p.A, advertising rep of the Group. From 1990 to 1997, he was appointed first President and CEO of Costa Cruise Lines in Miami, being part of Costa Crociere Group operating in the North American market (USA, Canada and Mexico) and then became Worldwide General Manager of Costa Crociere S.p.A., based in Genoa. From 1995 to 1997 he was also appointed President and CEO of the Compagnie Française de Croisières (Costa-Paquet), the Paris-based subsidiary of Costa Crociere. As from 1997, he took part to the privatisation of SEAT Pagine Gialle purchased by a group of financial investors. After the acquisition he was appointed CEO of SEAT. In February 2000, he was also in charge of the "Internet Business Unit" of the Telecom Italia Group following on the selling of seat. In September 2001, following the acquisition of Telecom Italia by the Pirelli Group, he resigned. As from November 2005 he is CEO of the De Agostini Group, an Italian financial group with ownership in the publishing sector (De Agostini Editore), games and lotteries (Lottomatica/GTECH), media and communications (Antena Tres – Spanish television leader, Magnolia - Italian television production company), in the financial investments (DeA Capital). He is Chairman of the Board of Directors of Lottomatica, Chairman of the Board of Directors of DeA Capital, companies listed in the Milan stock market, Deputy Chairman of the Supervisory Board of Générale de Santé and he is member of the Executive Committee and Board of Directors of Assicurazioni Generali S.p.A. He is also member of the Advisory Boards of Investitori Associati IV, Wisequity II e Macchine Italia and Palamon Capital Partners. From 2006 he is member of the Global Clinton Initiative. He was formerly also a member of the Boards of Directors of Enel, INA-Assitalia, Toro Assicurazioni and of the Advisory Board of Lehman Brothers Merchant Banking.

**ROBERT DEWEY Jr.**

(*Vice Chairman*) – Mr. Dewey previously served as a Director of GTECH Corporation from 1995-2006 and as Chairman from 2005-2006, and has been a member of the Lottomatica Board of Directors since August 2006. He retired in April 2000 as senior consultant of Donaldson, Lufkin & Jenrette (DLJ), an investment banking company. Previously, Mr. Dewey was also a member of the Board of Directors of Autranet, a fully-owned subsidiary of DLJ. From 1983 to 1995, he was General Manager of Donaldson, Lufkin & Jenrette Securities Corporation and was a member of its Board of Directors.

**MARCO SALA**

(*Managing Director and CEO*) - Born in 1959 in Milan, where he graduated in Business and Economics at Bocconi University. He joined Kraft in 1985, holding various roles in the Marketing Department. In 1993 he was appointed Marketing Director of the Fresh Food Division, and two years later was given the role of Sales Director in the same division. In 1997 he joined Magneti Marelli (a Fiat Group company) as Head of the Spare Parts Division. Two years later he also became Head of the Lubricants Division. In April 2001 he joined SEAT Pagine Gialle as Head of the Italian Business Directories Division. In November he became Head of the entire Business Directories area with responsibility for a number of international companies such as Thomson (Great Britain), Euredit (France) and Kompass (Italy). After a brief period as Managing Director of Buffetti, in March 2003 he joined Lottomatica in the role of General Manager and member of the Board. Following Lottomatica's takeover of GTECH, leading international supplier of technologies for games and services, in August 2006 he was appointed Managing Director and General Manager of Lottomatica with responsibility over European activities. On April 28, 2009 he is appointed Managing Director and CEO of Lottomatica.

**PIETRO BOROLI**

Born in Novara on 21 November 1957, Pietro Boroli graduated in Political Science at Pavia University. In 1979, he started to work with the De Agostini Geographic Institute. From 1981 to 1983, he was assistant to the Managing Director, Marco Drago. In 1984 he was appointed Advertising Manager, in 1985 Sales Director for Magazines and Collections and, in 1990, Collectables Division Manager, coordinating activities both on the Italian and foreign markets. From 1993, he was Managing Director of the De Agostini Geographic Institute. In 1999, he was appointed CEO and Vice Chairman of the De Agostini Geographic Institute and, since 2003, has been Chairman of De Agostini Editore, the publishing sub-holding. He is Vice Chairman and a member of the Executive Committee of De Agostini, the Group holding company and holds various other positions within the Group companies, such as Chairman of UTET, Director of Lottomatica and Zodiak Entertainment. He is a member of the Italian Newspaper Editor/Publisher Federation (FIEG) Committee and

Chairman of the Delegation of magazine publishers of mid-size firms, Chairman of the SGP Publishing house which controls the Corriere di Novara, Chairman of HLM – Hachettea Lifestyle Media S.r.l. and member of the Board of Directors of Venchi S.p.A. and of Banzai S.p.A.

### **PAOLO CERETTI**

Born in Turin in 1955, he gained his professional experience inside the Agnelli Group, holding from 1979 positions of increasing importance at Fiat S.p.A. (Internal Auditing and Finance) and in the Financial Services Sector (Planning, Credit and Control) and subsequently assuming the position of Head of Strategic Planning and Development of Ifil. After assuming responsibility for the internet B2C sector of Fiat/Ifil in 1999 as CEO and General Manager of CiaoHolding and CiaoWeb, he was appointed CEO and General Manager of GlobalValue SpA, a Fiat/IBM joint venture in the Information Technology sector. Since 2004, he has been General Manager of De Agostini. In 2007 he was appointed Managing Director of DeA Capital. He is a member of the Board of Directors of De Agostini Editore, De Agostini Communications, Zodiak Entertainment, Generale de Sante, Migros Turk and other companies.

### **MARCO DRAGO**

Marco Drago has been the Chairman of De Agostini, one of Italy's largest family-run groups, since 1997. During this time he has steered the company through a crucial evolutionary phase. As Chief Executive Officer of the Editorial Group during the 80s and 90s he was the driving force behind the exceptional growth in Italy and especially abroad. Since 2000, as part of a diversification strategy, he has led the Group's expansion in the lottery, games and services sector with Lottomatica – GTECH; in the media and communications sector with Antena 3 de Television in Spain (with the Planeta Group) and Mikado Film and Magnolia in Italy; in the insurance sector with Toro, later sold to the Generali Group; and in the finance sector with DeA Capital. Since October 2006 he has been Chairman of the Board of Partners of B&D, a family limited partnership created to ensure cohesion in share ownership, consistency of intent and continuity in decision making over the long term. He is also Vice President of the De Agostini Planeta Group, and a Director of Antena 3 de Television, DeA Capital, De Agostini Editore, Zodiak Entertainment S.A.S. and S. Faustin (Techint Group). Born in Settimo Torinese, in the province of Turin, in 1946, he graduated in Economics and Business from the Università Bocconi in Milan in 1969. That same year his career in the family company began when he joined the De Agostini Geographical Institute. Following appointments as Executive Officer and Managing Director, he then replaced Achille Boroli as Chairman of De Agostini. In 1970 he married Donata Morandi and they have three children: Enrico and Nicola, both graduates in Economics from the Università Bocconi and Marcella, a graduate in Modern Literature.

### **The Rt. Hon Sir JEREMY HANLEY KCMG**

A Chartered Accountant, the Rt. Hon Sir Jeremy Hanley KCMG has carried on a wide-ranging commercial life since retiring from politics in 1997. Previously he was Member of Parliament for Richmond & Barnes from 1983-97, and a Government Minister for over seven years. His posts included: Cabinet Minister without Portfolio whilst Chairman of the Conservative Party, Minister of State for Foreign Affairs (responsible for Hong Kong and the Middle East), Minister of State for the Armed Forces at the Ministry of Defence, and Under-Secretary of State for Northern Ireland as Minister for Health & Social Services, Minister for Agriculture and for Education and Political Development. He was selected for "Great Parliamentary Speeches 1978-91". He qualified as an FCA (1969), FCCA (1980) and FCIS (1980) and was Senior Lecturer in Law with the Financial Training Co. for twenty one years, becoming Deputy Chairman. He now serves on the Boards of a number of quoted and unquoted companies, including currently Willis Group Holdings, Blue Hackle and Langbar International. Having led seventeen high level trade missions in recent years, he is a consultant for trade in the Middle East and Asia and a director of the Arab British Chamber of Commerce. He has been a Privy Counsellor since 1994 and a Knight Commander of the Order of St Michael & St George since 1997. He is a Freeman of the City of London and in 2005 and 2006 Master of the Worshipful Company of Chartered Accountants. He is a trustee of the University of Syracuse. Born in 1945, he is married to Verna and has three children and two grandsons. He lives between Northwood, Middlesex and Brixham, Devon. He was educated at Rugby School and his parents were the actors Jimmy Hanley and Dinah Sheridan. Clubs: Garrick, Lords' Taverners, St Stephen's.

### **JAMES F. McCANN**

GTECH Director from 2003 to 2006, he is a member of Lottomatica's Board of Directors since August 2006. Mr. McCann currently serves as Chairman and Chief Executive Officer of 1-800- flowers.com, Inc., headquartered in Carle Place, New York. Mr. McCann has been in the retail floral industry since 1976. He is currently also a member of the Board of Directors of Willis Group Holdings Limited.

**JAYMIN PATEL**

As President and CEO of GTECH Corporation, Jaymin Patel is responsible for overseeing the strategic direction of the Company. He works directly with GTECH's and Lottomatica's management teams to execute the Company's vision in the continuous effort to deliver value to its customers, shareholders, and employees. In May 2007, Patel was named President and Chief Operating Officer of GTECH, and was appointed a member of the Lottomatica Board of Directors in November 2007. Patel joined GTECH in July of 1994, after approximately five years with PricewaterhouseCoopers in London. From January 2000 to April 2007, Patel served as Senior Vice President and Chief Financial Officer of GTECH Corporation, and from August 2006 to April 2007, he also served as Chief Financial Officer of Lottomatica S.p.A. During his seven years as Chief Financial Officer of GTECH, Patel was instrumental in driving growth across the business, leading several mergers and acquisitions, cost optimization initiatives, and substantially improving the capital efficiency of the Company. Patel's tenure as the Chief Financial Officer culminated in his leading the cross-border financing for the Lottomatica acquisition of GTECH. Patel holds a BA (honors) degree from Birmingham Polytechnic (UK), and qualified as a Chartered Accountant with PricewaterhouseCoopers, London.

**ANTHONY RUYLS**

He is currently a member of Lottomatica's Board of Directors and serves also in the Internal Audit and Compliance Committee. He is Chairman of Schiphol Group NV (international airport of Amsterdam) and a non executive member of BAT plc (UK), ITC plc (India), Janivo Holdings BV (Netherlands) and Chairman of the Rijksmuseum Foundation and of the Aidsfoundation both in the Netherlands. Prior to this Anthony Ruys served in various marketing and general management positions in Colombia, Italy and the Netherlands for Unilever (1974-1992) and served from 1993 as an executive board member of Heineken NV, where he was appointed Chief Executive Officer from 2003 till 2005.

**SEVERINO SALVEMINI**

Born in Biella on October 21, 1950, he is currently professor of Business Management at the Bocconi University of Milan and Director of Economics for the Arts, Culture and Communication Department. He has been Pro-rector of International Relations (1997-2000) and Chairman of the Corporate Management School (2003-2006). Currently he is Vice-Chairman of Ned Community, a community of non-executive directors, as well as member of the Board of Arbitrators of AGIS, *Associazione Generale dell'Industria dello Spettacolo*, Rome. Among the most relevant offices held he is a member of the Board of Directors of Lottomatica, Mediacontech, InPartners, Cinemeccanica, Cargo Italia, as well as Chairman of MikadoTV and of Film Investimenti Piemonte.

**GIANMARIO TONDATO DA RUOS**

He has been the CEO of Autogrill, the world's leading provider of food&beverage and retail services for travellers, since March 2003. He joined the Group in 2000 and went to the United States to manage the integration of the North American subsidiary HMSHost. Since his appointment as CEO in 2003, he oversaw an intensive program of strategic refocusing on concession operations and diversification in terms of type of business, channels and geographical regions. His implementation of a policy combining organic growth and acquisitions enabled Autogrill to nearly double its sales. The acquisition of Aldeasa, Alpha Group and World Duty Free Europe made the Company the world's no. 1 airport retail operator, in addition to its f&b business. After graduating in Economics and Business at the Università Ca' Foscari in Venice, he began his career in 1985 at Gruppo Arnoldo Mondadori Editore and then in various Gruppo Benetton companies, where he worked on re-organization projects and international mobility. Gianmario Tondato Da Ruos is also Lead Independent Director at Lottomatica, Chairman of Autogrill Group Inc. (USA), and a director of Aldeasa (ES) and Autogrill Holdings UK Plc (UK). Former rugby player and now passionate marathon runner and skier, Gianmario Tondato Da Ruos is married and has two daughters

**BRUCE TURNER**

Turner, a Director of Lottomatica since August 2006, previously served as President and CEO of GTECH Corporation from 2001 through April 2007, and CEO from May through December 2007, at which time he retired from the company. During his tenure, GTECH experienced significant growth: total revenues grew 34 percent; earnings per share rose three-fold, or 200 percent; and the Company's lottery customer base expanded by 11 percent. For the 10-year period from 1989 to 1999, Turner worked on Wall Street with two firms and was widely recognized as the premier equity analyst in the gaming and leisure industry. *Institutional Investor* magazine repeatedly ranked him as the finest global analyst in the gaming field, and *Gaming and Wagering Business* magazine ranked him as one of the "25 most powerful people in the gaming industry." Turner, a graduate of the United States Military Academy at West Point (New York), received his Master of Arts in Management and Supervision from Central Michigan University, and a Master of Business Administration from the University of Tampa in Florida. He was also awarded an honorary Doctorate of Business Administration from Roger Williams University in Rhode Island.

## Other offices

Below are the main offices held by the Directors in other companies listed on regulated markets (including foreign markets) as well as in financial companies, banks, insurance companies or companies of considerably large size:

### **LORENZO PELLICOLI**

Managing Director and member of the Executive Committee of De Agostini (a company belonging to the same group as Lottomatica);  
 Director of B&D (the parent company of the group to which Lottomatica belongs);  
 Director and member of the Executive Committee of Assicurazioni Generali S.p.A.;  
 General Manager of Dea Factor S.p.A. (a company belonging to the same group as Lottomatica);  
 Director of De Agostini Editore S.p.A. (a company belonging to the same group as Lottomatica);  
 Director of Editions Atlas (France) S.A.S.;  
 Director of Editoriale Genesis S.r.l.;  
 Chairman of DeA Capital S.p.A. (a company belonging to the same group as Lottomatica);  
 Director of Idea Alternative Investments S.p.A.;  
 Vice Chairman of the surveillance body of General de Santé S.A.;  
 Chairman of Xantos S.A.S.;  
 Chairman and Managing Director of Zodiak Entertainment SAS (a company belonging to the same group as Lottomatica);  
 Sole Director of Investendo S.r.l.

### **ROBERT DEWEY JR.** -

### **MARCO SALA**

Director of Banca ITB S.p.A.;  
 Director of Magnolia S.p.A. (a company belonging to the same group as Lottomatica).

### **PIETRO BOROLI**

Vice Chairman and member of the Executive Committee of De Agostini (a company belonging to the same group as Lottomatica);  
 Chairman of the Board of Directors and Chairman of the Executive Committee of De Agostini Editore S.p.A. (a company belonging to the same group as Lottomatica);  
 Director of M-Dis Distribuzione Media S.p.A.;  
 Chairman of S.G.P. Società Gestione Periodici S.r.l.;  
 Director of De Agostini Partworks Licensing S.p.A. (a company belonging to the same group as Lottomatica);  
 Director of Istituto Geografico De Agostini S.p.A. (a company belonging to the same group as Lottomatica);  
 Sole Director of Vis Value Partecipazioni S.r.l.;  
 Chairman of Unione Tipografico Editrice Torinese (UTET) S.p.A. (a company belonging to the same group as Lottomatica);  
 Director of De Agostini UK Limited (a company belonging to the same group as Lottomatica);  
 Director of Grupo Planeta – De Agostini SL (a company belonging to the same group as Lottomatica);  
 Director of DeA Planeta SL (a company belonging to the same group as Lottomatica);  
 Vice Chairman of Editorial Planeta De Agostini S.A. (a company belonging to the same group as Lottomatica);  
 Director of Edizioni Atlas (France) SAS;  
 Chairman of HLM – Hachette Lifestyle Media S.r.l.;  
 Director of Venchi S.p.A.;  
 Director of Banzai S.p.A.;  
 Director of Zodiak Entertainment S.A.S. (a company belonging to the same group as Lottomatica).

### **PAOLO CERETTI**

General Manager of De Agostini (a company belonging to the same group as Lottomatica);  
 Director of DEA Factor S.p.A. (a company belonging to the same group as Lottomatica);  
 Director of De Agostini Editore S.p.A. (a company belonging to the same group as Lottomatica);  
 Managing Director of DeA Partecipazioni S.p.A. (former De Agostini Invest S.A.) (a company belonging to the same group as Lottomatica);  
 Managing Director of DeA Capital S.p.A. (a company belonging to the same group as Lottomatica);

Director of Idea Alternative Investments S.A.;  
 Managing Director of De Agostini Communications S.p.A. (a company belonging to the same group as Lottomatica);  
 Member of the Surveillance Board of Générale de Santé S.A.;  
 Chairman of the Board of Directors of Cont Première S.A. (a company belonging to the same group as Lottomatica);  
 Director of Zodiak Entertainment S.A.S. (a company belonging to the same group as Lottomatica);  
 Director of De Agostini Communications S.A. (a company belonging to the same group as Lottomatica);  
 Chairman of DeA Capital Investments S.A. (a company belonging to the same group as Lottomatica);  
 Chairman of Zodiak Television A.B. (a company belonging to the same group as Lottomatica);  
 Director of Migros Turk T.A.S.

**MARCO DRAGO**

Chairman of De Agostini (a company belonging to the same group as Lottomatica);  
 Chairman of B&D (the company that controls the group to which Lottomatica belongs);  
 Director of DeA Capital S.p.A. (a company belonging to the same group as Lottomatica);  
 Director of De Agostini Editore S.p.A. (a company belonging to the same group as Lottomatica);  
 Director of Antena 3 TV SA (a company belonging to the same group as Lottomatica);  
 Member of the Supervisory Board and of the Board of Directors of San Faustin N.V. Curaçao;  
 Vice Chairman of Grupo Planeta De Agostini S.L. (Spain) (a company belonging to the same group as Lottomatica);  
 Member of the Directive Board of ASSONIME;  
 Director of the Fondazione Re Rebaudengo;  
 Director of Zodiak Entertainment SAS (a company belonging to the same group as Lottomatica);  
 Director of Fondazione De Agostini.

**JEREMY HANLEY**

Director of the Arab – British Chamber of Commerce;  
 Member of the Advisory Board of Blue Hackle Ltd.;  
 Deputy Chairman of Langbar International Ltd.;  
 Director of Willis Group Holdings Inc.;  
 Director of Willis Ltd.

**JAMES F. MCCANN**

Director of Willis Holdings Group;  
 Director of 1-800-Flowers.com.

**JAYMIN PATEL**

Director of Beijing GTECH Computer Technology Company Limited (a company belonging to the group controlled by Lottomatica);  
 Director of Cam Galaxy Group Limited (a company belonging to the group controlled by Lottomatica);  
 Director of Caribbean Lottery Services, Inc. (a company belonging to the group controlled by Lottomatica);  
 Director of Europrint (Games) Limited (a company belonging to the group controlled by Lottomatica);  
 Director of Europrint Holdings Limited (a company belonging to the group controlled by Lottomatica);  
 Director of Europrint Promotions Limited (a company belonging to the group controlled by Lottomatica);  
 Director of GTECH Corporation (a company belonging to the group controlled by Lottomatica);  
 Director of GTECH Europe (a company belonging to the group controlled by Lottomatica);  
 Director of GTECH (a company belonging to the group controlled by Lottomatica);  
 Director of GTECH Northern Europe Corporation (a company belonging to the group controlled by Lottomatica);  
 Director of Southern Africa (Proprietary) Limited (a company belonging to the group controlled by Lottomatica);  
 Director of GTECH Sweden AB (a company belonging to the group controlled by Lottomatica);  
 Director of GTECH U.K. Limited (a company belonging to the group controlled by Lottomatica);  
 Director of GTECH Worldwide Services Corporation (a company belonging to the group controlled by Lottomatica);  
 Director of Interactive Games International Limited (a company belonging to the group controlled by Lottomatica);  
 Director of JSJ Limited (a company belonging to the group controlled by Lottomatica);  
 Director of Leeward Islands Lottery Holding Company, Inc. (a company belonging to the group controlled by Lottomatica);

Director of Loxley GTECH Technology Co., Ltd. (a company belonging to the group controlled by Lottomatica);  
 President and Chief Executive Officer of GTECH Corporation (a company belonging to the group controlled by Lottomatica);  
 President and Chief Executive Officer of GTECH (a company belonging to the group controlled by Lottomatica);  
 Senior Vice President and Chief Financial Officer of GTECH Worldwide Services Corporation (a company belonging to the group controlled by Lottomatica).

**ANTHONY RUYS**

Chairman of Schiphol Group NV;  
 Director of British American Tobacco PLC UK;  
 Director of Janivo Holdings BV, NL;  
 Chairman of the Rijksmuseum Foundation, NL;  
 Chairman of AidsFoundation, NL;  
 Director of ITC Plc.

**SEVERINO SALVEMINI**

Director of Mediacontech S.p.A.;  
 Director of Cargo Italia;  
 Director of InPartners;  
 Chairman of Film Investimenti Piemonte F.I.P.;  
 Director of Cinemeccanica S.p.A.;  
 Chairman of Magnolia S.p.A.

**GIANMARIO TONDATO DA RUOS**

Managing Director of Autogrill S.p.A.;  
 Chairman of Autogrill Group Inc.;  
 Director of Aldeasa S.A.;  
 Director of Autogrill Holdings UK Plc.

**W. BRUCE TURNER** -

**Role of the Board of Directors**

The meetings of the Board are adequately regulated by the bylaws and by the law, as well as by the new charter regulating the work of the Board of Directors approved by the Board on March 5, 2009.

The Board of Directors meets on a regular basis for the approval of the financial annual and infra-annual reports as well as of the budget and industrial plans.

The meetings of the Board may also be held by means of videoconference and/or teleconference. The meetings are summoned by the Chairman by means of a written communication sent to the Directors and Statutory Auditors at least three working days before the date scheduled for the meeting; should the Board be called to resolve on a particularly urgent matter, the bylaws also provide for a reduced term to summon the meeting (48 hours).

The Board may also be summoned by the Board of Statutory Auditors or even by each single Auditor. In the event that no summon notice is given, the meeting of the Board of Directors is considered validly held when all the Directors and the Effective Statutory Auditors are in attendance and no one opposes the discussion of the items proposed on the agenda.

The above charter provides that, in order to allow Directors to pass resolutions with full knowledge of corporate facts, the documents and information supporting the items to be discussed upon during each meeting of the Board, as well as of any internal Committee, are made available with reasonable advance both in Italian and English.

The resolutions of the Board of Directors are taken by means of simple majority vote except for those cases where a different majority is required by the law.

In order to ensure well balanced and transparent Board meetings, the Company recommends to its Directors to disclose their interests for any corporate transaction in accordance with Article no. 2391 of the Italian Civil Code (Interests of Directors). To such an extent, each Director is aware of being obliged – also pursuant to the intra-group and related party transaction charter (see Section no. 12) – to inform the other Directors and the Board of Statutory Auditors by a five-day advance written notice of any interest that he, on his own behalf or on behalf of third parties, has in a given transaction. The Managing Director is further aware that he shall refrain from carrying out the transaction if the Board was not previously informed. In order not to influence the Board, the Managing Director has sometimes not simply abstained himself from carrying out the transaction, but also left the meeting, as required by the above said charter; powers to close the transaction were in such cases granted to other Directors (normally the Chairman). In all such cases, and more generally in the event of a related party transaction, the Board of Directors has always indicated the reasons and the convenience of the transaction for the Company.

Some managers of the Company normally attend the meetings in order to contribute to the presentation of some of the items discussed and to the drafting of the minutes.

At the end of each meeting of the Board a draft of the relevant minutes is prepared by the Secretary and sent to all Directors and Statutory Auditors, within working 15 days, for considerations and comments, if any, that may be discussed during the next meeting.

During 2009 the Board of Directors met 10 times on the following dates: March 5 and 6, April 28, June 10, July 30, September 9 and 10, October 9, October 14, October 18, November 11 and 12 and December 3. The meetings lasted on average two and a half hours. During such 2009 meetings there was a 90% average attendance by all Board members, and 85% average attendance by the independent members and 96.6% by the Statutory Auditors. The absence by Directors and Statutory Auditors was always duly justified.

In 2010, the Board met on March 3 and 4, and other meetings are scheduled for the review and approval of the infra-annual accounts, as indicated in the calendar published at the end of January 2010.

### **Powers**

As expressly provided by the bylaws, by the charter of the Board of Directors and by the corporate practice, the Board of Directors has all the powers for the ordinary and extraordinary management of the Company in pursuance of the corporate purpose. In particular, the Board of Directors is responsible for the following:

- merging and spin-off resolutions concerning the Company, pursuant to Articles no. 2505, 2505-*bis* and 2506-*ter*, last paragraph, of the Italian Civil Code (merger and spin-off of at least 90% owned subsidiaries);
- setting up or closing secondary premises;
- appointment of Directors with powers of attorney;
- share capital reduction in the event of withdrawal of Shareholders;
- amendments to the bylaws aimed at making them fully compliant with laws and regulations;
- transfer of the headquarters to another municipality within Italy;
- issuing non convertible bonds and setting the terms and conditions of their placement.
- examining and approving in advance transactions having a significant impact on the Company's profitability, assets and liabilities or financial position, with specific reference to related party transactions, including any such transactions to be carried out by its most relevant subsidiaries, as well as any transaction which may involve personal interests of single Directors or be of special interest for the marketplace. Since uniform and general criteria may not be easily set for purposes of identifying any such transactions, all

transactions in excess of Euro 200 million worth are systematically reserved to the competence of the Board, normally upon proposal by:

- (i) the Executive Committee, which is in some cases empowered to directly execute and then report to the Board of Directors on transactions involving an amount of up to Euro 200 million;
- (ii) the interested Managing Director that, in some cases, has the power to execute them directly and informing the Board if for an amount not higher than Euro 15 million (30 million if executed jointly with the chairman of the board of directors).

As indicated in the following paragraph, in particular urgent matters, the chairman may take, upon proposal by, and jointly with, the managing director, any resolution falling under the competence of the board of directors, informing the body in its next meeting.

Coherently therewith, the Chairman of the Executive Committee and the Managing Director normally report to the Board of Directors at least on a quarterly basis on the main transactions respectively carried out in accordance with the specific powers granted them, and only bring to the ratification of the Board of Directors the extraordinary operations;

- examining and approving the Company's and the group's strategic, operational and financial plans as well as the relevant corporate structure;
- granting and revoking powers to the corporate executive bodies, specifying the limits to such delegated powers as well as the manner of exercising them;
- determining, upon the proposal of the Remuneration Committee and the favourable opinion of the Board of Statutory Auditors, the remuneration of the executive bodies and of those directors who are appointed to particular positions within the Company, as well as, in the event that the Shareholders' Meeting did not already resolve on the matter, the allocation of the overall compensation amount to the members of the Board. The basic remuneration of the Directors is decided by the Shareholders Meeting, that also determines an overall consideration for the compensation of all directors, including those vested of particular offices, while the remuneration of the Managing Director of the Company and that of the CEO of GTECH Corp. (as well as that of the top management of the group) is partially connected to corporate results achieved and/or to the achievement of specific objectives; to such an extent, the overall remuneration is normally composed of MBOs and supplemented by the proceeds of stock based compensation plans;
- periodically supervising and evaluating the general performance of the Company. The results of such evaluation is then described in general terms in the annual and in the infra-annual financial reports as well as in press releases disseminated simultaneously with the approval of such reports, whereby the results achieved are compared to those planned;
- checking the adequacy of the general organisational, administrative and accounting structure established by the delegated bodies for the Company and the group it heads, with particular reference to the internal control system and the management of conflict of interests;
- the review and preliminary approval of the transactions of the Company and of its subsidiaries, when so requested by the group corporate governance guidelines approved and updated from time to time by the Board of Directors, and in any event whenever such transactions are significantly relevant for the Company from a strategic, economic, asset and financial point of view, with particular attention to those situations whereby one or more Directors have a direct or indirect interest and, more in general, to the related party transactions reserved to the competence of the Board of Directors.

Moreover the Chairman of the Board of Directors, also with the avail of experts, normally dedicates time during Board meetings to update the members on the latest relevant provisions of law and those issued by Borsa Italiana S.p.A.

The following main matters are expressly reserved by the law and/or the bylaws to the Shareholders' Meeting and, as a result, all of the other competences of the Board of Directors may be identified on a residual basis:

- in ordinary session: the approval of the Company's stand alone financial statements, the appointment and removal of Directors and Statutory Auditors, as well as the determination of the amount of fees of Directors and Statutory Auditors, purchase and disposal of Company's own shares;
- in extraordinary session: amendments to the bylaws not required by laws nor regulations, mergers and spin-offs of companies that are not at least 90% owned by the Company, issuance of convertible bonds and, in accordance with Article no. 25 of the bylaws, appointment of one or more receivers and resolutions on their respective powers and fees.

### ***Evaluation on the size, composition and performance of the Board of Directors and of the Committees***

In 2009 the Board of Directors carried out (and completed in the month of November 2009) an evaluation on the adequacy of the size, composition and performance of the Board as well as of the internal committees (Executive Committee, Remuneration Committee and Internal Audit and Compliance Committee).

The evaluation process, coordinated by the Lead Independent Director, was carried out through the completion of a self-evaluation questionnaire by the Directors. The results were also shared with the Statutory Auditors and during the Board meeting held on November 11 and 12, 2009. As shown by the Lead Independent Director during the meeting, the questionnaire highlighted the progress made by the Company with reference to the results of the previous 2008 evaluation.

In particular, the analysis concentrated on (i) the structure, composition and capacity of the Board, (ii) the development of the meetings, on the relevant information flow and the adopted decisional processes, (iii) the composition and capacity of the internal Committees, (iv) the relations between the Board of Directors and the management and finally (v) the strategies and performance objectives.

The following were among the most positive aspects that unanimously resulted from the evaluation: the ponderate number of executive Directors; the role of the Lead Independent Director (despite the offices of chairman and chief executive officer are no longer concentrated on the same person); the information flows of the Committees towards the Board of Directors; the corporate governance guidelines set by the parent company and the relevant internal charters that were deemed clear and accessible by all Directors. Moreover, the discussions during Board meetings were deemed detailed and exhaustive. With particular reference to the Committees, their role, efficiency and adequacy of its composition, were deemed adequate.

### **Delegated Bodies**

As provided by the bylaws the Chairman of the Board of Directors is the legal and procedural representative of the Company. The Chairman reports periodically to the Board of Directors on his ongoing activities.

In the interests of urgency, the Chairman, upon proposal by, and together with, the Managing Director, may take any measure falling under the competences of the Board of Directors, reporting back to the Board at the next meeting.

The Board of Directors has appointed on April 15, 2008 Mr. Lorenzo Pellicoli as Chairman of the Board as well as Chief Executive Officer of the Company. On April 28, 2009 the Board of Directors granted the proposal by the Chairman to remit the office as CEO in favour of Marco Sala already Managing Director of the Company. Renato Ascoli, head of the Gaming and Services division, was contextually appointed General Manager with responsibilities for the domestic market.

The Chairman of Lottomatica Lorenzo Pellicoli is also vested with the office of Managing Director of the parent company De Agostini.

The following overall powers and competences were granted to the Chairman Lorenzo Pellicoli on April 28, 2009:

**“ORDINARY ACTIVITIES**

1. defining, in agreement with the Managing Director/CEO, the strategic guidelines for management of the Company and its subsidiaries, ensuring consistency with the overall strategies of the Company's Group;
2. negotiating and entering into contracts for the day-to-day management of the Company, up to an overall amount of Euro 15 million for each agreement, including but not limited to, contracts for the sale and purchase of products, services, goods and equipment related to the object of the Company and of its subsidiaries, including the agreements with government bodies and public administration;
3. negotiating contracts with government bodies and public administration worth over Euro 30 million each to be submitted to the Board of Directors or the Executive Committee for approval;
4. organizing and awarding tenders for the supply of goods, services and works up to a maximum of Euro 15 million for each tender, inclusive of (i) entering into, amending and terminating the relevant contracts, (ii) defining the most suitable clauses, such as the arbitration clause, (iii) defining and implementing all required procedures and formalities;
5. taking part in tender, bid, competition proceedings of any kind, organized by public and/or private entities for the supply of goods or services and/or aimed at obtaining concessions and/or licences of any kind, including entering into companies, consortia and/or temporary partnerships, executing the related contracts and regulations, as well as giving all relevant or in any way connected securities, guarantees and accessories, signing and presenting bids up to Euro 15 million each with single signature, or up to Euro 50 million each if signed jointly with the Managing Director/CEO, signing and presenting price adjustments to the competent commission, taking part in potential ballots, signing declarations and, in the event of an award, entering into the related contracts, executing them, approving agreements and arrangements and signing all related documents also accessory or in any way connected, therefore inclusive of all relevant securities and other guarantees;
6. performing all acts and formalities required to obtain licences, concessions and authorisations in general from government bodies and offices;
7. receiving, opening and paying back deposits, including guarantee deposits, allowing all types of such deposits to be entailed or released up to Euro 15 million each;
8. performing all financial and banking credit and debit transactions necessary for the ordinary management of the Company within the assigned thresholds; accessing new credit lines to be used for letters of credit and overdrafts, up to a maximum of Euro 100 million for each line; executing new guarantees with reference to such credit lines, and increasing existing guarantees, with no limits in the event of guarantees regarding concession related obligations upon the Company, its subsidiaries or consortia, and up to a maximum amount of Euro 20 million for each guarantee in any other event;
9. representing the Company in legal proceedings before any Court, Italian or foreign, including *Corte di Cassazione*, *Corte dei Conti*, *Consiglio di Stato* at all levels of jurisdiction, being fully empowered to appoint lawyers and grant proxies;
10. appearing before any civil, administrative and criminal judicial or tax authority in connection with actions and/or litigation and disputes, involving both individual and collective labour matters, or in connection with compulsory social security and welfare insurance, complying with all the requirements referred to in Laws No. 300 of May 20, 1970, and No. 533 of August 11, 1973, and subsequent amendments and additions;
11. suing and appearing as a civil party, filing petitions and complaints;
12. executing, signing and submitting all documents, certificates and returns to be addressed to the relevant public bodies, such as tax and VAT returns, including at the consolidated level;

**INTRA-GROUP ACTIVITIES**

13. managing the Company's stock holdings in corporations, companies and entities, also abroad, exercising all the related powers and assuming responsibility for the related decisions, representing the Company in the shareholders meetings and exercising all related powers and voting rights, including corporate appointments of any entity or corporate body whose assets be equal to at least 4% of the consolidated assets, as resulting from the last consolidated financial statements or infra-annual reports, for which the prior approval of the Company's management bodies will have been received;
14. executing and paying in increases in the share capital of subsidiaries and entities of the Company, including foreign subsidiaries, up to a maximum amount of Euro 25 million each;

15. entering into and granting loans to subsidiary companies and entities of the Company, including foreign subsidiaries, with the prior authorisation of the Board of Directors or the Executive Committee for amounts of more than Euro 100 million each;

16. obtaining loans from subsidiary companies and entities, including foreign subsidiaries, with the prior authorisation of the Board of Directors or the Executive Committee for amounts of more than Euro 100 million each;

17. unless otherwise provided by these powers, deciding, executing and performing intra-group transactions under market conditions, up to Euro 15 million each; transactions, also carried out indirectly, with related parties that are not subsidiaries and intra-group unusual transactions or intra-group transactions under atypical conditions, up to Euro 500 thousand each; in any case, in compliance with the relevant laws and the internal regulations governing intra-group transactions and transactions with other related parties;

**PUBLIC RELATIONS AND COMMUNICATIONS**

18. managing, within the general guidelines established by the Board of Directors, top level public relations and corporate communication of the Company and of its subsidiaries, as well as institutional relationships with public bodies and public or private, domestic or foreign entities, consortia, partnerships, joint ventures, associations and the relevant members, including, in particular, relations with the Ministry of the Economy and Finance and with the *Amministrazione Autonoma dei Monopoli di Stato*;

**INTERNAL AUDIT**

19. the Chairman shall further supervise the effective activity of the Company's internal audit system, it being understood that the Internal Audit Department shall directly report to him;

**CONSULTING SERVICES**

20. engaging consultants and advisors for specific tasks connected with the corporate business for fees of up to Euro 500,000.00 per annum for each consultant or advisor concerned;

**EXTRAORDINARY ACTIVITIES**

21. incorporating companies and carrying out any extraordinary transaction provided under the guidance approved by the competent bodies of the Company as well as submitting proposals to the competent corporate bodies - whereby the relevant reasons and opportunities are explained – on any other extraordinary transaction not provided under these powers such as, but not limited to, the acquisition or disposal of equity investments and going concerns, the entering into consortia and partnerships, associations, joint ventures and committees and the purchase, sale or exchange of real estate assets;

22. settling any dispute worth up to an overall amount of Euro 2.5 million, appointing arbitrators and signing the relevant documentation binding upon the Company;

23. waiving, with the prior approval of the Board of Directors, mortgages and mortgage subrogation, including legal mortgages or constructive subrogation, chargeable to debtors or third parties and to the benefit of the Company, and therefore relating to credit items, holding the competent Land Registrars free from all and any liability;

**OTHER ACTIVITIES**

24. other than for the cases provided above, making payments up to Euro 15,000,000.00 each and debiting each of the Company's bank accounts for the relevant amount;

25. implementing the resolutions of the competent corporate bodies of the Company.

The amount limits set forth under no. 2., 4., 7., 8., 17., 20., 22. and 24. may be doubled where the relevant powers are exercised jointly with the Managing Director/CEO in office at the time. Within the powers granted to him by the Board of Directors, the Chairman Mr. Lorenzo Pellicoli may delegate certain acts or groups of acts, and take all other actions that may be necessary for the proper conduct of the Company's business, and grant powers and proxies to executives or managers of the Company and its subsidiaries."

***Executive Committee***

The Board of Directors has established an Executive Committee entrusted with a range of managing and strategic powers. For such reason, also in consideration of the few number of meetings held in 2009, the members of the Executive Committee are deemed as executive Directors for the purposes of the Code.

The following Directors are members of the Executive Committee: Lorenzo Pellicoli (Chairman), Pietro Boroli, Paolo Ceretti, Marco Drago, Jaymin Patel and Marco Sala.

The Board of Directors approved on April 28, 2009 the current charter of the Executive Committee.

The Executive Committee is competent for:

- budget and long-term plan proposals to be submitted for the approval of the Board of Directors;
- controlling the implementation of the budget, long-term plans and strategic projects;
- the macro-organization of the Company and its subsidiaries;
- appointing the Company's top management and key executives of the Company and of its subsidiaries, approving the related remuneration packages as well as the remuneration policies of the Company and its subsidiaries, upon prior consultation with the Remuneration Committee;
- engaging the primary advisors to the Company and its subsidiaries and approving their engagements, also if contemplated by the budget, entailing commitments in excess of Euro 1 million;
- approving extra budget expenses higher than Euro 5 million;
- approving budget expenses higher than Euro 30 million;
- approving the participation to tenders and bids of any kind called by public or private entities or administrations, in Italy and abroad, for supplies, services and/or the obtaining of concessions and/or licenses of any kind, also through the establishment of consortiums and/or temporary grouping of enterprises having a value higher than Euro 50 million and up to Euro 200 million;
- calling for and awarding tenders for an amount not higher than Euro 50 million, including all powers to negotiate and execute all related agreements and covenants;
- resolving on investments and expenses not higher than Euro 200 million worth;
- the award of prize contests or competitions having a value of up to Euro 50 million;
- deciding and executing investments of any kind, including extraordinary transactions, also extra budget, not mentioned above, for a prospected overall financial commitment of up to Euro 200 million;
- submitting investments of any kind, including extraordinary transactions, not mentioned above, in excess of Euro 200 million worth for the approval of the Board of Directors.

Pursuant to Article no. 14.3 of the bylaws, the Executive Committee reports at least quarterly to the Board of Directors.

In 2009 the Executive Committee has, among the other, examined the infra-annual results later brought to the approval of the Board of Directors as well as the stock based compensation plans for the 2009 financial year brought by the same Board to the approval of the Shareholders' Meeting.

During 2009 there were four Executive Committee meetings with a 92% attendance by Committee members as reported in the table that follows, and 82% attendance by Statutory Auditors:

| <b>Executive Committee</b> |            |  |
|----------------------------|------------|--|
| Name                       | Office     | % of attendance to the meetings of the Committee (*) |
| Lorenzo Pelliccioli        | . Chairman | 100%   |
| Pietro Boroli              | . member   | 75%  |

|               |          |      |
|---------------|----------|------|
| Paolo Ceretti | . member | 100% |
| Marco Drago   | . member | 75%  |
| Jaymin Patel  | . member | 100% |
| Marco Sala    | . member | 100% |

(\*) with exclusive reference to the meetings held in 2009

### **Powers granted to the Managing Director**

The corporate offices of Managing Director and General Manager were concentrated on Marco Sala, by the first meeting of the newly established Board of Directors of April 15, 2008, and held up until April 28, 2009; these, included powers of similar nature and size to the ones granted to the Chairman, Managing Director and CEO, and provided him with the role of head of the Company for the Italian and, in some cases, European operations of the Company.

Following the remittal by Lorenzo Pellicoli of the office as CEO, Marco Sala came to consequently hold the office of Managing Director and CEO, that make him the top executive for the worldwide activities of the group.

The concentration of the above offices in Marco Sala is deemed appropriate in light of the very simple organization structure of the Company.

Pursuant to Article no. 14.3 of the bylaws of the Company, the Managing Director reports at least quarterly to the Board of Directors on the activities carried out pursuant to the powers granted him at the first useful occasion.

The Board granted Marco Sala as Managing Director and CEO the following powers and competences on April 28, 2009:

#### **ORDINARY ACTIVITIES**

1. *“preparing, consistently with the strategic guidelines agreed with the Chairman of the Board of Directors, the budget, the strategies and the operational plans of the Company and its subsidiaries as a whole, to be submitted to the Executive Committee and then to the Board of Directors for approval;*
2. *preparing the Company’s stand alone financial statements as well as the consolidated financial statements and infra-annual reports to be submitted to the Board of Directors for approval;*
3. *negotiating and entering into contracts for the day-to-day management of the Company up to an overall amount of Euro 15 million each, including but not limited to contracts for the sale and purchase of products, services, goods and equipment related to the object of the Company and its subsidiaries, and including agreements with government bodies and with the public administration;*
4. *negotiating contracts with government bodies and public administration worth over Euro 30 million each to be submitted to the Board of Directors or the Executive Committee for approval;*
5. *organizing and awarding tenders for the supply of goods, services and works up to a maximum of Euro 15 million for each tender, inclusive of (i) entering into, amending and terminating the relevant contracts, (ii) defining the most suitable clauses, such as the arbitration clause, (iii) defining and implementing all required procedures and formalities;*
6. *organizing and awarding prize winning contests and other contests for a maximum overall amount of Euro 10 million for each single contest;*
7. *collecting any amount due to the Company from any body, enterprise or person and issuing the relevant receipt;*
8. *executing all documents related to the Italian vehicle licensing office (Pubblico Registro Automobilistico);*
9. *taking part in tender, bid, competition proceedings of any kind, both in Italy and abroad, organized by public and/or private entities for the supply of goods or services and/or aimed at obtaining concessions and/or licences of any kind, including entering into companies, consortia and/or temporary partnerships, executing the related contracts and regulations, as well as giving all relevant or in any way connected securities, guarantees and accessories, signing and presenting bids up to Euro 15 million each with single signature, or up to Euro 50 million each if signed jointly with the Chairman of the Board, signing and presenting price adjustments to the competent*

commission, taking part in potential ballots, signing declarations and, in the event of an award, entering into the related contracts, executing them, approving agreements and arrangements and signing all related documents also accessory or in any way connected, therefore inclusive of all relevant securities and other guarantees;

10. performing all acts and formalities required to obtain licences, concessions and authorisations in general from government bodies and offices;

11. collecting letters, packets and parcels received by ordinary, registered and insured mail at post and telegraph offices, shipping companies and airlines and all other transport companies, cashing postal and telegraphic orders, payment orders and cheques of any type and value; requesting and receiving sums, securities, valuables, goods and documents, signing receipts, discharges and disclaimers vis-à-vis any administration and any public or private treasury department; performing any other act and operating at the above-mentioned offices and administrations;

12. demanding and endorsing cheques, drafts and bills exclusively for encashment, discounting and depositing in the Company's accounts and protesting them;

13. receiving, opening and paying back deposits, including guarantee deposits, allowing all types of such deposits to be entailed or released up to Euro 15 million each;

14. performing all financial and banking credit and debit transactions necessary for the ordinary management of the Company and of its subsidiaries within the assigned thresholds; accessing new credit lines to be used for letters of credit and overdrafts, up to a maximum of Euro 100 million for each line; executing new guarantees with reference to such credit lines, and increasing existing guarantees, with no limits in the event of guarantees regarding concession related obligations upon the Company, its subsidiaries or consortia, and up to a maximum amount of Euro 20 million in any other event;

15. accepting collaterals and/or guarantees, including accepting, setting up, registering and renewing mortgages and liens chargeable to debtors and third parties and to the benefit of the Company, assenting to cancellations and registrations of mortgages chargeable to debtors and third parties and to the benefit of the Company in order to discharge or reduce obligations;

16. representing the Company vis-à-vis patent and trademark offices, filing and submitting applications to register trademarks, industrial inventions, models and designs at the Italian patent office, the corresponding offices in all foreign countries and in the European Union and in any international bodies, institutions and organizations responsible for industrial property;

17. representing the Company in legal proceedings before any Court, Italian or foreign, including Corte di Cassazione, Corte dei Conti, Consiglio di Stato at all levels of jurisdiction, being fully empowered to appoint lawyers and grant proxies;

18. appearing before any civil, administrative and criminal judicial or tax authority in connection with actions and/or litigation and disputes, involving both individual and collective labour matters, or in connection with compulsory social security and welfare insurance, complying with all the requirements referred to in Laws No. 300 of May 20, 1970 and No. 533 of August 11, 1973, and subsequent amendments and additions;

19. suing and appearing as a civil party, filing petitions and complaints;

20. making declarations in the capacity of garnishee;

21. executing, signing and submitting all documents, certificates and returns to be addressed to the relevant public bodies, such as tax and VAT returns, including at the consolidated level;

22. appointing and removing representatives, agents or commission agents and establishing and modifying their rights and duties;

#### **INTRA-GROUP ACTIVITIES**

23. managing the Company's stock holdings in corporations, companies and entities, also foreign, exercising all the related powers and assuming responsibility for the related decisions, representing the Company in the shareholders meetings and exercising all related powers and voting rights including corporate appointments, it being understood that for those appointments of an entity or corporate body whose assets be at least equal to 4% of the consolidated assets, as resulting from the last consolidated financial statements or infra-annual report, the same must abide by the prior resolution by the Company's management bodies;

24. executing and paying in increases in the share capital of subsidiaries and entities of the Company, including foreign subsidiaries, up to a maximum amount of Euro 25 million each;

25. entering into and granting loans to subsidiary companies and entities of the Company, including foreign subsidiaries, with the prior authorisation of the Board of Directors or the Executive Committee for amounts exceeding Euro 100 million each;

26. obtaining loans from subsidiary companies and entities of the Company, including foreign subsidiaries, with the prior authorisation of the Board of Directors or the Executive Committee for amounts exceeding Euro 100 million each;

27. unless otherwise provided by these powers, deciding, executing and performing intra-group transactions under market conditions, up to Euro 15 million each; transactions, also carried out indirectly, with related parties that are not subsidiaries and intra-group transactions under unusual or atypical conditions, up to Euro 500 thousand each; in all cases, in compliance with the relevant laws and the internal regulations governing intra-group transactions and transactions with other related parties;

#### **PERSONNEL AND ORGANIZATION**

28. allocating, with the prior approval of the Executive Committee, responsibility among the Staff Units that contribute to the general management of the Company and its subsidiaries, and the responsibility of the Operational Units of the various business sectors of the Company and the subsidiaries reporting to each Operational Unit, as well as deciding on the relevant organizational structure in keeping with the macro organizational structure approved by the same Executive Committee;

29. consistently with the guidelines defined by the Board of Directors and/or the Executive Committee:

- a. preparing staff recruitment plans and management and salary policies, in compliance the annual budget and long term plans of the Company and its subsidiaries as a whole;
- b. hiring, appointing, allocating and dismissing staff of the Company, including executives, and adopting any other disciplinary procedures;
30. representing the Company in all relations with all trade unions, both employer and employee, and executing agreements with such organizations in the name and on behalf of the Company, negotiating and agreeing settlements and signing the minutes of settlement agreements;
31. representing the Company vis-à-vis health insurance and social security organizations;
32. signing on behalf of the Company periodic returns for welfare insurance and social security institutions and bodies connected with the payments due for employee contributions;
33. issuing staff payroll extracts and certificates for public and private bodies, ensuring that obligations on the Company as withholding agent are duly fulfilled, signing for such purposes returns, declarations and any other document and certificate whatsoever, including those referred to in Sections 1 and 7 of Presidential Decree no. 600 of September 29, 1973, and subsequent amendments and/or additions; issuing declarations to the banks which grant loans to Company personnel, whereby the Company is bound to deduct repayment instalments and/or residual debt from the salaries of such personnel;
34. granting on behalf of the Company advances on the Staff Severance Fund and loans to employees up to a sum not exceeding the amount that has been set aside as the Staff Severance Fund in relation to the concerned beneficiary;
35. attempting to settle labour disputes in the Company's interest at both union and personal level at conciliation commissions set up in local employment offices, with the power to reach agreements and sign the relevant minutes, pursuant to Sections 410 et seq. of the Code of Civil Procedure, to Law no. 533 of August 11, 1973, and subsequent amendments and/or additions, and any other relevant provisions;
36. performing on behalf of the Company, vis-à-vis government entities, institutions, bodies and private offices, all the acts and transactions in compliance with current laws, regulations and provisions governing environment protection and health and safety at work;
37. formalizing all acts necessary for or in any way connected with inspections and audits on the part of any authority as regards health and safety in the workplace;

#### **PUBLIC RELATIONS AND COMMUNICATIONS**

38. managing, within the general guidelines established by the Board of Directors, top level public relations, corporate communication and image of the Company and of its subsidiaries, as well as institutional relationships with public bodies and public or private, domestic or foreign entities, consortia, partnerships, joint ventures, associations and the relevant members, including, in particular, the relations with the Ministry of the Economy and Finance and with the Amministrazione Autonoma dei Monopoli di Stato;

#### **CONSULTING SERVICES**

39. engaging consultants and advisors for specific tasks connected with the corporate business of the Company or of its subsidiaries, for fees of up to Euro 500 thousand per annum for each consultant or advisor concerned;

#### **EXTRAORDINARY ACTIVITIES**

40. incorporating companies and carry out any extraordinary transaction provided under the guidance approved by the competent bodies of the Company as well as submitting proposals to the competent corporate bodies, whereby the relevant reasons and opportunities are explained, regarding any other extraordinary transactions other than the ones provided under these powers, such as, but not limited to, the acquisition or disposal of equity investments and going concerns, the entering into consortia, associations, committees and partnerships, and the purchase, sale or exchange of real estate assets;
41. settling any dispute worth up to an overall amount of Euro 2.5 million, appointing arbitrators and signing the relevant documentation binding upon the Company;
42. waiving, with the prior approval of the Board of Directors, mortgages and mortgage subrogation, including legal mortgages or constructive subrogation, chargeable to debtors or third parties and to the benefit of the Company, and therefore relating to credit items, holding the competent Land Registrars free from all and any liability;

#### **OTHER ACTIVITIES**

43. other than for the cases provided above, making payments up to Euro 15 million each and debiting each of the Company's bank accounts for the relevant amount;
44. implementing the resolutions of the competent corporate bodies of the Company.

The amount limits set forth under no. 3., 5., 13., 14., 27., 39., 41. and 43. may be doubled where the relevant powers are exercised jointly with the Chairman of the Board of Directors in charge.

The Managing Director of the Company and Chief Executive Officer is also responsible to ensure that all subsidiaries, even through their delegated bodies, are managed in accordance with the guidelines set forth by the competent corporate bodies.

Within the powers granted to him by the Board of Directors, the Managing Director and Chief Executive Officer may delegate certain acts or groups of acts, and take all other actions that may be necessary for the proper conduct of the Company's business, and grant powers and proxies to executives or managers of the Company and its subsidiaries."

## **Other powers granted**

During the same meeting of April 28, 2009, the Board of Directors appointed the head of Business Division Renato Ascoli as General Manager of the Company with responsibility for the domestic market granting him the following powers and competences:

### **“ORDINARY ACTIVITIES**

1. preparing, consistently with the strategic guidelines handed down by the Managing Director and CEO, the budget, the strategies and the operational plans of the Company regarding activities in Italy, to be submitted to the Executive Committee and then to the Board of Directors for approval;
2. negotiating and entering into contracts for the day-to-day management of the Company in Italy, including but not limited to contracts for the sale and purchase of products, goods and equipment related to the object of the Company and its Italian subsidiaries, and including agreements with government bodies, in any case up to Euro 15 million for each agreement;
3. negotiating contracts with domestic government bodies and public administration for an overall amount in excess than Euro 30 million each to be submitted to the Board of Directors or the Executive Committee for approval;
4. organizing and awarding tenders for the supply of goods, services and works in Italy up to a maximum of Euro 15 million for each tender, inclusive of (i) entering into, amending and terminating the relevant contracts, (ii) defining the most suitable clauses, such as the arbitration clause, (iii) defining and implementing all required procedures and formalities;
5. organizing and awarding contests or prize winning contests up to a maximum amount of Euro 5 million each;
6. collecting any amount due to the Company from any body, enterprise or person and issuing the relevant receipt;
7. executing all documents related to the Italian vehicle licensing office (*Pubblico Registro Automobilistico*);
8. taking part in tender, bid, competition proceedings of any kind in Italy, organized by public and/or private entities for the supply of goods or services and/or aimed at obtaining concessions and/or licences of any kind, including entering into companies, consortia and/or temporary partnerships, executing the related contracts and regulations, as well as providing any relevant security, guarantee or other connected accessory, signing and presenting bids up to Euro 15 million each with single signature, signing and presenting price adjustments to the competent commission, taking part in potential ballots, signing declarations and, in the event of an award, entering into the related contracts, executing them and signing all related documents also accessory or any way connected, therefore inclusive of all relevant securities and guarantees;
9. performing all acts and formalities required to obtain licences, concessions and authorisations in general from government bodies and offices;
10. collecting letters, packets and parcels received by ordinary, registered and insured mail at post and telegraph offices, shipping companies and airlines and all other transport companies, cashing postal and telegraphic orders, payment orders and cheques of any type and value; requesting and receiving sums, securities, valuables, goods and documents, signing receipts, discharges and disclaimers vis-à-vis any administration and any public or private treasury department; performing any other act and operating at the above-mentioned offices and administrations;
11. demanding and endorsing cheques, drafts and bills exclusively for encashment, discounting and depositing in the Company's accounts and protesting them;
12. receiving, opening and paying back deposits, including guarantee deposits, allowing all types of such deposits to be entailed or released up to Euro 15 million each;
13. performing all financial and banking credit and debit transactions necessary for the ordinary management of the Italian activities of the Company and of its Italian subsidiaries within the assigned thresholds; accessing new credit lines to be used for letters of credit and overdrafts, up to a maximum of Euro 100 million for each line; executing new guarantees with reference to such credit lines, and increasing existing guarantees, with no limits in the event of guarantees regarding concession related obligations upon the Company, its Italian subsidiaries or consortia, and up to a maximum amount of Euro 20 million for each guarantee in any other event;
14. accepting collaterals and/or guarantees, including accepting, setting up, registering and renewing mortgages and liens chargeable to debtors and third parties and to the benefit of the Company, assenting to cancellations and registrations of mortgages chargeable to debtors and third parties and to the benefit of the Company in order to discharge or reduce obligations;
15. representing the Company vis-à-vis patent and trademark offices, filing and submitting applications to register trademarks, industrial inventions, models and designs at the Italian patent office, the corresponding offices in all foreign countries and in the European Union and in any international bodies, institutions and organizations responsible for industrial property;
16. representing the Company in legal proceedings before any Court, Italian or foreign, including *Corte di Cassazione*, *Corte dei Conti*, *Consiglio di Stato* at all levels of jurisdiction, being fully empowered to appoint lawyers and grant proxies;
17. appearing before any civil, administrative and criminal judicial or tax authority in connection with actions and/or litigation and disputes, involving both individual and collective labour matters, or in connection with compulsory social security and welfare insurance, complying with all the requirements referred to in Laws No. 300 of May 20, 1970 and No. 533 of August 11, 1973, and subsequent amendments and additions;
18. suing and appearing as a civil party, filing petitions and complaints;
19. making declarations in the capacity of garnishee;
20. executing, signing and submitting all documents, certificates and returns to be addressed to the relevant public bodies, such as tax and VAT returns, including at the domestic consolidated level;
21. appointing and removing representatives, agents or commission agents in Italy and establishing and modifying their rights and duties;

### **INTRA-GROUP ACTIVITIES**

22. managing the Company's stock holdings in corporations, companies and entities in Italy, exercising all the related powers and assuming the related decisions, representing the Company in the shareholders meetings and exercising all related powers and voting rights including corporate appointments, it being understood that for those appointments of an entity or corporate body whose assets be equal to at least 4% of the consolidated assets, as resulting from the last consolidated financial statements or infra-annual report, the same must abide by the prior resolution by the Company's management bodies;
23. executing and paying in increases in the share capital of Italian subsidiaries and entities of the Company, up to a maximum unitary amount of Euro 10 million;
24. entering into and granting loans to Italian subsidiary companies and entities of the Company, with prior authorization of the Board of Directors or the Executive Committee if for an unitary amount of more than Euro 50 million;

25. obtaining loans from Italian subsidiary companies and entities of the Company, with prior authorization of the Board of Directors or the Executive Committee if for an unitary amount of more than Euro 50 million;

26. unless otherwise provided by these powers, with reference only to operations involving Italian entities, deciding, executing and performing intra-group transactions under market conditions, up to Euro 15 million each; transactions also indirectly carried out with related parties that are not subsidiaries and intra-group transactions under unusual or atypical conditions, up to Euro 500 thousand each; in any case in compliance with the relevant laws and the internal regulations governing intra-group transactions and transactions with other related parties;

27. in compliance with the guidelines defined by the Board of Directors and/or by the Executive Committee, adopt the resolutions for hiring, appointing, allocating and dismissing non executive employees of the Company, as well as adopting any other disciplinary procedure;

#### **PERSONNEL AND ORGANIZATION**

28. representing the Company in Italy in all relations with all trade unions, both employer and employee, and executing agreements with such organizations in the name and on behalf of the Company, negotiating and agreeing settlements and signing the minutes of settlement agreements;

29. representing the Company in Italy vis-à-vis health insurance and social security organizations;

30. signing on behalf of the Company periodic returns for welfare insurance and social security institutions and bodies connected with the payments due for employee contributions;

31. issuing on behalf of the Company staff pay-roll extracts and certificates for public and private bodies, ensuring that obligations on the Company as withholding agent are duly fulfilled, signing for such purposes returns, declarations and any other document and certificate whatsoever, referred to in Sections 1 and 7 of Presidential Decree no. 600 of September 29, 1973, and subsequent amendments; issuing declarations to the banks which grant loans to Company personnel, whereby the Company is bound to deduct repayment instalments and/or residual debt from the salaries of such personnel;

32. granting on behalf of the Company advances on the Staff Severance Fund and loans to employees up to a sum not exceeding the amount that has been set aside as Staff Severance Fund in relation to the concerned beneficiary;

33. attempting to settle labour disputes in the Company's interest at both union and personal level at conciliation commissions set up in local employment offices, with the power to reach agreements and sign the relevant minutes, pursuant to Sections 410 *et seq.* of the Code of Civil Procedure, to Law no. 533 of August 11, 1973, and subsequent amendments and/or additions, and any other relevant provisions;

34. performing on behalf of the Company, vis-à-vis government entities, institutions, bodies and private offices, all the acts and transactions in compliance with current laws, regulations and provisions governing environment protection and health and safety at work;

35. formalizing all acts necessary for or anyway connected with inspections and audits on the part of any public authority as regards health and safety in the workplace;

#### **PUBLIC RELATIONS AND COMMUNICATIONS**

36. managing, consistently with the instructions handed down by the Managing Director/CEO, public relations, corporate communication and image of the Company and of its subsidiaries in Italy, as well as the day-by-day institutional relationships with public bodies and public or private entities, consortia, partnerships, joint ventures, associations and the relevant members exclusively in Italy. Managing, in particular, day-by-day relations with the *Amministrazione Autonoma dei Monopoli di Stato*;

#### **CONSULTING SERVICES**

37. engaging consultants and advisors for specific tasks connected with the corporate business of the Company or of its subsidiaries for fees of up to Euro 100,000.00 per annum for each consultant or advisor concerned;

#### **EXTRAORDINARY ACTIVITIES**

38. settling any dispute concerning the Company worth up to an overall amount of Euro 1 million, appointing arbitrators and signing the relevant documentation binding upon the Company;

39. waiving, with the prior approval of the Board of Directors, mortgages and mortgage subrogation, including legal mortgages or constructive subrogation, chargeable to debtors or third parties and to the benefit of the Company, and therefore relating to credit items, holding the competent Land Registrars free from all and any liability;

#### **OTHER ACTIVITIES**

40. other than for the cases provided above, making payments up to Euro 15 million each and debiting each of the Company's bank accounts for the relevant amount;

41. implementing the resolutions of the competent corporate bodies of the Company.

The General Manager is also responsible for guaranteeing, even through the managing of their delegated bodies, that Italian subsidiaries, are managed in accordance with the guidelines set forth by the competent corporate bodies.

Within the powers granted to him, the General Manager may delegate certain acts or groups of acts, and take all other actions that may be necessary for the proper conduct of the Company's business, and grant powers and proxies to executives or managers of the Company and its Italian subsidiaries.

Limited powers of attorney, all duly filed with the Companies' Register, were also granted on several occasions to the following managers of the Company:

#### **Mario Bondone**

Manager of Resources and Shared Services Department;

#### **Stefano Bortoli**

Chief Financial Officer and Manager in charge of drawing up corporate reports and financial statements;

#### **Emanuela Chiti**

Manager of Audit, Quality and Security Department;

**Giorgio Degli Abbati**

Manager for Supplies Business Unit;

**Giuliano Frosini**

Manager of Public Relations and Corporate Image;

**Antonio Izzo**

Manager of Administration Business Unit;

**Giovanni Rando Mazzarino**

Head of IT&Operations

**Claudia Ricchetti**

Manager of Legal Department;

**Marco Tasso**

Manager of Management Planning and Control.

***Independent directors***

The Board of Directors periodically evaluates the independence of its members pursuant to the relevant provisions of law and of the more detailed and thorough principles and criteria provided in the Code.

Pursuant to the Code, an adequate number of Directors of listed companies must be evaluated as independent, on the basis of self-declarations submitted to an *ad hoc* evaluation by the Managing Body pursuant to a non-exhaustive number of hypothesis of relationships between a Director and the Company or any other individual or entity connected to the Company, that would impair the independence and the opinions of the same Director.

On March 5, 2009, the Board of Directors ascertained that that the following Directors continued to be eligible as independent Directors pursuant to the provisions of the Code and of law: Robert Dewey Jr., Jeremy Hanley, James F. McCann, Anthony Ruys, Severino Salvemini and Gianmario Tondato Da Ruos.

The number and the experience of the independent Directors is deemed adequate to the size of the Board and to the activities of the Company, and ensures the establishment and effective working of the Remuneration, of the Internal Audit and Compliance Committees, as well as the autonomous management of the Company.

With specific reference to the participation of the independent Directors to the Remuneration as well as Internal Audit and Compliance Committees, the Company believes that their additional remuneration for such tasks does not jeopardize nor affect their independence, also keeping into account that the resulting overall remuneration of the independent Directors is in line with that of similar sized companies.

The correct application of the assessment criteria and procedures adopted by the Board of Directors for evaluating the independence of the Directors is periodically ascertained by the Board of Statutory Auditors, within the framework of the duties attributed to it by the law. Such ascertainment was last positively carried out by the control body during its meeting held on December 2, 2009.

***Lead independent director***

The Lead Independent Director represents a point of reference and coordination for the requests and contributions of non-executive and independent Directors.

The Lead Independent Director convenes meetings of independent Directors, autonomously or upon request by other Directors, in order to examine particular matters in relation with the work of the Board of Directors or the management of the Company. The works of the independent Directors are timely registered and filed among the Company's records and then reported to the Board of Directors by the Lead Independent Director. During 2009 no such meetings were held.

During 2009 independent Directors gave a particular contribution by coordinating the self-evaluation process on the size, composition and performance of the Board of Directors as well as on its internal committees

The Board of Directors appointed on April 15, 2008 the Director Gianmario Tondato Da Ruos as Lead Independent Director of the Company, an appointment that was deemed opportune in consideration of the office held by the Chairman Lorenzo Pellicoli as Managing Director of the parent company De Agostini.

## **5. HANDLING OF CORPORATE INFORMATION**

### ***Investor relations***

The Company has appointed a head of Investor Relations as the reference contact for Shareholders, particularly for institutional investors, who further concurs - among the other - to ensure that corporate information be disseminated in a correct, continuous and complete manner, in compliance with the policy described below for the processing of the so called "privileged information", i.e. information which might significantly affect the price of Company's shares, if made public, in accordance with Article no. 114 of the Consolidated Financial Law (hereinafter referred to as "**Privileged Information**").

### ***Management of Privileged and non Privileged Information***

In order to ensure that the dissemination of the information regarding the Company and its subsidiaries, particularly of the Privileged Information, be done in full respect of the relevant provisions of law and those of the best practices, the Company has adopted an internal charter governing the management of Privileged and non-Privileged Information, that was last amended on July 30, 2009 by the Board of Directors of the Company, in compliance with a number of new law and best practice provisions.

According to the charter, Privileged Information is disseminated through press releases the contents of which are prepared by the Group Corporate Communications together with the other departments and/or units of the Company and/or interested controlled entities, after evaluation, in any event, by the head of Investors Relations in coordination with the head of Corporate Affairs, as to the existence of Privileged Information and, pursuant to applicable laws and regulations, as to the convenience to defer disclosure of the same press releases.

Prior to its possible dissemination, each press release is approved by the group's Chief Financial Officer and, subsequently by the Chairman jointly with the Managing Director of the Company or with the executives of the Company or of its subsidiaries charged by them. Press releases containing Privileged Information that arouse or were shared during meetings of the Board of Directors or of the Executive Committee are, generally, shared within said meetings prior to disclosure.

Once approved, press releases are issued and disseminated without delay under the responsibility of the Company's head of Investor Relations, in accordance with the applicable laws and regulations, also by promptly publishing them by the competent departments on the Company's website, where they will remain available for the minimum period set forth under the above mentioned laws and regulations. For the above purposes, the Company's head of Investors Relations may avail him/herself of third parties trusted by the Company.

Directors and Statutory Auditors as well as advisors and employees of the Company and its most relevant subsidiaries are bound to keep confidential any privileged and non Privileged Information gained in the course of their activities, including information whose nature as Privileged Information may not be ascertained, and must immediately report any such information to (i) the head of Investor Relations, or (ii) the head of Investor Relations or equivalent officer (if available) or legal representative of the controlled entity they belong to.

In compliance with the above mentioned confidentiality duties, the above persons are strictly forbidden to give interviews to the press or, in general, issue statements or documents containing Privileged Information, even if on a merely potential basis, unless prior authorization is given by the Company's Managing Director, in any case in accordance with the applicable laws and regulations.

In the event of scheduled meetings or conference calls by representatives of the Company with financial analysts and/or institutional investors on a collective basis, the Company promptly informs CONSOB and the Italian Stock Exchange and invites the most representative members of the economic press and timely submits to the said authorities the material made available or used during the meetings (this should the Company rather not prefer to disseminate a press release with such information). At the end of the meetings, the material is made available on the website of the Company.

Pursuant to the same charter and to recent law provisions, a register of individuals and entities with access to privileged information has been set up by the Company. Such register (i) is kept and updated by the Corporate Affairs department, (ii) contains for at least five years following the expiry of the reasons for their enrolment or update, the full name of individuals (and of at least one reference individual of entities) having access to Company's privileged information, whether on a continuous or occasional basis, for working reasons, as well as the date and reasons of the enrolment of said data and of any relevant update.

Other registers have been similarly established under the supervision of the Company's Corporate Affairs department on behalf of GTECH.

Finally, the charter provides for a series of sanctions as a result of non-compliance with the confidentiality obligations provided therein, in particular: (i) disciplinary sanctions in case of non-compliance by employees of the Company or controlled entities, removal from office for members of the managing and supervisory bodies of the Company or of controlled entities, and termination of the engagement for collaborators.

The charter governing the management of "Privileged Information" is available on the website of the Company under the "Governance" section ([www.lottomaticagroup.com](http://www.lottomaticagroup.com)).

### ***Internal dealing***

The Board of Directors approved on April 4, 2008 the current version of the code of conduct on internal dealing.

The object of the code is to govern the statutory disclosure to the market of transactions related to the purchase, sale, subscription or exchange of shares issued by Lottomatica, or of equity-linked financial instruments, carried out by relevant parties or by persons closely related to relevant parties (as defined in the document).

Relevant Parties are required to comply with the Code and guarantee that the persons closely related to them are acquainted and comply with the Code.

The code, in line with the relevant provisions of law, provides for:

- the definition of "relevant persons" (and of persons strictly related to them) belonging to or otherwise connected with the Company and its subsidiaries, parent and sister companies, to whom the communication obligations to the Company and, through it, to the market, applies;
- the relevance of transactions carried out by any such person on Company's shares or share-alike financial instruments in excess of Euro 5,000 per year;
- terms and conditions for the execution of communication and public disclosure duties in the event of any such relevant transaction;
- "black out periods" already identified in the charter (e.g., those days preceding the approval of the reports of the Company or of its main subsidiaries), or to be from time to time identified by the Board of Directors, when any relevant person (and persons strictly related to it) shall refrain from executing any transaction on Company's shares or share-

alike financial instruments unless specific exceptions are established by the Board of Directors;

- the Company's Corporate Affairs department as the competent body to implement the code of conduct on internal dealing;
- penalties against "relevant persons" who fail to comply with the above said provisions.

The code of conduct on internal dealing is available on the website of the Company under the "Governance" section ([www.lottomaticagroup.com](http://www.lottomaticagroup.com)).

## 6. INTERNAL COMMITTEES OF THE BOARD

The Board of Directors, as also provided by the bylaws, has established among its members two committees with proposing and consultative functions, in addition to the Executive Committee already referred to under Section no. 4 above, which is competent for those managing functions within the limits delegated by the Board of Directors.

The two Committees, namely the Remuneration Committee and the Internal Audit and Compliance Committee, are made up by three Directors each and have been granted those functions provided for in the Code.

Each of the above said Committees meets periodically, as documented by their respective minutes. Some of the top managers of the Company regularly attend the meetings of the Committees upon invitation by the Supervisors of the Committees, with the purpose of actively contributing to the areas of competence and in order to assist in drafting the relevant minutes.

In carrying out their duties, the Committees have the right to access the necessary Company's information and departments, according to the procedures set by the Board of Directors, as well as to avail themselves of external consultants, whether on a permanent or occasional basis, within the resources allocated by the Board of Directors.

The Remuneration Committee and the Internal Audit and Compliance Committee are thoroughly described in the Sections that follow.

## 7. NOMINATION COMMITTEE

No Committee for the appointment of Directors has been established to date, given that:

- the appointment of Directors is already thoroughly regulated by the bylaws in compliance with the detailed relevant provisions of law and of the Code focused – especially in the most recent period – on the protection of the minorities;
- the discretion of the Shareholders, especially the controlling one, during the appointment procedure is further limited (i) by the prior agreement by the *Amministrazione Autonoma dei Monopoli di Stato* on the nomination of the Chairman of the Board of Directors and of the Managing Director pursuant to the provisions governing the Company's public concessions, as well as (ii) by the provisions of those Countries (especially the United States) in which the Company operates through its subsidiaries, especially in relation to the requisites of the Managing Director;
- the parent company De Agostini systematically applies consolidated procedures and best practice criteria to select candidates to the office of Director, with specific reference to the independent Directors, that have always ensured an adequate mix of high competences.

## 8. REMUNERATION COMMITTEE

The Board of Directors has established on April 15, 2008 a Remuneration Committee amongst its members, composed entirely of independent Directors. The Committee is responsible for submitting proposals to the Board of Directors for the remuneration of the Managing Director and of Board members holding special

offices as well as remuneration criteria for the top management of the Company and of its subsidiaries. Supervision over the implementation of the Board's final decisions, as well as preparation of and supervision over stock based compensation plans – with specific reference to the definition and measurement of the goals – are included within the competences of the Committee.

The Committee results therefore composed of the following members, who are to remain in charge up to the date of approval of the financial statements as of December 31, 2010:

| REMUNERATION COMMITTEE    |   |   |
|---------------------------|---|---|
| Name                      | Office  | % of participation to the meetings of the Committee |
| Gianmario Tondato Da Ruos | . Supervisor<br>. Independent Director                              | 100%  |
| Robert Dewey Jr.          | . Vice-Chairman of the Board of Directors<br>. Independent Director | 100%  |
| James F. McCann           | . Independent Director  | 100%  |

During 2009 the Committee has met on 5 occasions.

The works of the Remuneration Committee are governed by a charter that was last amended by the Board of Directors on May 6, 2008 upon proposal by the same Committee. Pursuant to internal provisions, remuneration proposals are made without the attendance during the meeting of the concerned persons. Moreover, as provided by its charter, the Committee may access all books, registers, and premises of the Company, and may also interview the employees of the same and be assisted by consultants or any other person deemed useful in carrying out its functions, having the power to determine the remuneration of the latter within the budget threshold granted by the Board of Directors.

Upon invitation of the Committee, persons that are not members of the same may take part to its meeting.

Among the preliminary, proposing and consultative activities carried out by the Committee in 2009, particularly relevant was the proposal concerning the new stock based compensation plans described under Section no. 9) that follows, as well as the opinions on the compensation increase proposals of the Directors, especially the independent ones.

## 9. REMUNERATION OF DIRECTORS

Directors are remunerated for their activities upon resolution of the Shareholders' Meeting and, for any special offices attributed to them, upon resolution of the Board of Directors, having heard the Board of Statutory Auditors, and in any event, in full respect of the thresholds set by the Shareholders' Meeting. To this regard, the Shareholders' Meeting of November 20, 2009 has set Euro 1.8 million as the overall amount, inclusive of attendance tokens and all-inclusive expense reimbursements, for the compensation of all members of the Board of Directors, including those vested with particular offices. Within the limits of such threshold, the Shareholders' Meeting has also determined further thresholds for the base compensation of the office of Director and of member of the Executive Committee.

In particular:

- an annual gross amount of Euro 50,000 was allocated to each member of the Board of Directors, in addition to a Euro 5,000 token to be paid to each Board member for each Board meeting physically attended, to be reduced to Euro 2,500 for those remotely attended, as already determined by the Shareholders' Meeting on April 15, 2008, up to the gross annual overall maximum amount of Euro 1,200,000;

- an annual gross amount of Euro 10,000 was allocated to each member of the Executive Committee, as well as a Euro 2,500 token to be paid to each member for each Committee meeting physically attended, to be reduced to Euro 1,250 for those remotely attended, up to the gross annual overall maximum amount of Euro 200,000.

Pursuant to the above resolution, the Board of Directors has increased the compensation of the members of the Remuneration and of the Internal Audit and Compliance Committees, in consideration of the more burdensome activity following their investment.

The controlling Shareholder and the Board of Directors have always ensured that the overall amount of the Directors' remuneration be such so as to attract and motivate Directors with the professional skills required for the excellent execution of their offices.

As highlighted above, the base remuneration of the Directors is determined on a fixed basis, topped by attendance tokens and a further (fixed) compensation proportional to the commitment requested from them, particularly taking into account their membership of one or more Committees and/or the number of other specific offices held in the Company.

The compensation of non-executive Directors, as well as that of the executive Directors that are not involved in the management on an individual level, is not connected to economic results nor to specific objectives by the Company, considered that such Directors – if individually considered – do not take strategic decisions.

The remuneration of those Directors of the Company individually involved in the management of the Group, as well as that of the top management of the Group, is normally connected to corporate results achieved and/or to the achievement of specific objectives – so as to align their interests to the priority objective of creating value for the Shareholders – and is not necessarily based on the average market remuneration of similar positions. To this end, in addition to the so called “management by objectives (i.e. “MBOs”) the Company normally adopts stock based plans (stock granting and/or stock option plans) with a three year average vesting period.

The illustrative report prepared for the Shareholders' Meeting by the Board of Directors is available on the website of the Company under the “Governance” section ([www.lottomaticagroup.com](http://www.lottomaticagroup.com)).

| REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS CURRENTLY IN OFFICE |  |   |                       |           |         |
|---|--|---|-----------------------|-----------|---------|
| Name  | Office held  | Remuneration (for all the offices held) and attendance tokens | Non monetary benefits | Bonus     | Other   |
| Lorenzo Pellicoli   | . Chairman of the Board of Directors<br>. Chairman Executive Committee | 60,000<br>(token) 55,000                                      |                       |           |         |
| Robert Dewey  | . Vice Chairman<br>. Member Remuneration Committee                     | 75,000<br>(token) 40,000                                      |                       |           | 10,000  |
| Marco Sala  | . Managing Director<br>. CEO<br>. Member Executive Committee           | 60,000<br>(token) 57,500                                      | 38,440                | 1,534,874 | 662,571 |
| Pietro Boroli   | . Director<br>. Member Executive Committee                             | 60,000<br>(token) 47,500                                      |                       |           |         |
| Paolo Ceretti   | . Director<br>. Member Executive Committee                             | 60,000<br>(token) 50,000                                      |                       |           |         |
| Marco Drago   | . Director<br>. Member Executive Committee                             | 60,000<br>(token) 47,500                                      |                       |           |         |

|                           |  |                           |       |         |         |
|---------------------------|--|---------------------------|-------|---------|---------|
| Jeremy Hanley             | . Director<br>. Member Internal Audit and Compliance Committee                                     | 80,000<br>(token) 46,250  |       |         | 10,000  |
| James McCann              | . Director<br>. Member Remuneration Committee  | 75,000<br>(token) 35,000  |       |         | 10,000  |
| Jaymin Patel              | . Director<br>. Member Executive Committee   | 60,000<br>(token) 52,500  | 8,209 | 799,502 | 511,184 |
| Anthony Ruys              | . Director<br>. Member Internal Audit and Compliance Committee                                     | 80,000<br>(token) 36,250  |       |         | 10,000  |
| Severino Salvemini        | . Director<br>. Supervisor Internal Audit and Compliance Committee<br>. Chairman Surveillance Body | 130,000<br>(token) 43,750 |       |         | 10,000  |
| Bruce Turner              | . Director   | 50,000<br>(token) 32,500  |       |         |         |
| Giammario Tondato Da Ruos | . Director<br>. Supervisor Remuneration Committee  | 85,000<br>(token) 32,500  |       |         | 10,000  |

### **Stock based compensation plans**

During 2009, the Shareholders' Meeting has approved a share allocation plan and a stock option plan, both in favour of employees of the Company and/or of its subsidiaries, including the Directors of Lottomatica Marco Sala and Jaymin Patel and, among the top management, Renato Ascoli, General Manager, and the Chief Financial Officer Stefano Bortoli; the Board of Directors has subsequently given it execution through the determination of the beneficiaries and of the corporate objectives, and the preparation of the relevant regulation. During the same year, the Board of Directors has resolved to increase the share capital of the Company serving the stock based compensation plans, pursuant to the powers granted by the Shareholders Meeting, for a maximum amount of no. 1,850,510 ordinary shares, with a nominal value of Euro 1.00 each.

The information documents on Lottomatica on-going stock-based compensation plans prepared in accordance with Article no. 114 *bis* of the Consolidated Financial Law and Article no. 84-bis of the Issuers' Regulation are published on the website of the Company.

The table that follows, provided in the stand alone financial statements as at December 31, 2009, indicates the stockholdings owned by the members of the Board of Directors as well as by the management having a strategic responsibility, deriving, also, from stock-based plans.

| STOCKHOLDINGS OWNED BY DIRECTORS AND STRATEGIC MANAGEMENT |                             |                            |             |                           |                             |
|---|-----------------------------|----------------------------|-------------|---------------------------|-----------------------------|
| Name  | Number of Shares 12/31/2008 | Number of Shares purchased | Shares sold | Number of Shares assigned | Number of Shares 12/31/2009 |
| Renato Ascoli   | 4,551                       | -                          | 16,457      | 27,802                    | 15,896                      |
| Stefano Bortoli   | 3,803                       | -                          | 9,447       | 16,074                    | 10,430                      |
| Paolo Ceretti   | 3,000                       | -                          | -           | -                         | 3,000                       |
| Jaymin Patel  | 196,701                     | -                          | 23,059      | 53,025                    | 226,667                     |
| Lorenzo Pelliccioli                                       | 70,000                      | -                          | -           | -                         | 70,000                      |
| Marco Sala  | 376,012                     | -                          | 62,123      | 106,902                   | 420,791                     |
| Severino Salvemini  | 8,000                       | 2,000                      | -           | -                         | 10,000                      |

***Directors indemnities in the event of resignation, dismissal or termination of the relationship resulting from a takeover bid***

No indemnities are provided in the event of dismissals or termination of the office of Director of the Company.

The only members of the Board of Directors that are employees of the Company or of its subsidiaries are the Managing Director and CEO Marco Sala and the President and CEO of GTECH Corporation Jaymin Patel.

The latter, in force of agreements executed upon the acquisition of GTECH by Lottomatica in 2006, is the only member of the Board of Directors that enjoys, on the basis of his employment agreement, indemnities and other benefits in the event, among the other, of resignation, dismissal without cause and termination of the employment agreement following a takeover bid.

**10. INTERNAL AUDIT AND COMPLIANCE COMMITTEE**

The Internal Audit and Compliance Committee is an internal body of the Board, entirely composed of independent Directors.

In particular, as provided for in its charter approved by the Board of Directors upon proposal of the Committee - expected to be reviewed in the near future in order to implement the provisions under the legislative decree no. 39 of January 27, 2010 - the same is responsible for:

- evaluating, together with the Accounting Manager (as defined hereinafter) and with the auditors, the correct utilization of the accounting principles and their consistency for the purpose of the preparation of the financial statements and of the infra-annual reports;
- upon request of the executive Director charged of the supervision of the internal control system (refer to the next sub-paragraph), expressing opinions on specific aspects relating to the identification of the principal risks for the Company as well as on the design, implementation and management of the internal control system;
- reviewing the work plan and the periodic reports prepared by the Audit Manager;
- evaluating the proposals submitted by the auditing firm for obtaining the relevant appointment, as well as the work plan prepared for the audit and the results described in the report and the letter of suggestions, if any;
- supervising the validity of the accounting audit process;
- performing any additional duties that are assigned to it by the Board of Directors;

- reporting to the Board at least on a six-month basis, usually upon the approval of the financial statement and of the half yearly report, on its activity as well as on the adequacy, efficiency of the internal control system.

In addition to the above tasks, the Internal Audit and Compliance Committee has always assisted the Board of Directors in defining the guidelines of the internal control system.

According to its internal charter, the Committee may carry out investigations on the matters falling under its competence and may access all premises, books and records as well as interview employees of the Company, and may be assisted by consultants or any other person deemed useful in carrying out its functions, having the power to determine the remuneration of the latter within the budget threshold granted by the Board of Directors.

In 2009 the Committee has worked on a continuative basis, as shown by the number of meetings held (5), the attendance of its members (100%), the time dedicated during each meeting (that lasted on average two hours each) and the report submitted by its Supervisor of the Committee to the Board of Directors on September 9 and 10, 2009.

The current Internal Audit and Compliance Committee, established by the Board of Directors appointed by the Shareholders' Meeting on April 15, 2008, is composed by the following independent Directors, that will remain in charge for the same term of the Board of Directors, i.e. up to the approval of the financial statements as at December 31, 2010:

| INTERNAL AUDIT AND COMPLIANCE COMMITTEE |  |  |
|---|--|--|
| Name                                    | Office                                 | % participation to the meetings of the Committee |
| Severino Salvemini                      | . Supervisor<br>. Independent Director | 100%   |
| Jeremy Hanley                           | . Independent Director                 | 100%   |
| Anthony Ruys                            | . Independent Director                 | 100%   |

All three members hold an adequate accounting and financial competence, among the other, as depicted in their relevant resumes under Section no. 4) above.

Pursuant to the Code, the Chairman of the Board of Statutory Auditors may attend or delegate an effective Statutory Auditor to attend on his behalf to the meetings of the Committee. Executives of the Group have attended the meetings upon invitation by the Supervisor of the Committee.

The Committee during its 2009 meetings examined the progress made by the internal control system, with specific reference to:

- its adequacy and effectiveness as well as to the adequacy and effectiveness of the internal audit function;
- the degree of enforcement of the provisions of law and of the Code on corporate governance;
- the Company's compliance with applicable laws, regulations and standards;
- the financial risks and the so called Savings Protection Law;
- the work plan and periodic reports prepared by the Audit Manager.

The minutes of each meeting are drafted by the secretary of the meeting and by the Supervisor of the Internal Audit and Compliance Committee.

## 11. INTERNAL CONTROL SYSTEM

### **Overview**

The internal control system is made of a number of rules and procedures aimed at ensuring that the corporate activities are properly carried out. Such system is continuously monitored and evaluated by the

Internal Audit and Compliance Committee, which avails itself of the Internal Audit Department and the relevant Head who is also the manager in charge of the internal control system (hereinafter referred to as the “**Audit Manager**”), as well as - for those matters falling under its competence - by the Board of Statutory Auditors and the supervisory body provided for by Legislative Decree no. 231 of June 8, 2001, as subsequently amended and integrated (so called “**Surveillance Body**”).

As described hereinbelow, a manager in charge of drawing up the corporate reports and the financial statements (hereinafter referred to as, the “**Accounting Manager**”), as provided for by the bylaws pursuant to the Savings Protection Law, has also been appointed and added to the above said bodies as well.

Although the Board of Directors believes that the internal control system is generally adequate to the size, the structure and the activities of the Company, Lottomatica is constantly striving to improve such system in relation with the constant evolution of the structure of the Group, also in order to avoid any overlapping or gaps of existing internal control activities - especially following the GTECH acquisition - and to better protect the Company’s assets and efficiency, the effectiveness of business transactions, the reliability, transparency and promptness of financial information, as well as the general compliance with laws and regulations.

The internal bodies engaged to supervise the internal control system normally work in co-ordination with the Audit firm, currently Reconta Ernst & Young S.p.A

### ***Risk management and internal audit system***

#### *Introduction*

The risk management and internal control over financial reporting (hereinafter referred to as, the “**RM&ICFR**”) of Lottomatica follows the “COSO Report”<sup>(1)</sup> framework, which defines the internal control system, in its broadest extent, as “the process carried out by the Board of Directors, the managers and other company stakeholders, designed to provide reasonable assurance regarding the achievement of the following objectives:

- effectiveness and efficiency of operations;
- reliability of the financial reporting;
- compliance with applicable laws and regulations.

With respect to the financial reporting process, those objectives are identified in the reliability, accuracy, and transparency of financial reporting.

The following paragraph illustrates Lottomatica group’s RM&ICFR way to achieve such objectives.

Regarding the achievement of the above listed corporate objectives, the COSO Framework requires that the five components below operate effectively:

*Control Environment:* reflects the top management attitudes and actions in relation to the importance of control within the organization and includes:

- *Integrity and ethical values, management philosophy and operating style:*
  - the Code of Conduct adopted by the Board of Directors of Lottomatica and subsequently extended to GTECH, aiming to promote and spread the principles of lawfulness, fairness, honesty and transparency based on which the Group conducts its business. The Code of Conduct applies to all Italian and foreign group’s entities;
  - the adopted “model of organization and management pursuant to Legislative Decree no. 231 of 2001”, and the associated applicable penalties system as well as the establishment of the Surveillance Body charged with the task supervising and maintaining the model ;
- *Corporate governance:* Lottomatica adopted the Code (as defined in Section no. 3 above) issued by the Italian Stock Exchange listed issuers;
- *Organizational structure and assignment of powers and responsibilities:* The corporate organizational manual, available on the intranet site, describes each business function’s duties and responsibilities. It is updated in case of organizational changes;
- *Human resources development and management:* implemented through specific programs of recruitment, training and periodic assessment with the aim of ensuring professional development and continuous improvement.

<sup>1</sup> Model COSO Report, prepared by the Committee of Sponsoring Organizations of the Treadway Commission - “Internal Control - Integrated Framework” published in 1992 and updated in 1994 by the Committee of Sponsoring Organizations of the Treadway Commission.

*Risk assessment*: is the process in place for identifying and analyzing major risks that could jeopardize the achievement of business objectives, as described below.

*Control Activities*: represents the set of policies and procedures to ensure better risk management within the company and contributes to the achievement of objectives. In that context, a set of adequate administrative and accounting procedures (hereinafter "262 Policies") has been established and implemented in order to ensure high quality standards of internal control over financial reporting. The 262 Policies are available on the intranet site and updated where necessary.

*Information system and communication flows*: in particular, the focus is on the sophisticated management system for group core business, other than the accounting systems and administrative reporting flows. In this context, also the information flows under the model of organization and management pursuant to Legislative Decree no. 231 of 2001 and the information flows towards the Accounting Manager should be considered.

*Monitoring activities*: is the process that monitors over time the quality and the results of internal control system implemented within the group. In particular, the periodic assessment of the internal controls' efficiency and effectiveness, and the deployment of any action plan needed to improve the system, are both management responsibilities. The independent audits are carried out by Internal Audit function, in accordance with the approach described below.

#### **DESCRIPTION OF THE MAIN FEATURES OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS.**

##### **COMPONENTS OF THE SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS**

###### **a) Identification of risks and risk assessment**

Within the RM&ICFR system, the Company conducts periodic risk assessments in order to identify what could mostly jeopardize the achievement of corporate objectives, including the financial reporting.

The analysis is focused on risks that could potentially compromise the achievement of corporate objectives (strategic objectives, operational, compliance, etc.) in relation to both external events (e.g.: changes related to business, applicable laws and regulations and/or technology etc) and / or internal events (e.g.: organizational changes, etc.), with the aim of improving the internal controls system. The ultimate objective is therefore to "protect" corporate assets, which include tangible and intangible assets such as the group image, its managerial values, human capital, etc.

Lottomatica's risk analysis involves the following main three areas:

- Compliance with external law and business rules;
- Adequacy of the administrative and accounting procedures;
- IT Security.

The risk assessment process includes both the analysis of the "potential risk" (regardless of the existence of controls) and the internal control system effectiveness, in order to determine the "residual risk" level to be compared with Group "risk appetite".

With regard to the financial reporting process, risk assessment is periodically performed with the aim of identifying, on the basis of quantitative and qualitative analysis, the following elements:

- group's entities in scope;
- risks at entity level with reference to the five components of the aforementioned COSO Report;
- risks concerning IT general controls on information systems that support the entities and the processes in scope;
- the processes in scope within the consolidated financial statements, relevant based on the potential risks identified;
- for each major process in scope, the specific risks identification over financial reporting.

The risks and controls identification shall be conducted and compared to controls related to both financial assertions (existence and occurrence, completeness, rights and obligations, evaluation and registration, presentation and disclosure) and other control objectives (e.g.: authorization limits, segregation of duties documentation and tracking of transactions, etc.).

The Risk Assessment process is performed at consolidated level based on parameters either quantitative (determination of relevant threshold) or qualitative (management assessment, based on its business knowledge and non-numeric indicators that a potential risk could affect the accounting and administrative processes).

The Risk Assessment process' results are shared with management and brought to the attention of the Accounting Manager.

*b) Controls identification*

For each risk, the mitigating controls association are identified with regard to the control objectives related to financial information.

In this context, the function heads, involved in the financial reporting process, are responsible to check annually the updating of administrative and accounting procedures with regard to the areas under their competence.

For any relevant process or activity not regulated, in whole or in part, from the set of administrative and accounting procedures, the function heads shall ensure the integration of existing procedures and/or the formalization of new procedures, under the coordination of the Accounting Manager.

*c) Controls assessment and monitoring process*

The system evaluation in relation to the financial reporting process is conducted annually during the financial statement closing. More specifically, the control testing activity is performed on a continuous basis throughout the year, under the supervision of the Accounting Manager with the support of the Internal Audit.

The methodology adopted for carrying out periodic tests requires the use of audit techniques, audit documentation and the results sharing with the controls' owner involved.

Testing activities should be documented with adequate reporting activities which represent the basis for the Accounting Manager to sign-off the attestation required by law.

Monitoring process requires also that any gap identified is detected and/or corrected and properly managed.

**ROLES AND RESPONSIBILITIES**

The RM & ICFR system is governed by the Accounting Manager who is appointed by the Board of Directors in consultation with the CEO. He is responsible for ICFR system design and implementation. He establishes adequate administrative and accounting procedures to prepare the annual and the interim consolidated financial statement and any other relevant financial communications. He is also responsible to provide specific instructions to subsidiaries, (considered as relevant within the consolidated financial reporting), for their own internal controls systems' assessment.

The Accounting Manager is also required to perform a regular assessment, releasing a specific attestation about the correct implementation and the effectiveness of the company's "administrative and accounting procedures" within the annual and the interim financial statements preparation.

The Accounting Manager, while carrying out its activities:

- interacts with the Internal Audit / Audit Manager, who performs independent audits on the internal controls system and supports the Accounting Manager in monitoring the system;
- is supported by the function heads involved, who ensure the completeness and the reliability of the information flows for the consolidated financial reporting, for each area of competence;
- coordinates the activities carried out by the administrative managers of the relevant operating subsidiaries;
- establishes a mutual information exchange with the Internal Audit and Compliance Committee and the Board of Directors, reporting on its activities about the adequacy of internal control system in place.

Finally, the Accounting Manager informs the Board of Statutory Auditors about the adequacy and the reliability of the administrative and accounting system in use

**Manager in charge of the internal control system AND****Executive Director in charge of supervising the internal control system (*Executive Director*)**

The current Audit Manager (as defined above) was appointed by the Board of Directors in person of the head of the Internal Audit department of the Company, Emanuela Chiti, and charged with checking the adequacy, efficiency and actual working of the internal control system and – in the event that anomalies are found – suggesting solutions to the Internal Audit and Compliance Committee or, if serious reasons occur, directly to the Managing Director or to the Board of Directors.

The Audit Manager avails itself of the resources of the Internal Audit department of the Company, and coordinates itself with the heads of Internal Audit departments of the main subsidiaries. External advisors are engaged in the event of particularly relevant matters, within the budget threshold set by the Board of Directors.

The Audit Manager normally makes a quarterly report on its activities to the Internal Audit and Compliance Committee and/or to the Board of Statutory Auditors, with specific reference to the way the internal audit plan is being conducted and to its opinion as to the overall risk profile of the Company.

Moreover, in order to autonomously and independently carry out its functions, the Audit Manager is not responsible for any operating activity and does not report hierarchically to any other manager of operating departments, including the Administration and Finance departments, and has direct access to all useful information and departments for the performance of its duties. The Audit Manager reports to the Chairman of the Board of Directors Lorenzo Pellicoli in its capacity as executive Director in charge of supervising the internal control system (hereinafter, the “**Executive Director**”).

The Company makes available to the Audit Manager adequate financial resources in order to enable him to perform its duties.

Amongst the main activities carried out in 2009, the Audit Manager was responsible for :

- drafting the audit plan approved by the top management and shared with the competent corporate bodies (in particular the Executive Director, the Internal Audit and Compliance Committee and the Board of Statutory Auditors);
- carrying out the tasks provided under the above said plan;
- sharing with the management the results of the plan as well as the relevant action plans;
- reverting to the top management and the control bodies (Internal Audit and Compliance Committee, Board of Statutory Auditors and the Surveillance Body) on the outcome of the above activities;
- carrying out the necessary follow up in order to ascertain the implementation of the action plans adopted.

The Executive Director ensures that the main business risks are (i) identified and continuously monitored, taking into account the activities carried out by the Company and its subsidiaries, and (ii) periodically reported to the Board of Directors, normally at the initiative of the Supervisor of the Internal Audit and Compliance Committee.

The Executive Director is further engaged to make sure that the guidelines defined by the Board of Directors for the design, implementation and management of the internal control system are properly implemented. To such an extent, the Executive Director ensures that the overall adequacy, effectiveness and efficiency of the internal control system are constantly monitored and adjusted to the developing operating conditions of Lottomatica and its group as well as to the legislative and regulatory framework.

In consideration of the above activities and of the close cooperation with the Audit Manager, the Executive Director normally proposes to the Board of Directors and/or to the Internal Audit and Compliance Committee the appointment and the remuneration of the Audit Manager. The Board of Directors has always taken into account the proposals of the executive Director in such respect and, more in general, its evaluations and suggestions on matters related to the internal control system.

No additional remuneration has been provided for the Executive Director since its functions are deemed to fall under the ordinary exercise of the powers granted to him in its capacity as Chairman of the Board of Directors.

### ***Internal Audit***

The Internal Audit is an independent assurance and consultancy department, aimed at improving the efficiency and effectiveness of the structure. Its role is carried out through a systematic and multidisciplinary professional approach, that creates additional value since aimed at evaluating and improving the processes of control, risk management and corporate governance.

In carrying out its functions, the Internal Audit evaluates the internal control system of the Company in order to promote the constant improvement and in particular:

- evaluates and provides recommendations aimed at improving the corporate governance;
- assists the top management in identifying and evaluating the risks connected to the objectives assigned and to the activities carried out, in accordance with a “risk based” audit plan. The evaluation is carried out through qualitative (such as CRSA – Control and Risk Self Assessment) and quantitative approaches (such as relevance, etc.);
- evaluates the adequacy of the internal control system in order as to ascertain the reliability, transparency and compliance of the conducts of the management with internal rules and procedures;
- supports the management in identifying any gap in the control system, as well as on the evaluation of the adequacy, efficiency and effective implementation of the control system;
- evaluates the degree of reliability of the information system, with particular reference to the accounting management system and to the reporting by the management;
- evaluates the efficient use and the degree of protection of the resources and corporate assets;
- promotes, also through *ad hoc* training procedures, an overall favourable environment with reference to the control system.

The internal audit activities involves all areas, departments and corporate processes, as well as the subsidiaries of the Company through protocols of understanding between the central structures and the rest of the group. To this end, the internal auditors are ensured full access to all corporate data, records and structures as well as the cooperation of the interested personnel: however the same are not conferred any authority nor direct responsibility on the activities subjected to auditing.

In order to guarantee the independence of the Internal Audit from any other operational department, enabling it to fully carry out the responsibilities cast upon it, the Internal Audit reports directly to the Chairman of the Board of Directors of the Company.

The Internal Audit activities are performed in accordance with international principles and proper confidential criteria in the management of the information collected. In particular, the activities complies with the standards issued by the Institute of Internal Auditors (IIA) as well as with the relevant ethical code.

### **Compliance program pursuant to legislative decree no. 231 of June 8, 2001**

Pursuant to Legislative Decree no. 231 of June 8, 2001, the Board of Directors approved and amended a compliance program aimed at preventing the involvement of the Company in a number of crimes companies and entities may be liable for. Such program was prepared on the basis of the guidelines drawn-up by Confindustria (the Italian Employers’ Federation).

In particular, the compliance program aims at preventing crimes that could be, abstractly, connected to the activities carried out by Lottomatica, with particular reference to crimes against the public administration and corporate related crimes.

The Board of Directors on May 6, 2008 appointed the members of the Surveillance Body (as previously defined) indicated in the table below - that in turn have appointed their own chairman. In order to better carry out its role as body responsible for the full execution and update (if necessary) of the compliance program, the Surveillance Body is regulated by its own internal charter, last approved by the Board of Statutory Auditors on March 5, 2009.

| Office  | Name               |
|---|--------------------|
| . Chairman of the Surveillance Body                         | Severino Salvemini |
| . Supervisor of the Internal Audit and Compliance Committee |                    |
| . Independent Director                                      |                    |
| . Member of the Board of Statutory Auditors                 | Angelo Gaviani     |
| . Executive in charge of Internal Audit                     | Emanuela Chiti     |

During 2009 there were 4 meetings of the Surveillance Body always attended by all its members. The Surveillance Body reports to the Board of Directors of the Company also through the examination of the information collected and/or received from various internal departments.

The current version of the program was adopted by the Board of Directors on September 10, 2009, and consequently by the board of directors of the subsidiaries. Each management body of such companies and consortia has temporarily taken the role as surveillance body, as provided for the law for small sized entities or structures, and benefits from the operational cooperation of the Internal Audit department of the Company on the basis of an engagement.

The updated organizational model is published on the website of the Company.

In order to set the principles of lawfulness, loyalty, correctness and transparency on which the Company and its subsidiaries base their conduct, the management body of each entity of the group has also adopted a complementary code of conduct to the organizational model (thoroughly described under Section no. 17 below).

The Company periodically promotes training meetings with the executives of all the Italian subsidiaries of the group, aimed at promoting the maximum knowledge of the organizational model and of the code of conduct. To the same end, both documents are made available to the public on the Company's website and, for the employees, also on the corporate intranet and each employee, both in Italy and abroad, was handed a hard copy of the same.

Further learning activities are periodically aimed at all employees of the Italian subsidiaries of the group by the Internal Audit and by the Compliance departments.

### **Audit firm**

The audit of the Company is entrusted to Reconta Ernst & Young S.p.A., whose engagement was extended up to the approval of the financial statements as at December 31, 2013 by the Shareholders' Meeting on April 23, 2007, pursuant to Article no. 155 of TUF.

### **Manager in charge of drawing up corporate accounting reports ("Accounting Manager")**

In compliance with the Savings Protection Law, the Company, after having integrated the corporate bylaws, has appointed on May 4, 2007 the Chief Financial Officer of the Company, Stefano Bortoli, as Accounting Manager (as defined above), after having evaluated his suitability in consideration of his past professional experiences.

In particular, the Accounting Manager, as provided by the bylaws of the Company and by the operational practice pursuant to said provisions:

- is appointed and revoked by the Board of Directors, subject to the mandatory opinion of the Board of Statutory Auditors;
- is appointed among those executives having a minimum of three years experience as executives with appropriate responsibilities at the Accounting and/or Financial departments of the Company or of similarly sized or organized companies;
- is entrusted with adequate authority and instruments to perform the duties assigned to it in accordance with the provisions of law;

- sets appropriate managing and accounting procedures for the preparation of the annual even consolidated financial statements and of the infra-annual financial reports, and of every other disclosure of financial nature (such procedures are still being finalised);
- shall attest, in a report attached to the annual financial statements and semi-annual reports, the appropriateness and effective application of such procedures, their conformity with the accounting records and their attitude to fairly represent the assets as well as the economic and financial conditions of the Company and its group.

During 2009 the Company established an internal procedure aimed at “certifying” the information flow towards the Accounting Manager. The procedure - which consists in a series of sub certifications by the heads of the different concerned units and by the administration managers of the Group’s four operating business units and addressed to the Accounting Manager so as to support, also in a documented form, the final certification to be rendered by the Accounting Manager, and in some cases also by the CEO - was favourably acknowledged by the Board of Directors on June 10, 2009.

### **Global Compliance and Governance**

Within the framework of a unitary program called *Global Compliance and Governance Program*, the Company has approved the *Global Compliance and Governance Plan* and established, within such program, the *Global Compliance and Governance Committee* in order to ensure the compliance of the internal control system to relevant regulations and provisions of law, on the basis of the requirements and of the expectations provided by the United States authorities (“jurisdictions”) encouraging at the same time the integration with the structures and of the internal control bodies of the group headed by the subsidiary GTECH.

The Board of Directors on May 6, 2008 approved a new *Compliance Program* and appointed GTECH Corp.’s executive Luke Orchard as Chief Compliance Officer with the role of coordinator of the compliance officers of the companies of the Group and of direct interface of the Global Compliance and Governance Committee.

The Committee reports jointly to the Board of Directors and to the Executive Officer of Lottomatica and meets at least every quarterly.

The Committee is currently composed of the following members:

| GLOBAL COMPLIANCE AND GOVERNANCE COMMITTEE             |                 |
|--|-----------------|
| Office or position                                     | Name            |
| . Chairman of the Committee<br>. External advisor      | Rick Trachok    |
| . Member of the Committee<br>. Chief Financial Officer | Stefano Bortoli |
| . Member of the Committee<br>. External Advisor        | Bob Lewis       |
| . Member of the Committee<br>. External consultant     | Peter Lynch     |

The Global Compliance and Governance Committee is responsible for:

- approving the proposals for the execution, renewal or extension of consultancy agreements with reference to government agents, that involve a value greater than Euro 350,000.00 or multiannual compensations higher than Euro 1,000,000.00. Moreover, such agreements will also require the prior approval of the Internal Audit and Compliance Committee, while those agreements involving a lesser amount are approved by the Government Affairs Committee established at the subsidiary GTECH Corp.;

- drafting, supervising and verifying the corporate governance and compliance processes and procedures (such as the Code of Conduct and its related training, the so called “integrity line” and “ask the Board email”, advertising related expenses, etc.);
- drafting an internal control system that provides, within the framework of the current law provisions, preliminary investigations on the integrity of advisors, providers, distributors and candidates to the corporate offices that must be submitted to qualification procedures by the said jurisdictions;
- the relations between the Company and the jurisdictions as well as other United States’ controlling authorities;
- supervising the activities of the Government Affairs Committee.

The Committee met 4 times in 2009 with a 100% participation by its members.

## 12. INTERESTS OF DIRECTORS AND RELATED PARTY TRANSACTIONS

Intra-group transactions and transactions with other related parties are governed by an internal charter that was lastly updated by the Board of Directors on March 7, 2008, currently in the process of being updated following the recent introduction of Consob’s regulation no. 17221 of March 12, 2010. Such internal charter generally provides for:

- the definition of relevant transactions, transactions with related parties, unusual and atypical transactions and transactions at standard conditions (all transactions and contracts above Euro 200 million are in any event deemed ad relevant);
- the reservation on many of the above transactions to the Board of Directors, with limited faculty to delegate them to single Board members who shall in such case report to the Board on the first useful meeting;
- the adoption by the Board of the relevant resolutions (if not delegated to single Board members or to the Executive Committee), after proper examination and on the basis of sufficient information on the way the transaction is to be implemented, the conditions, including the financial terms, the assessment procedure, the reasons for the transaction, the underlying interests and any significant risks for the Company;
- the obligation of each Director having an interest to any transaction, even on behalf of third parties, to report thereon to the Board of Directors and to the Board of Statutory Auditors, where possible also in writing, before the Board meeting convened to resolve on that transaction, specifying the nature, origin, scope and terms of such interest (see Section no.1 hereinabove for certain other duties of the Directors, also pursuant to Article no. 2391 of the Italian Civil Code);
- quarterly reports by the Board of Directors, also during its meetings, to the Board of Statutory Auditors regarding intra-group transactions and transactions with related parties.

Finally, whereby the nature, value or any other characteristic of the relevant or related party transaction so require, the Board of Directors, also in order to ensure that the transaction is carried out at fair conditions, reverts to the prior opinion of the independent Directors, of the Lead Independent Director or of the Internal Audit and Compliance Committee, or, in suborder, may revert to one or more external advisors having a particular professional competence on the interested matter, in order to obtain from them a non-binding opinion on the economical conditions of the transaction, on its legitimacy as well as on the technical aspects of the same, as the case may be.

Independent Directors are in any event expressly involved in supervising the execution of related party transactions.

The “Internal rules governing relevant as well as related party transactions” are made available to the public on the “Governance” section of the internet website of the Company.

### 13. APPOINTMENT OF STATUTORY AUDITORS

The Board of Statutory Auditors is composed of three effective and two or more alternate members, all appointed by the Shareholders' Meeting. Statutory Auditors remain in office for three financial years up to the date of the Shareholders' Meeting called for the approval of the financial statements relating to the third financial year of their mandate, and may then be renewed.

As provided for by Article no. 20 of the bylaws and by the relevant provisions of law, Statutory Auditors are appointed by the Shareholders' ordinary Meeting on the basis of voting lists submitted by Shareholders owning the minimum share capital required by the law (currently 2% of the corporate share capital) indicated in the notice of call that summons the Shareholders' Meeting called to resolve on the appointment of the Board of Directors. Such threshold is halved in the event that upon expiry of the term given to present the lists - that in such event is extended by 5 days prior communication to the market by the Company - no candidates have been presented by the so called "authentic minorities", i.e. not connected to the majority Shareholder.

Each list must be deposited at the head office of the Company at least 15 days prior to the date of the Shareholders' Meeting and is accompanied by:

- exhaustive information on the personal and professional qualities of the candidates, on the acquired expertises and on their past experiences and an indication of the management and control offices held in other companies and their expiration date;
- a statement through which each candidate accepts to be candidate and certifies under his/her own responsibility that there are no reasons of ineligibility or incompatibility provided under the law, as well as that he/she possesses all requisites provided by the law and by the bylaws;
- information concerning the personal identity of the Shareholders that have submitted the list, together with the total percentage of share capital owned, as well as a copy of the certificates delivered by authorized intermediaries and certifying the ownership of said amount of shares;
- in the event of a list presented by Shareholders that do not hold any connection to be regarded as relevant pursuant to the law with the Shareholders that hold, also jointly, a shareholding that allows the control or the simple majority of the share capital of the Company, a declaration stating the non existence of such relationship.

The lists, together with the above documentation is promptly made available to the public at the Company headquarters, at the Italian Stock Exchange and published on the website of the Company.

The current appointment and replacement procedures provided by the bylaws in compliance with the provisions of law, and last updated on April 15, 2008, ensure, to the possible extent, that at least one member of the Board of Statutory Auditors is appointed among the candidates presented by the minorities. The same will be appointed with the chairmanship while two effective statutory auditors and all alternate statutory auditors indicated as such are appointed from the list that shall have obtained the highest number of votes, following the progressive numbering therein, and in the event that only one list be presented or voted, all effective and alternate statutory auditors are appointed therefrom.

In the event that several lists have repeatedly obtained an equal number of votes, the prevailing list shall be the one submitted by the Shareholders owning the greater number of shares at the moment the list was submitted or, in suborder, by the greater number of Shareholders or, in further sub-order, the Statutory Auditors shall be taken on the basis of their seniority

Pursuant to the bylaws provide that the denial expressed by national or international public administrations as well as by public entities pursuant to law and administrative provisions applicable to the Company, represent a cause of ineligibility, or termination from office, to the office of Statutory Auditor and Chairman of the Board of Statutory Auditors.

## 14. STATUTORY AUDITORS

The current Board of Statutory Auditors, appointed by the Shareholders' Meeting of April 15, 2008 and in office up to the approval of the financial statements as at December 31, 2010, is composed by the following members all appointed from the only list of candidates that was presented by the majority shareholder De Agostini:

| Name                       | Office             | In office from | Indep. by Code | % of particip. meetings of the Board | other office |
|----------------------------|--------------------|----------------|----------------|--------------------------------------|--------------|
| Sergio Duca                | . chairman         | 15/04/2008     | X              | 100%                                 | 11           |
| Angelo Gaviani             | . effective member | 16/12/2005     | X              | 100%                                 | 20           |
| Francesco Martinelli       | . effective member | 16/12/2005     | X              | 100%                                 | 27           |
| Giampiero Balducci         | . alternate member | 15/04/2008     | X              | -                                    | -            |
| Giulio Gasloli             | . alternate member | 16/12/2005     | X              | -                                    | -            |
| Umile Sebastiano Iacovino  | . alternate member | 15/04/2008     | X              | -                                    | -            |
| Guido Martinelli           | . alternate member | 15/04/2008     | X              | -                                    | -            |
| Marco Sguazzini Viscontini | . alternate member | 16/12/2005     | X              | -                                    | -            |

Each Statutory Auditor, should he/she have a direct or indirect interest in a specific transaction of the Company, is required to inform the other Statutory Auditors and the Chairman of the Board of Directors about the nature, the terms, origin and extent of its interest. In 2009, it has never occurred to learn that a Statutory Auditor had such an interest.

In 2009 the Board of Statutory Auditors held 10 meetings with a 100% attendance average by its members. The meetings lasted on average 75 minutes.

During the meeting of December 2, 2009, the Board of Statutory Auditors ascertained the independence of its members pursuant to the independence criteria provided for the members of the Board of Directors by the Code, and acknowledged to have examined the criteria and procedures adopted by the Board of Directors of the Company for evaluating the independence of the Directors, and deemed them compliant with the requirements provided by the Code.

During the meeting of January 20, 2010, the Board of Statutory Auditors has ascertained that each effective member had timely informed CONSOB on the management and control offices held in other companies, in compliance with the rules governing the maximum number of offices and the relevant transparency obligations provided by Articles 144-*duodecies* and subsequent of the Issuers Regulation and by the bylaws.

Hereinafter a brief personal and professional resume of each Statutory Auditor, also available on the internet website of the Company.

### **SERGIO DUCA**

(Chairman) Born in Milan in 1947. He graduated with honours in Business and Economics at the Bocconi University. He is a Certified Public Accountant and a Certified Auditor. He is an Auditor recognised by the UK Department of Trade and Industry and an Expert appointed by the court and technical consultant. He is appointed as member of the Surveillance Body of Exor S.p.A. and chairman of the Board of Auditors of ALUB Association of Bocconi Alumni). He is Chairman of the Board of Auditors of Fondazione Silvio Tronchetti Provera; Chairman of the association "*Amici dell'Università delle Scienze Gastronomiche di Pollenzo*" and member of the Board of Auditors of ISPI (International Institute for Political Studies). He was a member of the Executive Committee and the Board of Directors of the "*Università di Scienze Gastronomiche di Pollenzo*", he was then appointed Chairman of Board of Auditors of Tosetti Value Sim S.p.A. He became a member of the Board of Auditors of fondazione Intesa San Paolo Onlus and a member of the Board of Auditors of Compagnia di San Paolo and an independent Director within the Board of Directors of Sella Gestioni SGR (company of the Banca Sella Group) and of Telecom Audit. He was Chairman of PricewaterhouseCoopers S.p.A. from 1997, acquiring a vast experience at leading Italian Groups also listed on the N.Y.S.E., including Fiat, Telecom Italia and Sanpaolo IMI. Has also signed important fairness opinions, the most recent referring to the Intesa Sanpaolo merger. In 2007 for statutory reasons (reaching of age limit) he left the share structure of PricewaterhouseCoopers S.p.A., resigning his position as Chairman. Since September 2007, he took the office of Chairman of Orizzonte SGR S.p.A whose promoter is Tecno Holding (its share structure includes all Italian Chambers of Commerce) and whose purpose is to set up and manage the Fondo Sistema Infrastrutture. On April 2007 he was appointed Chairman of the Board of Statutory Auditors of Lottomatica. He served as a member of the Advisory Board of Fondazione Edison, of

the development committee - Programma Partner per lo Sviluppo - of the Bocconi University as well as of the Board of Auditors of ANDAF (Associazione Nazionale Direttori Amministrativi e Finanziari) and of Fondazione ERGA – Economia, Ricerca e Gestione per le Arti e la Cultura.

**Angelo Gaviani**

Born in Novara in 1946. He graduated in Business and Economics at the Università Cattolica Sacro Cuore of Milan in 1971. He was admitted to the Bar of Certified Public Accountants of Novara in 1973. Since 1975 he is managing partner of the Tax and Corporate Consulting Firm in Novara as well as a certified auditor. He is Chairman of the Board of Statutory Auditors and a Statutory Auditor in many relevant sized companies, mainly operating in the banking, publishing and industrial business, including two listed companies and one S.G.R. (Fund Trust Company). He is also a technical consultant with the Court of Novara.

**Francesco Martinelli**

Born in Naples on October 23, 1942. He is married, has one son and resides in Rome. He graduated in 1967, after having trained at the firm of the former Chairman of Qualified Accountants, in 1970 he was admitted to the register of Auditors (*Albo Revisori Ufficiali dei Conti*), and worked with some qualified companies. In 1977 he was admitted to the bar as a Certified Auditor and in 1995 was admitted to the register *Revisori Contabili*. In the early years of professional activity he taught company training courses organised by the Municipality of Cassino. He then worked for a three year period at the school of the Public Administration. Since 1999 he is a lecturer in Tax law and Practice since 1999 at the Link Campus University. Former Chairman of the Board of Statutory Auditors and of the Board of Directors of many different companies such as Ansaldo Trasporti, Società generale Supermercati, ILVA, Serfactoring, Consorzio ICT Lazio and ICE - Istituto Commercio Estero (Institute for Foreign Trade). He is currently Court appointed liquidator of CIC.ZOO. The profession of Qualified Accountant is aimed at assisting companies operating in various commodity sectors, with specific reference to corporate, administrative and tax organization related matters. He is currently Chairman or member of the Board of Statutory Auditors or Standing Auditor of Almaviva Technologies, Almaviva Consulting, Almaviva S.p.A., Almaviva Finance, Almaviva Contact, Alicos, G.Matica, T.S.F., Tele Sistemi Ferroviari, Arianna 2001, Press & Image, Servizi in Rete, TNET 2001, Servizio Italia, Lottomatica Group, Cartalis Imel, Consorzio Lotterie Nazionali, Lis, Lottomatica Scimmesse, Lottomatica Videolot Rete, PCC Giochi e servizi, Toto Carovigno, Reteltalia Internazionale, Melior Trust, CFN Compagnia Fondiaria Nazionale, Eurispes Italia, Camfin.

Below are the most relevant management and control offices currently held by the effective members in other companies or entities:

**Sergio Duca**

Chairman of the Board of Directors of Orizzonte S.g.r. S.p.A.;  
 Member of the Surveillance Body of Exor S.p.A.;  
 Chairman of the Board of Auditors of the Fondazione Silvio Tronchetti Provera;  
 Member of the Board of Auditors of ISPI;  
 Chairman of the *Associazione Amici dell'Università di Scienze Gastronomiche di Pollenzo*;  
 Member of the Board of Directors and of the Executive Committee of the Università di Scienze Gastronomiche di Pollenzo;  
 Chairman of the Board of Statutory Auditors of Tosetti Value SIM S.p.A.;  
 Member of the Board of Auditors of Fondazione Intesa San Paolo Onlus;  
 Member of the Board of Auditors of Compagnia di San Paolo;  
 Member of the Board of Directors of Sella Gestioni SGR Gruppo Banca Sella;  
 Member of the Board of Directors of Telecom Italia Audit & Compliance Services S.c.a.a.r.l.

**Angelo Gaviani**

Statutory Auditor of B&D;  
 Statutory Auditor of De Agostini;  
 Statutory Auditor of De Agostini Editore S.p.A.;  
 Statutory Auditor of De Agostini Edizioni Scolastiche S.p.A.;  
 Chairman of the Board of Statutory Auditors of Dea Capital S.p.A.;  
 Chairman of the Board of Statutory Auditors of Dea Factor S.p.A.;  
 Chairman of the Board of Statutory Auditors of DeA Partecipazioni S.p.A.;  
 Chairman of the Board of Statutory Auditors of First Atlantic RE SGR S.p.A.;  
 Chairman of the Board of Statutory Auditors of First Atlantic Real Estate S.p.A.;  
 Auditor of Fondazione De Agostini;  
 Chairman of the Board of Statutory Auditors of Istituto Geografico De Agostini S.p.A.;  
 Statutory auditor of Lottomatica Italia Servizi S.p.A.;

Chairman of the Board of Statutory Auditors of Lottomatica Scommesse S.r.l.;

Statutory Auditor of Utet S.p.A.;

Statutory Auditor of Banca Popolare di Novara S.p.A.;

Statutory Auditor of M.Dis Distribuzione Media S.p.A.;

Chairman of the Board of Statutory Auditors of Mineral Resources S.r.l.;

Statutory Auditor of PCC Giochi e Servizi S.p.A.;

Chairman of the Board of Statutory Auditor of Spig S.p.A.;

Chairman of the Board of Statutory Auditors of Stoppa Antonio e Figli S.p.A.

**Francesco Martinelli**

Chairman of the Board of Statutory Auditor of Almaviva Consulting S.p.A.;

Chairman of the Board of Statutory Auditors of Alma Viva Technologies S.r.l.;

Chairman of the Board of Statutory Auditors of Alma Viva Finance S.p.A.;

Chairman of the Board of Statutory Auditors of T.S.F. Tele Sistemi Ferroviari S.p.A.;

Statutory Auditor of Almaviva S.p.A.;

Statutory Auditor of Alicos S.p.A.;

Statutory Auditor of G. Matica S.r.l.;

Statutory Auditor of Almaviva Contact S.p.A.;

Chairman of the Board of Statutory Auditors of Servizi in Rete 2001 S.r.l.;

Chairman of the Board of Statutory Auditors of Arianna 2001 S.p.A.;

Chairman of the Board of Statutory Auditors of Press & Image S.p.A.;

Chairman of the Board of Statutory Auditors of TNET 2001 S.p.A.;

Chairman of the Board of Statutory Auditors of Melior Trust S.p.A.;

Chairman of the Board of Statutory Auditors of Camfin S.p.A.;

Chairman of the Board of Statutory Auditors of Eurispes Italia S.p.A.;

Chairman of the Board of Statutory Auditors of CNF – Compagnia Fondoaria Nazionale S.p.A.;

Chairman of the Board of Statutory Auditors of Immo Finanziaria S.p.A.;

Statutory Auditor of Reteitalia Internazionale S.r.l.;

Statutory Auditor of Servizio Italia S.r.l.;

Statutory Auditor of Lottomatica Scommesse S.r.l.;

Chairman of the Board of Statutory Auditors of CartaLis Imel S.p.A.;

Chairman of the Board of Statutory Auditors of Consorzio Lotterie Nazionali;

Chairman of the Board of Statutory Auditors of Consorzio Lottomatica Giochi Sportivi;

Chairman of the Board of Statutory Auditors of LIS S.p.A.;

Chairman of the Board of Statutory Auditors of Lottomatica Videolot Rete S.p.A.;

Chairman of the Board of Statutory Auditors of PCC GS S.p.A.;

Chairman of the Board of Directors of Toto Carovigno S.p.A.

In addition to the functions expressly attributed to the Board of Statutory Auditors by the Italian Civil Code, the TUF, and by other relevant provisions of law, the Board of Statutory Auditors is entrusted with the surveillance on the implementation modalities of the corporate governance rules and principles provided by the Code.

In particular, the Board of Statutory Auditors ascertains the enforcement of the criteria and of the procedures adopted by the Board of Directors to evaluate the independence of the Directors. Moreover, the Board of Statutory Auditors periodically monitors the independence of the external auditors, having regard to the relevant law provisions as well as to the nature and extent of services other than the audit provided to the Company and its subsidiaries, if any, by the same auditing firm and the entities belonging to its network. The Board of Statutory Auditors also ensures that a continuous flow of information is kept between the Company and the external auditors on all new appointments to key positions, respectively, for purposes of monitoring the non-existence of causes of incompatibility pursuant to the law.

To the above said extents, the external auditors are systematically invited to attend to the meetings of the Board of Statutory Auditors.

The Statutory Auditors normally engages the Internal Audit of the Company and of its main subsidiaries to make assessments on specific operating areas or on specific transactions of the Company. To such an extent, internal auditors of the Company and of its subsidiaries are also systematically invited to attend the meetings of the Board of Statutory Auditors, and the annual audit plan is prepared taking into consideration the requests and suggestions of the Statutory Auditors.

Furthermore, the systematic attendance of the Chairman of the Board of Statutory Auditors, or of any Auditor designated by the Chairman, to the Internal Audit and Compliance Committee meetings ensures an adequate flow of information also between these two bodies.

Other forms of cooperation with the Statutory Auditors are currently being evaluated in order to improve the efficiency of the internal control system.

The Company promotes and encourages the attendance by the top management of the Company to the meetings of the Board of Statutory Auditors.

It is expected that the Board of Statutory Auditors meet at least 4 times in 2010.

## **15. RELATIONS WITH THE SHAREHOLDERS**

Lottomatica ensures and promotes relations with Shareholders, and with the investors in general, through the Company's competent departments and during the meetings with the stakeholders, as well as through its internet website ([www.lottomaticagroup.com](http://www.lottomaticagroup.com)) where it publishes and promptly updates under the "Investor Relations" section, information of economical and financial nature such as annual and infra-annual financial reports, press releases as well as other data and documents of interest, as well as under the "Governance" section, information and documents on corporate governance, such as the composition of the corporate bodies, bylaws, Shareholders' Meeting regulation, and illustrative reports prepared by the Board of Directors for the Shareholders' Meetings, corporate governance reports, organizational model pursuant to legislative decree no. 231 of 2001, as well as the different internal regulations approved by the Board of Directors.

### ***Protection of minority Shareholders***

The Company, despite the control assets, has always promoted the broadest and most aware participation by the Shareholders to the Shareholders' Meetings and, more in general, their participation to the life of the Company through a number of initiatives aimed at easing the exercise of rights, especially those of the minorities.

To this end, the bylaws of the Company are promptly updated in order to reflect and regulate the instruments aimed at protecting the minorities, that are from time to time introduced by the law, or introduced by the national and international best practices.

The right of the minorities to integrate the agenda of the Shareholders' Meeting as well as on the procedures for the appointment of Directors and Statutory Auditors are clear examples of the above (for a more thorough description of such procedures, please refer to Sections no. 4 and no. 13 above). Other measures are currently being examined in order to implement the relevant provisions of legislative decree no. 27 of 2010.

### ***Head of investor relations***

The Board of Directors has identified a person responsible for handling the relationships with the Shareholders, with specific reference to institutional Shareholders.

The head of Investor Relations attends to the section of the Company's website dedicated to the investor relations and Shareholders and, under the supervision of the Chief Financial Officer, attends to the relations with the Italian Stock Exchange (jointly with the Corporate Affairs department), as well as with journalists and analysts and with the specialized economic press.

The head of Investor Relations is further engaged, with the aid of the Corporate Affairs department, to select and summarize the corporate information to be addressed to the market, in coordination with the investor relations departments of the main Company's subsidiaries, with specific reference to the management of Privileged Information in accordance with the charter better described under Section no. 5 hereinabove.

In 2009 the Company's investor relations carried out the following activities:

- no. 334 investor meetings (one-to-one or via conference call);

- no. 13 road shows;
- no. 7 analysts meetings, upon presentation of the three year strategic plan or annual results, also within conferences organized by financial institutions;
- no. 4 conference calls on 2008 annual results and 2009 infra-annual reports.

## 16. SHAREHOLDERS' MEETING

The Shareholders' Meetings are summoned in the Republic of Italy, as provided for by law, upon resolution by the Board of Directors, by means of a notice of call executed by the Chairman containing information on the date, location, time and agenda of the meeting, to be published in the Official Gazette or on the daily newspaper "Il Sole24ore" as required by law.

The Shareholders' Meeting can be called, other than by the Board of Directors, at the request of several Shareholders who represent at least a tenth of the share capital, as per Article no. 2367, final paragraph, of the Italian Civil Code, or by the Board of Statutory Auditors (or at least two members of the same).

The Shareholders representing, also jointly, at least 1/40 of the share capital are entitled to request, within 5 days as from the publication of the notice of call of the Shareholders' Meeting, that the list of the matters on the agenda be supplemented, mentioning in the request the additional proposed matters. At least ten days before the date fixed for the Shareholders' Meeting, the additional items on the agenda of the Shareholders' Meeting shall be made public in accordance with the above procedure.

Pursuant to the law and to Article no. 9 of the bylaws, Shareholders are entitled to attend the meeting if the authorized intermediaries that keep their accounts have sent the Company the communication required by the current provisions within two business days before the date set for the Shareholders' Meeting. Communications received in accordance with the above are also valid for calls subsequent to the first. The Company does not impose a share freeze as a prerequisite to attend the meeting: Shareholders are only required to give instructions to the intermediaries who keep their accounts so that the latter may timely send the Company the above mentioned communication. This does not give rise to any impediment to the subsequent release of the shares referred to in the communication; in such event, the intermediary who has sent the communication is required to inform the Company without delay of any partial or total transfer (or any other act of disposal) of the corresponding shares since the said communication would no longer effectively entitle the participant to attend the meeting.

Pursuant to the current provisions, the Shareholders' Meeting resolves, among the other, on (i) the appointment and revocation of the members of the Board of Directors and of the Board of Statutory Auditors as well as on their compensation; (ii) the approval of the annual financial statements; (iii) the programmes to purchase and the sale of treasury stock; (iv) stock based compensation plans; (v) the amendments to corporate bylaws other than mere adjustments pursuant to new provisions of law; (vi) the issuance of convertible bonds.

Shareholders' Meetings are governed by an internal charter approved by the same body, which is made available to those participating to each Shareholders' Meeting and published on the "Governance Section" of the internet website of the Company.

The Company also publishes in the same section on its website the information concerning the Company that is material to encourage its shareholders to participate to the meetings and increase their awareness on the items of the agenda (e.g. the notice of call, the illustrative reports of the Board of Directors on each item of the agenda, the financial statements and the lists of candidate Directors and Statutory Auditors together with the relevant documentation provided by the bylaws, etc.).

Similar information is made available to all those in attendance or read by the Chairman or the secretary during the discussion on each item meeting.

At the end of each meeting, the relevant minutes, press releases and notices on the modalities of exercising Shareholders' rights on approved dividends are published on Lottomatica's website.

Always in order to allow the broadest participation it is customary that:

- the Company relies on a congruous number of personnel in order to facilitate the course of each meeting;
- resolutions are normally taken by public ballot whose results are simultaneously calculated by electronic devices;
- notices of call and all other notices that allow the exercise of corporate rights are usually published on two or three main national newspapers, whereby, in the first case, Shareholders are reminded to (i) timely deliver the documentation enabling them to participate to the meeting and (ii) attend the meeting with reasonable advance, especially when representing a number of Shareholders.

The internal charter ensures that each Shareholder entitled to participate to the Shareholders' Meeting pursuant to the law and to the bylaws, as well as each Director and Statutory Auditor, may take the floor on each item on the agenda and make relevant proposals.

Those that intend to take the floor must ask the Chairman of the meeting to take the floor, after that the item on the agenda has been read and discussed.

Annual Shareholders' Meetings represent a chance for sharing information on future strategies and on the general business trend of the Company. To this end, Directors and Statutory Auditors, as well as representatives of the audit firm when the annual financial statements are to be presented, are recommended to attend the Shareholders' meetings.

## 17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES

### **Social report**

On June 10, 2009, the Board of Directors examined the corporate responsibility report as at December 31, 2008, that collects the social responsibility initiatives of the Company connected to gaming and promoted during the 2008 financial year, certified by Reconta Ernst & Young S.p.A. and presented to the press on July 9, 2009.

The social report of Lottomatica - the first such report presented by an Italian gaming company - reflects the commitment undertaken before all of the Company's Shareholders to report not only on the economic consequences, but also on those of a social, cultural and environmental nature as well as on the overall initiatives deriving from undertaking social responsibility as guiding principle of the Company's operation. In particular, the report also analyses the relationship between the Company and the different related communities for the worldwide activities of the group lead by Lottomatica.

The document is divided into four sections: (i) *Group profile*, that illustrates the international scenario in which the Company operates, the activity and the structure of the group, the reference moral values and the code of conduct, the corporate mission and strategy; (ii) *Corporate Social Responsibility (CSR)*, that indicates what Lottomatica means by responsible gaming, the actions taken pursuant to such idea and the consequent commitments; (iii) *Economic Responsibility* the section dedicated to the economic responsibility and to the investment programmes that ensure the sustainable development of the Company; (iv) *Stakeholders*, dedicated at fully illustrating the map of the Shareholders and the relations with each of them.

The main novelties with reference to the previous edition concern the certification by Reconta Ernst & Young S.p.A. on the transparency and completeness of the information, and the adoption of the "guidelines for the sustainability reporting" by the Global Reporting Initiative, the most widespread on international level (that ranked the report "A+", the highest rank), aimed at promoting the quality of the reporting, also in consideration of the international standards, given the global scope of activity achieved by the Lottomatica Group.

The social report is available on the "*Social Responsibility*" section of the internet website of the Company.

**Code of conduct**

The Board of Directors approved on March 7, 2008, the current version of the group's Code of Conduct.

The Code of Conduct establishes the standards of behaviour and the integrity level requested from all the employees, directors, auditors, officers, consultants, commercial partners, agents, suppliers and other representatives or counterparts of Lottomatica and of its subsidiaries. It applies both in Italy and abroad, in compliance with the cultural, social and economic differences of the countries where the Company works.

The Code of Conduct is available under the "*Governance*" section of the internet website of the Company.

| TABLE 1. Structure of the Board of Directors and of the Committees |                   |                |                                      |                |           |           |            |           |        |                            |   |      |                        |      |                     |      |
|--|-------------------|----------------|--------------------------------------|----------------|-----------|-----------|------------|-----------|--------|----------------------------|---|------|------------------------|------|---------------------|------|
| Board of Directors   |                   |                |                                      |                |           |           |            |           |        |                            | Internal Audit and Compliance Committee |      | Remuneration Committee |      | Executive Committee |      |
| Office   | Members           | In charge from | In charge until                      | List (M/m) (*) | Executive | Non exec. | Indep Code | Indep TUF | % (**) | No. of other offices (***) | (****)                                  | (**) | (****)                 | (**) | (****)              | (**) |
| Chairman   | Lorenzo Pellicoli | 12.04.2005     | Approval Financials as at 31.12.2010 | M              | •         |           |            |           | 100%   | 14                         |   |      |                        |      | •                   | 100% |
| Vice Chairman  | Robert Dewey Jr.  | 29.08.2006     | Approval Financials as at 31.12.2010 | M              |           |           | •          | •         | 100%   | -                          |   |      | •                      | 100% |                     |      |
| Managing Director and CEO  | Marco Sala        | 20.12.2005     | Approval Financials as at 31.12.2010 | M              | •         |           |            |           | 100%   | 2                          |   |      |                        |      | •                   | 100% |
| Director   | Pietro Boroli     | 20.12.2005     | Approval Financials as at 31.12.2010 | M              | •         |           |            |           | 90%    | 17                         |   |      |                        |      | •                   | 75%  |
| Director   | Paolo Ceretti     | 20.12.2005     | Approval Financials as at 31.12.2010 | M              | •         |           |            |           | 90%    | 12                         |   |      |                        |      | •                   | 100% |
| Director   | Marco Drago       | 20.12.2005     | Approval Financials as at 31.12.2010 | M              | •         |           |            |           | 100%   | 13                         |   |      |                        |      | •                   | 75%  |
| Director   | Jeremy Hanley     | 15.04.2008     | Approval Financials as at 31.12.2010 | M              |           | •         | •          | •         | 100%   | 5                          | •                                       | 100% |                        |      |                     |      |
| Director   | James F.          | 29.08.2006     | Approval                             | M              |           | •         | •          | •         | 90%    | 2                          |   |      | •                      | 100% |                     |      |

|          |                           |            |                                      |   |   |   |   |   |      |    |   |      |   |      |   |      |
|----------|---------------------------|------------|--------------------------------------|---|---|---|---|---|------|----|---|------|---|------|---|------|
|          | McCann                    |            | Financials as at 31.12.2010          |   |   |   |   |   |      |    |   |      |   |      |   |      |
| Director | Jaymin Patel              | 9.11.2007  | Approval Financials as at 31.12.2010 | M | • |   |   |   | 100% | 21 |   |      |   |      | • | 100% |
| Director | Anthony Ruys              | 29.08.2006 | Approval Financials as at 31.12.2010 | M |   | • | • | • | 70%  | 6  | • | 100% |   |      |   |      |
| Director | Severio Salvemini         | 20.12.2005 | Approval Financials as at 31.12.2010 | M |   | • | • | • | 80%  | 8  | • | 100% |   |      |   |      |
| Director | Gianmario Tondato Da Ruos | 29.08.2006 | Approval Financials as at 31.12.2010 | M |   | • | • | • | 70%  | 4  |   |      | • | 100% |   |      |
| Director | W. Bruce Turner           | 29.08.2006 | Approval Financials as at 31.12.2010 | M |   | • |   |   | 90%  | -  |   |      |   |      |   |      |

No. of meetings held in 2009:

- . Board of Directors: 10
- . Internal Audit and Compliance Committee: 5
- . Remuneration Committee: 5
- . Executive Committee: 4

(\*) indicates whether a Director was appointed from a majority list (M) or a minority list (m)

(\*\*) indicates the percentage of attendance by the single member to the meetings of the relevant body

(\*\*\*) no. of other offices held by the single Director in other listed companies as well as financial companies, banks, insurance companies or companies of considerably large size

(\*\*\*\*) "•" indicates whether the Director is member of a committee

| <b>TABLE 2: Board of Statutory Auditors</b> |                            |                |                                      |            |                              |   |                              |
|---|----------------------------|----------------|--------------------------------------|------------|------------------------------|---|------------------------------|
| Office                                      | Name                       | In charge from | In charge until                      | List (M/m) | Independent pursuant to Code | Percentage of participation to Board meetings | Number of other offices (**) |
| Chairman                                    | Sergio Duca                | 15.04.2008     | Approval Financials as at 31.12.2010 | M          | •                            | 100%  | 12                           |
| Effective member                            | Angelo Gaviani             | 16.12.2005     | Approval Financials as at 31.12.2010 | M          | •                            | 100%  | 21                           |
| Effective member                            | Francesco Martinelli       | 16.12.2005     | Approval Financials as at 31.12.2010 | M          | •                            | 100%  | 28                           |
| Alternate member                            | Giampiero Balducci         | -              | Approval Financials as at 31.12.2010 | M          | -                            | -   | -                            |
| Alternate member                            | Giulio Gaslioli            | -              | Approval Financials as at 31.12.2010 | M          | -                            | -   | -                            |
| Alternate member                            | Umile Sebastiano           | -              | Approval Financials as at 31.12.2010 | M          | -                            | -   | -                            |
| Alternate member                            | Iacovino Guido Martinelli  | -              | Approval Financials as at 31.12.2010 | M          | -                            | -   | -                            |
| Alternate member                            | Marco Squazzini Viscontini | -              | Approval Financials as at 31.12.2010 | M          | -                            | -   | -                            |

(\*) indicates whether a Statutory Auditor was appointed from a majority list (M) or a minority list (m)

(\*\*) indicates the percentage of attendance by the single member to the meetings of the body

(\*\*\*) indicates the no. of director and statutory auditor offices held as indicated in Section no. 14

Lottomatica Group S.p.A.

**Registered headquarters:**

Viale del Campo Boario, 56/d  
00154 Rome, Italy

**Share capital:**

Euro 172,015,373.00 (\*) fully paid  
(\*) as at March 3, 2010

**Corporate Affairs**

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**Investor Relations**

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*This report was drafted by the Corporate Affairs and approved by the Board of Directors of Lottomatica Group S.p.A. on March 3, 2010 and refers to the financial year ended on December 31, 2010*