



LOTTOMATICA GROUP S.p.A.
CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT
FINANCIAL YEAR 2010

Approved on March 10, 2011

www.lottomaticagroup.com

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

Corporate Bodies, 2010 financial year**Board of Directors****Chairman**

Lorenzo Pellicoli

Vice-Chairman

Robert Dewey, Jr.

Managing Director and Chief Executive Officer

Marco Sala

Directors

Pietro Boroli
Paolo Ceretti
Marco Drago
Jeremy Hanley
James F. McCann
Jaymin Patel
Anthony Ruys
Severino Salvemini
Gianmario Tondato Da Ruos
W. Bruce Turner

General Manager

Renato Ascoli

Manager in charge of drawing up corporate reports and financial statements

Stefano Bortoli

Secretary of the Board of Directors

Pierfrancesco Boccia

Board of Statutory Auditors

Sergio Duca, Chairman
Angelo Gaviani (effective member)
Francesco Martinelli (effective member)
Giampiero Balducci (alternate member)
Giulio Gasloli (alternate member)
Umile Sebastiano Iacovino (alternate member)
Guido Martinelli (alternate member)
Marco Sguazzini Viscontini (alternate member)

| | |
|--|----|
| PROFILE OF THE ISSUER | 2 |
| INFORMATION ON THE OWNERSHIP STRUCTURE | 2 |
| <i>Relevant participations to the share capital</i> | 3 |
| <i>Shareholders' agreements</i> | 4 |
| <i>"Change of control" clauses</i> | 4 |
| <i>Delegation of powers to increase the share capital and authorization to purchase Company own shares</i> | 4 |
| <i>Direction and coordination activity</i> | 5 |
| COMPLIANCE | 6 |
| THE BOARD OF DIRECTORS | 6 |
| <i>Appointment and replacement</i> | 7 |
| <i>Composition</i> | 8 |
| <i>Role of the Board of Directors</i> | 15 |
| <i>Delegated Bodies</i> | 18 |
| <i>Independent directors</i> | 25 |
| <i>Lead independent director</i> | 26 |
| HANDLING OF CORPORATE INFORMATION | 26 |
| <i>Investor relations</i> | 26 |
| <i>Management of Privileged and non Privileged Information</i> | 27 |
| <i>Internal dealing</i> | 28 |
| INTERNAL COMMITTEES OF THE BOARD | 28 |
| NOMINATION COMMITTEE | 29 |
| REMUNERATION COMMITTEE | 29 |
| REMUNERATION OF DIRECTORS | 30 |
| <i>Stock based compensation plans</i> | 32 |
| <i>Directors indemnities in the event of resignation, dismissal or termination of the relationship resulting from a takeover bid</i> | 33 |
| INTERNAL AUDIT AND COMPLIANCE COMMITTEE | 33 |
| INTERNAL CONTROL SYSTEM | 34 |
| <i>Overview</i> | 34 |
| <i>Risk management and internal audit system</i> | 35 |
| <i>Manager in charge of the internal control system and Executive Director in charge of supervising the internal control system (Executive Director)</i> | 37 |
| <i>Internal Audit</i> | 38 |
| <i>Compliance program pursuant to legislative decree no. 231 of June 8, 2001</i> | 39 |
| <i>Audit Firm</i> | 40 |
| <i>Manager in charge of drawing up corporate accounting reports ("Accounting Manager")</i> | 40 |
| <i>Global Compliance and Governance</i> | 41 |
| INTERESTS OF DIRECTORS AND RELATED PARTY TRANSACTIONS | 42 |
| APPOINTMENT OF STATUTORY AUDITORS | 43 |
| STATUTORY AUDITORS | 44 |
| RELATIONS WITH THE SHAREHOLDERS | 47 |
| <i>Protection of minority Shareholders</i> | 48 |
| <i>Head of investor relations</i> | 48 |
| SHAREHOLDERS' MEETING | 48 |
| ADDITIONAL CORPORATE GOVERNANCE PRACTICES | 50 |
| <i>Social report</i> | 50 |
| <i>Code of conduct</i> | 50 |
| Table 1 - Structure of the Board of Directors and of the Committees | 51 |
| Table 2 - Board of Statutory Auditors | 53 |

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 10, 2011. 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 format for the preparation of corporate governance and ownership structure reports issued by Borsa Italiana S.p.A. in 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.

In 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 a broad portfolio of lottery technology, services and content solutions.

Lottomatica in 2010 has reached more than Euro 2.3 billion consolidated revenues and almost 7,600 employees in over 50 countries together with its subsidiaries.

The Company is organized on the basis of the “traditional” model, which consists of the Shareholders’ Meeting, the Board of Directors and the 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 the manager in charge of drawing up corporate reports and financial statements, the Director 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 182.682.847, 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.

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 304,348,179.17, 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 in 2012. On November 24, 2009, Mediobanca International (Luxembourg) SA fully subscribed the no. 19,728,536 ordinary shares.

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

- (a) issued in 2006 subordinated interest-deferrable capital securities, listed on the Luxembourg Stock Exchange, due March 2066 with a total value of Euro 750 million 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 (hereinafter referred to as, the “**2006 Hybrid Bonds**”);

- (b) issued in 2007 *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 guaranteed notes (expiring December 5, 2016) for a total of Euro 750 million. Interest on the 2009 notes is payable annually in arrears on each December 5, commencing on December 5, 2010, at 5.375% per annum. The bonds have been admitted to the listing on the Luxembourg Euro-MTF market (hereinafter referred to as, the "**2009 Eurobonds**");
- (d) issued in 2010 guaranteed notes (expiring February 2, 2018) for a total of Euro 500 million. Interest on the 2010 notes is payable annually in arrears on each February 2, commencing on February 2, 2012, at 5.375% per annum (hereinafter referred to as the "**2010 Eurobonds**"), The 2010 Eurobonds have been admitted to the listing on the Luxembourg Euro-MTF market.

| OTHER FINANCIAL INSTRUMENTS (that assign rights to execute shares) | | | | |
|---|-----------|------------------------------------|-------------------------------|--------------------------------------|
| | Listed | No. Of instruments | Shares serving the conversion | No. of shares serving the conversion |
| Mandatory Exchangeable Bonds (issued by UBI Banca International SA) | Frankfurt | 1 (one) Global Bond Certificate | Ordinary shares | 19,728,536 |

Lottomatica has in place stock based compensation plans in favour of employees of the Company and 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.

Moreover, on July 29, 2010 - in accordance with the powers granted by the Extraordinary Shareholders' Meeting held on October 18, 2006 - the Board of Directors resolved to increase the stock capital for consideration pursuant to Article no. 2443 of the Italian Civil Code by up to a maximum of Euro 1,825,026.00, divisible, through the issuance in one or more instalments of up to a maximum of no. 1,825,026 new ordinary shares, each of a nominal value Euro 1.00 worth, at a unit price of Euro 10.89 inclusive of nominal value and share premium, having normal dividend rights, with the waiver of the pre-emption rights pursuant to Article 2441, paragraph 4, second sentence of the Italian Civil Code, to be subscribed by no later than December 31, 2016, to be used in connection with the "Lottomatica Group 2010-2016 Stock Option Plan reserved for employees" of the Company and/or its subsidiaries.

For a detailed analysis of the stock based 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, as amended and supplemented (hereinafter, the "**Issuers' Regulation**"), and published on the "*Governance*" section of the internet website of the Company (www.lottomaticagroup.com).

Relevant participations to the share capital

De Agostini directly holds the absolute majority of the Company's stock capital (59.743%). The Company is included within the consolidated financial statements of B&D as its subsidiary and it is subject to the direction and co-ordination of De Agostini pursuant to Articles no. 2497 and following of the Italian Civil Code.

According to the data received by the Company as at March 10, 2011, 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 in 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 | 102,629,324 102,629,324 | 59.663% 59.663% | 60.782% |
| Mediobanca S.p.A. | . Mediobanca S.p.A. . Mediobanca International (Luxembourg) SA | 21,918,941(**) 2,190,405 19,728,536 | 12.742% 1.273% 11.469% | 8.801% |
| Assicurazioni Generali S.p.A. | . Assicurazioni Generali S.p.A. . Alleanza Toro S.p.A. . Other no. 5 companies belonging to Generali group | 4,989,596 3,300 4,390,054 596,242 | 2.901% 0.002% 2.552% 0.347% | 2.955% |

(*) The voting capital does not include the no. 3,167,552 own shares representing 1.841% of the share capital;

(**) Out of the total no. of 21,918,941 shares directly and indirectly owned by Mediobanca S.p.A., no. 8,057,927 were lent 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 amended and supplemented (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 (hereinafter, the "**Shareholders' Agreement**"), 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. As a consequence of the partial conversion of the bonds issued by B&D on October 8, 2009, its the corporate capital is equal to Euro 43,271,569 and is entirely bound to the Shareholders' Agreement.

"Change of control" clauses

The Company is not aware of any material agreements entered into by it or by any of its subsidiaries pursuant to Article no. 123-*bis*, paragraph 1, letter h) of the Consolidated Financial Law, i.e. which become effective, are amended or terminated upon a change of control of the Company

Standard clauses that provide for an immediate reimbursement of any still due amounts (so called "mandatory prepayment") in the event of a change of control of the Company or of GTECH Corp, as the case may be, are provided under the terms and conditions governing the following loan agreements and bond regulation:

- 2006 Hybrid Bonds;
- 2009 Eurobonds;
- 2010 Eurobonds;
- Facilities agreement entered into by Lottomatica and GTECH Corporation in December 2010, consisting of a US Dollar 700 million term loan facility having GTECH Corporation as borrower, and of Euro 900 million multicurrency revolving credit facilities having GTECH Corporation and Lottomatica as borrowers for Euro 500 million and Euro 400

million, respectively.

Moreover, in light of its scarce contendibility due to the current ownership structure, the Company did not introduce in its bylaws the so called “*passivity rule*” whereby the target company of a takeover must refrain from executing deeds or carrying out transactions that may impair the success of the same takeover, unless the deed or the transaction is authorized by the Shareholders’ Meeting, nor the so called “*breakthrough rule*” that renders inapplicable, in the event of a takeover those provisions of the bylaws of the target company or of any shareholders’ agreements that may impair the execution of the offering and void the special controlling powers granted to the shareholders, if any.

Delegation of powers to increase the share capital and authorization to purchase and dispose of 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 tranches, 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 to the Shareholders and up to a maximum of Euro 50,000,000.00 to be offered to the employees of Lottomatica and/or its subsidiaries, thus with no pre-emption right pursuant to Article no. 2441, paragraph 4, second sentence, of the Italian Civil Code;
- 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 issuances up to a maximum amount of Euro 15,050,080.00, with the exclusion of the pre-emption right pursuant to Article no. 2441, paragraph 4, second sentence of the Italian Civil Code, and serving:
 - (i) one or more stock option plans reserved for 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) the acquisition of equity investments (including through mergers or de-merger transactions) or businesses or branches of businesses active in the fields of strategic importance for the Company, without any limits per year.
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 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 granting plans.

On March 10, 2011, the Board of Directors resolved to propose to the Shareholders’ Meeting to renew for a 5-year term the powers granted to the Board on October 18, 2006 and on April 23, 2007, for the increase of the stock capital pursuant to Article 2443 of the Civil Code, serving stock based incentive plans and/or acquisitions¹, as well as the powers granted on April 12, 2006 as to certain terms and conditions governing the 2006 Hybrid Bonds.

Moreover, on April 30, 2010, the Shareholders’ Meeting authorized the purchase, in one or more times, of up to no. 34,403,074 ordinary shares, or any other number representing a maximum of 20% of the Company’s 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. As anticipated by the Board of Directors in its report to the Shareholders’ Meeting, the Company did not carry out any purchases during 2010.

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

The transaction allows 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 within the frame of stock based plans reserved for employees of the Company or its subsidiaries, and (iv) use the acquired shares for capital transactions or other transactions in relation to which it may be appropriate to exchange or transfer blocks of shares, by way of exchange, contribution or other acts of disposal, including stock based plans for Group employees.

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.

Moreover, the Board of Directors of March 10, 2011 resolved to propose to the forthcoming Shareholders' meeting of April 28, 2011 to allocate free of charge to the Shareholders a maximum of no. 3,373,000 treasury shares, of which no. 3,167,552 already held by the Company, at the ratio of no. 1 ordinary share for every no. 50 shares held, with the treasury stock reserve consistently reduced, after supplementing the April 30, 2010 Shareholders' Meeting resolution on the share buy-back plan, in order to expressly allow the free allocation to Shareholders as an additional permitted disposal of treasury shares.

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 of the Italian Civil Code; the latter, in full respect of the independence of the Directors of the Company has issued, and regularly updates, uniform managerial instructions to its subsidiaries, including the Company.

3. COMPLIANCE

The Company complies with the latest edition of the Corporate Governance Code for listed issuers of March 2006 promoted by the Corporate Governance Committee of the Italian Stock Exchange (the "**Code**"), and amended in 2010 as to the matter of compensation directors and top executives (Section no. 7 of the Code). The Code is available on the internet website of Borsa Italiana S.p.A. (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 of the principles and criteria provided by the Code and by international best practices. The report is annually made available to the Shareholders together with the documentation for the annual Shareholders' Meeting on the Company's website (www.lottomaticagroup.com) and sent to the Italian Stock Exchange that makes it available to the public.

The relevant annual reports issued by the Company are available on its internet website under the Governance section (www.lottomaticagroup.com).

4. THE BOARD OF DIRECTORS

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

The Company expects 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 annual self evaluations of the managing body - may lead to ensure the highest possible efficiency of the works of the Board.

The charter is available on the Governance section of the Company's website (www.lottomaticagroup.com).

Appointment and replacement

The Board of Directors is composed of seven to fifteen members who serve for a maximum of three financial years and may be re-appointed. As provided for by the bylaws of the Company, Directors are appointed for a maximum of three financial year term, 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 office. 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, who is automatically replaced by the candidate with the following progressive number taken from the same list of the replaced Director.

On accepting the directorship, as well as at the moment of taking the office, the candidates as Directors of the Company and the Directors that may have been co-opted are invited to evaluate whether they may diligently perform their duties. In particular, each concerned candidate 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 as 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, who have been systematically 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 verify that they meet the requisites set by the gaming and lottery authorities of those countries in which the Company or its subsidiaries operate; candidates are assisted in their review of such requirements by means of the guidelines available on website of the Company and of the support of the competent corporate departments.

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 lastly amended by the Board of Directors of November 15, 2010 following the implementation by the legislative decree no. 27 of January 27, 2010 of the EU Directive no. 2007/36/EC (so called "*shareholders' rights*" directive), provides that Directors are appointed by means of voting lists, so as to reserve to the minorities the appointment of at least one Director, in compliance with the provisions of law. Article no. 13 expressly (i) allows Shareholders owning the minimum participation provided for by the law and 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 submitted by minority Shareholders and with the largest number of votes and unrelated with the list ranked first, (iv) provides that 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 where the Board is composed of more than 7 Directors) must possess the independence requisites provided by the law (Directors' independence is later thoroughly described under this same section).

Each list must be deposited at the headquarters of the Company within the term provided for by the law (currently 25 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 whether or not they are deemed to qualify as independent pursuant to the law and any self-regulatory codes issued by market management companies or trade

associations which the Company subscribes to;

- 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 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 submit the list.

The Company shall immediately, and in any event within the term provided for by the law (currently 21 days prior to the Shareholders' Meeting called to resolve on the appointment of the Directors) make available to the public all the lists regularly submitted..

The bylaws provide that the denial, or the grounded risk of denial, of the satisfaction to be expressed by public bodies or public or private entities (e.g. *Amministrazione Autonoma dei Monopoli di Stato*, U.S. jurisdictions, etc.). pursuant to administrative or law provisions, also foreign, applicable to the Company or its subsidiaries, are to be construed as causes of ineligibility to the office of Director, or if appointed, shall result in the Director's termination of office

Composition

As at the date of approval of this report, and with reference to the 2010 financial year, the Board of Directors comprises six executive Directors, i.e. individually (Managing Director and Chairman) or jointly (Executive Committee) equipped with managing powers, and seven non executive Directors, all of which are deemed independent pursuant to the Code and the Consolidated Financial Law.

Independent 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 by them 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 offices held by them (see below a list of such offices). Independent Directors play an important role in the supervision of potential conflicts of interest 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 especially related party transactions governed by the internal charter adopted by the Board on November 15, 2010, as more thoroughly described under paragraph no. 12 below.

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, and, as at the date of this report, comprised the following members:

- . 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.

The table that follows represents the composition of the Board of Directors and of its internal committees, with reference to the 2010 financial year, together with other useful information concerning each single Director.

| BOARD OF DIRECTORS (2010 financial year) | | | | | | | | |
|---|--|----------------|-----------|---------------|------------------------------|------------------------|----------------------------|-----------------------------|
| Name | Special Offices | In charge from | Executive | Non executive | Independent pursuant to code | Indep. pursuant to TUF | % attendance to BoD (2010) | Other material offices held |
| Lorenzo Pellicoli | . Chairman . Chairman of the Executive Committee | 12.04.2005 | X | | | | 100% | 13 |
| Robert Dewey, Jr. | . Vice Chairman . Member of the Remuneration Committee | 29.08.2006 | | X | X | X | 100% | - |
| Marco Sala | . Managing Director/ CEO . member of Executive Committee | 20.12.2005 | X | | | | 100% | 2 |
| Pietro Boroli | . Member of the Executive Committee | 20.12.2005 | X | | | | 100% | 17 |
| Paolo Ceretti | . Member of the Executive Committee | 20.12.2005 | X | | | | 100% | 10 |
| 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 | X | 100% | 4 |
| James F. McCann | . Member of the Remuneration Committee | 29.08.2006 | | X | X | X | 100% | 3 |
| Jaymin Patel | . Member of the Executive Committee | 9.11.2007 | X | | | | 100% | 12 |
| Anthony Ruys | . Member of the Internal Audit and Compliance Committee | 29.08.2006 | | X | X | X | 80% | 6 |
| Severino Salvemini | . Supervisor of the Internal Audit and Compliance Committee . Chairman of the Surveillance Body | 20.12.2005 | | X | X | X | 60% | 6 |
| Gianmario Tondato Da Ruos | . Lead Indep. Director . Supervisor of Remun. Committee | 29.08.2006 | | X | X | X | 80% | 4 |
| W. Bruce Turner | | 29.08.2006 | | X | X | X | 100% | 1 |

LEGEND

Special Office: the office held in 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 with the independence requirements provided by Article no. 148, paragraph 3 of the Consolidated Financial Law.

% attendance to BoD (2010): indicates the attendance, indicated by means of percentage, to the meetings of the Board in 2010.

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, chairman of Zodiak Media, 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 Chief Executive 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 and, since April 2009, he is 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 Media S.A. 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 – Hachette 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 (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 Global Value, 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, Zodiak Media, Generale de Santé, 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 Media 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 has served on the Boards of a number of quoted and unquoted companies, including currently Willis Group Holdings, 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, NY. 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, Saints & Sinners.

JAMES F. McCANN

GTECH Director from 2003 to 2006, he is a member of Lottomatica's Board of Directors since August 2006. He 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 RUYTS

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 former Director of Economics for the Arts, Culture and Communication Department (1999-2010). 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, Cargo Italia, as well as Chairman of MagnoliaTV.

GIANMARIO TON DATO 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

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, among the others, **as at December 31, 2010**:

LORENZO PELLICOLI

Managing Director of De Agostini ;
 Director of B&D ;
 Director of Assicurazioni Generali S.p.A.;
 Director of De Agostini Editore S.p.A. ;
 Director of Editions Atlas (France) S.A.S. ;
 Director of Editoriale Genesis S.r.l.;
 Chairman of DeA Capital S.p.A. ;
 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 of Zodiak Media ;
 Sole Director of Investendo S.r.l.;
 Sole Director of Yellow Properties S.r.l.

ROBERT DEWEY JR. -

MARCO SALA

Director of Invest Games S.A. (controlled by Lottomatica);
 Director of Banca ITB S.p.A..

PIETRO BOROLI

Vice Chairman of De Agostini;
 Chairman of the Board of Directors of De Agostini Editore S.p.A.;
 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.;
 Director of Istituto Geografico De Agostini S.p.A.;
 Sole Director of Vis Value Partecipazioni S.r.l.;
 Chairman of Unione Tipografico Editrice Torinese (UTET) S.p.A.;
 Director of De Agostini UK Limited;
 Director of Grupo Planeta – De Agostini SL;
 Vice Chairman of DeA Planeta SL;
 Vice Chairman of Editorial Planeta De Agostini S.A.;
 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 Media S.A..

PAOLO CERETTI

General Manager of De Agostini ;
 Director of DEA Factor S.p.A.;
 Director of De Agostini Editore S.p.A.;
 Managing Director of DeA Partecipazioni S.p.A.;
 Managing Director of DeA Capital S.p.A.;
 Chairman of DeA Capital Investments S.A.;
 Director of Idea Alternative Investments S.A.;
 Member of the Surveillance Board of Générale de Santé S.A.;
 Managing Director of De Agostini Communications S.p.A.;
 Director of Zodiak Media S.A..

MARCO DRAGO

Chairman of De Agostini ;
Chairman of B&D ;
Director of DeA Capital S.p.A.;
Director of De Agostini Editore S.p.A.;
Director of Antena 3 TV SA;
Director of De Agostini Communication;
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);
Member of the Directive Board of ASSONIME;
Director of Zodiak Media S.A.;
Director of Fondazione De Agostini.

JEREMY HANLEY

Director of the Arab – British Chamber of Commerce;
Deputy Chairman of Langbar International Ltd.;
Director of Willis Group Holdings Inc.;
Director of Willis Ltd. (FSA regulated).

JAMES F. MCCANN

Director of Willis Holdings Group;
Director of 1-800-Flowers.com;
Member of the Regional Advisory Board of JP Morgan.

JAYMIN PATEL

President and Chief Executive Officer of GTECH Holdings Corporation;
President and Chief Executive Officer of GTECH Corporation;
Director of Cam Galaxy Group Limited;
Director of Europrint (Games) Limited;
Director of Europrint Holdings Limited;
Director of Europrint Promotions Limited;
Director of Interactive Games International Limited;
Director of JSJ Limited;
Director of Southern Africa (Proprietary) Limited;
Director of GTECH Sweden AB;
Director of GTECH U.K. Limited; and
Chairman of Board of Managers of Northstar Lottery Group, LLC.

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 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

Director of Moneygram International

Role of the Board of Directors

The meetings of the Board are regulated by the bylaws and by the law, as well as by the charter governing the working of the Board of Directors lastly updated on March 5 and 6, 2009 and available on the Company's website.

The Board of Directors meets on a regular basis for the approval of the annual and infra-annual financial reports as well as of budgets 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 Statutory 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 awareness, 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 resolutions, the charter recommends to 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 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 of the concurrent personal interest. In order to prevent or reduce any influence on the Board, the Managing Director has sometimes not simply abstained himself from carrying out the transaction, and or from voting, 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 or the General Manager). In all such cases, and more generally in the event of a related party transaction, as defined below in this report, the Board of Directors shall indicate 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 to be 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 15 working days, for considerations and comments, if any, that may be discussed until the next meeting.

During 2010 the Board of Directors met 5 times on the following dates: March 3 and 4, May 11, July 29, September 8 and 9, and November 15. The meetings lasted on average two hours and forty minutes. During such 2010 meetings there was a 94% average attendance by all Board members, and 87% average attendance by the independent members and 93% by the Statutory Auditors. The absence of Directors and Statutory Auditors was always duly justified.

In 2011, the Board met on February 7 and on March 10 and 11, 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 2011 and available on the Company's website.

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. The Board of Directors is also expressly 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;
- vesting 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 the transactions of the Company and of its subsidiaries, when it is required by the Corporate Governance guidelines of the group, as approved from time to time by the Board, and any time such transactions have a significant strategic, economic, or financial impact for the Company, paying particular attention to situations in which one or more directors hold a significant interest on their own behalf or on behalf of third parties, and more generally to transactions with related parties falling under the Board's competence or that are to be deemed of greater importance pursuant to the internal charter adopted by Company to govern related party transactions;
- examining and approving the Company's and the group's strategic, operational and financial plans as well as the corporate organization;
- granting and revoking powers of the 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 and within the thresholds set by the Shareholders' Meeting, 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 may also determine an overall compensation for all directors, including those vested with 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 managers of the group) is partially connected to corporate results achieved and/or to the achievement of specific objectives; to such an extent, their overall remuneration is composed of MBOs and supplemented by the proceeds of stock based compensation plans;
- periodically supervising and evaluating the performance of the Company. The results of such evaluation are then described in the annual and 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 and to the previous one;
- checking the adequacy of the 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.

As provided by the bylaws, in case of 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 Board on its next meeting.

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 to them in such capacity.

Moreover the Chairman of the Board of Directors, also with the avail of experts among the executives of the Company, normally dedicates time during Board meetings to update the Directors 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 jointly with the Chairman of the latter, as well as the determination of the amount of fees of Directors and Statutory Auditors, authorization to purchase and dispose of Company's own shares;
- in extraordinary session: amendments to the bylaws not required by mandatory provisions, 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 2010 the Board of Directors carried out (and completed in the month of November 2010) an evaluation on the adequacy of the size, composition and performance of the Board as well as of the internal committees (Executive Committee, Remuneration Audit and Compliance Committee).

The evaluation process, coordinated by the Lead Independent Director, was carried out through by each Director a self-evaluation questionnaire. The results were also shared with the Statutory Auditors during the Board meeting held on November 15, 2010. As shown by the Lead Independent Director during the meeting, such initiative highlighted the progress made by the Company with reference to the results of the 2009 evaluation.

In particular, this year, the analysis was concentrated on the remuneration of Board members, in consideration of the new recommendations issued by the Italian Stock Exchange under the influence of a number of initiatives within the European Union, that led to a revised Section 7 of the Code, as well as on Board and Committees composition, in view of the forthcoming expiration of the term of the Board in charge. As for the previous editions, the analysis also dedicated particular attention to (i) the composition and skills of the Board and of the Committees, (ii) meetings, information flow and the decision making process, (iii) the relations between the Board of Directors and the Management, and finally (iv) the strategies and performance objectives. In order to assist the Directors in their evaluations, the same were provided with the results of comparative surveys carried out by some national and international associations and consultancy firms, as well as universities' studies.

The following were among the most positive aspects that resulted from the evaluation: the appointment of the lead independent director; the principles and procedures followed in evaluating the independence of Board

members; the access to executives of the Company before adopting decisions; corporate governance and related information; as well as the overall matter of compensation. With particular reference to the Committees, their role, efficiency and adequacy of composition, were generally deemed adequate.

Delegated Bodies

As provided by the bylaws, the Chairman of the Board of Directors is the legal and judicial process representative of the Company. The Chairman reports periodically to the Board of Directors on his ongoing activities in such capacity.

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 first 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 accepted the resignation of Lorenzo Pellicoli as CEO in favour of Marco Sala already Managing Director of the Company with responsibility for the domestic market. Renato Ascoli, head of the Gaming and Services division, was simultaneously appointed General Manager with responsibilities for the domestic market.

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

The following powers and competences were granted to Lorenzo Pellicoli on April 28, 2009 in his capacity as Board Chairman, and as of today remained unchanged:

“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 number of meetings held in 2010, 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 2010 the Executive Committee has, among the other, thoroughly 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 2010 financial year brought by the same Board to the approval of the Shareholders' Meeting.

During 2010 there were four Executive Committee meetings with a 96% attendance by Committee members as reported in the table that follows, and 75% attendance by Statutory Auditors:

| Executive Committee (2010) | | |
|-----------------------------------|------------|---|
| Name | Office | % of attendance to the 2010 meetings of the Committee |
| Lorenzo Pellicoli | . Chairman | 100% |
| Pietro Boroli | . member | 100% |
| Paolo Ceretti | . member | 100% |
| Marco Drago | . member | 100% |
| Jaymin Patel | . member | 75% |
| Marco Sala | . member | 100% |

Powers granted to the Managing Director

The Board of Directors of April 28, 2009 granted to Marco Sala, Managing Director of the Company, also the office of group 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 of Directors during the same meeting granted him the following powers and competences:

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 Board of Directors' meeting of April 28, 2009 Renato Ascoli was appointed 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.

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 3, 2010, 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 January 18, 2011.

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 2010 such meetings were held once.

As customary, during 2010 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.

In addition to the above tasks, the new internal charter governing related party transactions drafted pursuant to the new Consob regulation no. 17221 of 2010 and approved by the Board of Directors on November 15, 2010, as thoroughly described under paragraph no. 12 that follows, assigned a further relevant role to the Lead Independent Director. In particular, the Lead Independent Director is responsible of engaging the Internal Audit and Compliance Committee whenever a related party transaction falling under its competence is given pursuant to the relevant internal charter.

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 2009 by the Board of Directors of the Company, in compliance with a number of new law and best practice provisions especially those regarding related party transactions.

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).

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).

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, nor succession plans for executive Directors pursuant to Consob communication no. 11012984 of February 24, 2011, have 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, to remain in charge up to the date of approval of the financial statements as of December 31, 2010:

| REMUNERATION COMMITTEE (2010) | | |
|-------------------------------|---|---|
| Name | Office | % of participation to the meetings of the Committee |
| Gianmario Tondato Da Ruos | . Supervisor . Independent Director | 100% |
| Robert Dewey Jr. | . Vice-Chairman of the Board of Directors . Independent Director | 100% |
| James F. McCann | . Independent Director | 100% |

During 2010 the Committee has met on 2 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 2010, particularly relevant was the proposal concerning the new stock based compensation plans described under Section no. 9) that follows, as well as the opinion on the compensation increase proposal of the overall maximum amount for the compensation of all Directors, with particular regard to the remuneration of the office of Chairman as described more in detail hereinafter. Moreover, pursuant to the amendment by the Italian Stock Exchange in 2010 of Section no. 7 of the Code on “compensation”, the Committee was commissioned by the Board to prepare and submit to the same on the meeting of March 10 and 11, 2011, the compensation policy to be drafted pursuant to the new article, policy to be then submitted to the Shareholders’ Meeting called to approve the 2010 annual report. The policy is more thoroughly described in the paragraph that follows.

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. The Shareholders’ Meeting of April 30, 2010 resolved, upon proposal by the Board of Directors to amend the above overall amount of the compensation of all the members of the Board of Directors, previously determined by the same body, in order to, among the other, adequately compensate the Chairman of the Board for his role as such. Consequently, the above gross annual amount for the compensation of all directors of the Company, previously determined was brought to Euro 2.3 million, inclusive of the compensation of those directors vested with particular offices, inclusive of the participation tokens and of all-inclusive expenses reimbursements.

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.

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.

In particular, 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.

All related illustrative reports prepared by the Board of Directors for the two above Shareholders’ Meetings are available on the website of the Company under the “Governance” section (www.lottomaticagroup.com).

Moreover, the Board of Directors, upon proposal by the Remuneration Committee, has prepared in full compliance with the new Section no. 7 of the Code and in anticipation to the provisions on this same matter under legislative decree no. 259 of December 30, 2010, published on the Official Gazette on February 7, 2011, a general compensation policy on the remuneration of the members of the Board of Directors, of the General Manager and of the key executives vested with strategic responsibilities.

The Board of Directors presented the policy to the Shareholders' Meeting on April 28, 2011. The policy approved on that venue consists in two main sections. The first section illustrates the Company's policy on the compensation of the members of its Board of Directors, of the General Manager and of the key executives with strategic responsibilities with reference to the next financial year. The second section indicates on a name basis, as to the members of the Board of Directors and of the Board of Statutory Auditors, the General Director, and on an aggregate basis, save for the key executives with strategic responsibilities, an adequate representation of each item that makes up the compensation package, including the treatment in the event of termination from office and illustrates in detail any amount paid by the Company, or its subsidiaries or associated companies, during the referenced financial year (i.e. 2010).

The general compensation policy is available on the website of the Company under the "Governance" section (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 . Chairman Executive Committee | 400,000 (token) 35,000 | | | |
| Robert Dewey | . Vice Chairman . Member Remuneration Committee | 75,000 (token) 21,250 | | | 10,000 |
| Marco Sala | . Managing Director . CEO . Member Executive Committee | 60,000 (token) 35,000 | 31,148 | 1,158,750 | 750,000 |
| Pietro Boroli | . Director . Member Executive Committee | 60,000 (token) 31,250 | | | |
| Paolo Ceretti | . Director . Member Executive Committee | 60,000 (token) 35,000 | | | |
| Marco Drago | . Director . Member Executive Committee | 60,000 (token) 35,000 | | | |
| Jeremy Hanley | . Director . Member Internal Audit and Compliance Committee | 80,000 (token) 23,750 | | | 10,000 |
| James McCann | . Director . Member Remuneration Committee | 75,000 (token) 23,750 | | | 10,000 |
| Jaymin Patel | . Director . Member Executive Committee | 60,000 (token) 32,500 | 8,216 | 873,067 | 579,554 |

| | | | | | |
|---------------------------|--|---------------------------|--|--|--------|
| Anthony Ruys | . Director . Member Internal Audit and Compliance Committee | 80,000 (token) 20,000 | | | 10,000 |
| Severino Salvemini | . Director . Supervisor Internal Audit and Compliance Committee . Chairman Surveillance Body | 130,000 (token) 21,250 | | | 10,000 |
| Bruce Turner | . Director | 50,000 (token) 17,500 | | | |
| Giammario Tondato Da Ruos | . Director . Supervisor Remuneration Committee | 85,000 (token) 17,500 | | | 10,000 |

Stock based compensation plans

During 2010, 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. Consequently, on July 29, 2010, 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. 1,825,026 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, 2010, 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 12/31/2009 | Number of Shares purchased | Shares sold | Number of Shares assigned | Number of Shares 12/31/2010 |
| Renato Ascoli | 15,896 | - | 3,239 | 6,383 | 19,040 |
| Stefano Bortoli | 10,430 | - | 1,771 | 5,435 | 14,094 |
| Paolo Ceretti | 3,000 | - | - | - | 3,000 |
| Jaymin Patel | 226,667 | - | 10,281 | 23,078 | 239,464 |
| Lorenzo Pelliccioli | 70,000 | - | - | - | 70,000 |
| Marco Sala | 420,791 | - | 12,023 | 23,786 | 432,554 |
| Severino Salvemini | 10,000 | 5,000 | - | - | 15,000 |

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 as amended by the Board of Directors on November 15, 2010 upon proposal of the Committee following the approval and implementation of the new charter governing related party transactions, as more thoroughly described under paragraph no. 12 that follows, and the entry into force of legislative decree no. 39 of January 27, 2010, the Committee is responsible for:

- 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;
- 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 (i) been involved in supporting the Board of Directors in periodically evaluating the adequacy and actual working of the internal control system, to the extent not reserved to the exclusive competence of the Board of Statutory Auditors pursuant to the law, as enforced through adequate mutual understanding, provided that the responsibility shall anyway be up to the Board and (ii) 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.

Moreover, in consideration of the new role granted to it by the Board of Directors of November 15, 2010, the Committee shall further perform, as the exclusive competent body, the activities under the internal rules governing related party transactions approved by the Board. In such respect, it receives an appropriate information flow from, and be actively involved by the Company's managing bodies and competent departments in, among the other and as the case may be, (i) reviewing the proposals by the lead independent director, as the processing party, and/or (ii) issuing opinions on the fairness as well as convenience to and interest for the Company of any such transactions. As to its composition when dealing with this specific matters, the Committee shall be supplemented by as many unrelated independent directors or statutory auditors, pursuant to the applicable rules, as and if deemed necessary for purposes of performing the above said tasks.

In 2010 the Committee has worked on a continuative basis, as shown by the number of meetings held (5), the attendance of its members (87%), the time dedicated during each meeting (that lasted on average two

hours each) and the semi-annual report submitted by its Supervisor to the Board of Directors on September 9, 2010 and on March 10, 2011.

The 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, 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 (2010) | | |
|--|--|--|
| Name | Office | % participation to the meetings of the Committee |
| Severino Salvemini | . Supervisor . Independent Director | 100% |
| Jeremy Hanley | . Independent Director | 100% |
| Anthony Ruys | . Independent Director | 60% |

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 2010 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”⁽²⁾ 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.
- *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

² 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.

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 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, all of the members to remain in charge up to the approval of the financial statements as at December 31, 2010. 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.

| Surveillance Body (2010) | |
|---|--------------------|
| 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 2010 there were 3 meetings of the Surveillance Body always attended by all of 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 9, 2010, and consequently, during the first quarter of 2011, 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.

The external auditor presents to the Board of Statutory Auditors a report on relevant matters noted during its audit activity, and, in particular, on significant deficiencies, in any, on the internal control systems in relation to the financial information flow process, pursuant to the recently introduced legislative decree no. 39 of January 27, 2010, that implemented the directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts.

In order to safeguard the independence of the external auditor, the Company has established, also with the participation of the Board of Statutory Auditors, an internal policy regulating any further engagement of the auditor in charge of the mandatory audit over the Company (meaning, by mandatory audit, (i) the audit of the annual and semi-annual financial statements in conformity with applicable legislation and regulations, (ii) the audit of the annual and semi-annual consolidation packages, and (iii) the ascertainment of the regular bookkeeping), as well as the engagement of any of the entities belonging to its network, by the same Lottomatica or by any of its subsidiaries, in order to safeguard the independence of the same.

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

As a company subject to extensive global gaming laws and regulations and substantial oversight worldwide by lottery authorities and related governmental agencies and bodies, Lottomatica is committed to the highest standard of business ethics and integrity as well as compliance with the laws and regulations governing its global business operations. As a result, the Company adopted a Compliance and Governance Program (the “**Program**”) that applies to all Group companies and their employees, consultants, distributors and suppliers.

The elements of the Program include setting standards, communicating the standards (formal training, “leadership forums” and periodic communications), providing a mechanism for reporting potential exceptions and concerns through such communication avenues as the Integrity Line, which is a confidential communication channel managed by an independent provider that allows individuals to anonymously report activities that may involve unethical or unlawful conduct, as well as “*Surveillance Body*”, “*Ask The Board*” and “*Ask The Chief Compliance Officer*” email addresses. The Program also maintains an internal organizational structure to support the execution of the Program and to monitor the global business activities of the Group.

Due to the fact that Lottomatica is registered with the Nevada Gaming Commission as a publicly traded corporation and has been found suitable to own the stock of four subsidiaries, one that has been licensed as a manufacturer, distributor and slot route operator, one that has been licensed as a manufacturer and distributor and two that had been licensed as a manufacturer, it was required to establish a Global Compliance and Governance Committee. Such Committee, composed of four members appointed by the Board of Directors, oversees corporate compliance within Lottomatica. Alternate members can be appointed to the Committee as determined by the Chairman of the Board of Directors and by the CEO. Three members of the Committee are independent of the Company and knowledgeable in regulatory matters, gaming and lottery operations. The Committee reports to the Board of Directors and to the CEO of the Company and meets at least every quarterly. The Board of Directors on May 6, 2008 appointed 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 with the Global Compliance and Governance Committee.

A key tool for managing corporate compliance is the Global Compliance and Governance Plan (the “**Plan**”). The Plan provides Lottomatica and its subsidiaries with the framework for ensuring conformity to the various compliance and regulatory licensing requirements in its world-wide lottery, casino gaming, and gaming services business sectors. The Plan, adopted in May 2007, and amended in 2008 and again in 2010, includes provisions for corporate oversight of compliance matters and establishes guidelines for administering these matters.

The Committee is currently composed of the following members:

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

The primary principle of the Global Compliance and Governance Committee is:

- identify, evaluate and monitor situations arising in the course of the Company's business to ensure that the Company's activities are consistent with the objectives of Regulatory and corporate compliance, including adherence to gaming laws and regulations;
- ensure that all of its employees, contractors, consultants and agents comply with the Compliance Plan and ethical guidelines set forth within the Plan;
- meet at least quarterly to review compliance and governance matters and to consider information gathered through reports and investigations done on behalf of the Company.

The Committee performs the following operational functions in accordance with the Plan and its methodology:

- establishes procedures for review and approves all Material Matters;
- reviews information regarding gaming activities and other regulatory compliance matters;
- evaluates potential associations with unsuitable persons or unsuitable situations;
- reviews copies of each internal audit report or other internal control report for the Company;
- conducts or has conducted on its behalf vetting of any person(s) or transaction(s) of employees, vendors or proposed business partners which meet a certain threshold;
- reviews Government Affairs activities;
- reviews compliance matters and operations to ensure regulator requirements are met while;
- assisting business operations.

The Committee met 33 times in 2010, 4 regular meetings, 29 special meetings with a 94% participation by its Members in regular session.

12. INTERESTS OF DIRECTORS AND RELATED PARTY TRANSACTIONS

On November 15, 2010 the Board of Directors approved, upon presentation by the Lead Independent Director, the new draft charter governing related party transactions, in the version proposed by the Internal Audit and Compliance Committee which had met on November 11, 2010, where the new Consob regulation no. 17221 of March 12, 2010 on related party transactions had been carefully mirrored.

The charter governs related party transactions carried out by Lottomatica, either directly or through its subsidiaries, pursuant to the above Consob regulation, as subsequently amended, supplemented and construed by the same Consob, enforcing Section 2391-*bis* of the Italian Civil Code.

To the above aim, the Company ensures that (i) the charter, the regulation as well as any updated list of its related parties are continuously acknowledged by the subsidiaries, and (ii) the subsidiaries timely inform the Company on any transactions they may consider to enter into with related parties to the Company, other than transactions equivalent to those hereby exempted, including any detail concerning the consummation of the same.

The Charter entered into effect on January 1, 2011 and replaced the internal rules on relevant as well as related party transactions approved by the Board of Directors of the Company on March 6, 2008.

The new charter provides for two main different procedures to be followed in the event of related party transactions to be regarded as significant in terms of size, thus involving different levels of (i) disclosure requirements and (ii) binding effect of the Committee's mandatory prior opinions.

More in detail, in accordance with the charter, the most significant related party transactions are deemed to occur when the value of the transaction, or the assets or liabilities of the entity or going concern targeted as the object of the transaction, exceeded 5% of the Company's consolidated assets or net equity; while, on the contrary, it is the discretion of the Company setting the threshold for the less significant related party transactions.

As a result, related party transactions of amount lower than the above, as well as – among the others – transactions entered into with or among subsidiaries or significantly influenced entities, are exempted to the extent that, as to the latter, no Company's related parties (other than subsidiaries) owned a significant interest in the concerned subsidiaries or entities.

Both procedures provide for the engagement of the Internal Audit and Compliance Committee upon proposal by the Lead Independent Director, and a prior motivated opinion by the Internal Audit and Compliance Committee that may be supplemented by as many unrelated independent directors as (and if) deemed adequate. As to transactions of lesser importance the Committee issues a non binding motivated opinion on the transaction, while when transactions of greater importance are being considered, these require the prior motivated favourable opinion by the Committee. However, as to the latter type of transactions, the Company implemented the possibility offered by the Consob regulation, and provided for the possibility for the Board to approve a transaction of greater importance despite the contrary opinion of the Internal Audit and Compliance Committee, provided that, to the extent expressly permitted by the bylaws of the Company, execution of the transaction is authorized by the Shareholders' Meeting resolving in accordance with specific majorities indicated in the charter (so called "*white wash*"). Finally, both procedures provide for information documents to be made available to the public in the modalities and in full compliance with the Consob regulation.

As also permitted by the Consob regulation, the charter also identified transactions that are exempted from the provisions of the regulation, such as, among the other, the above said small amount transactions, proportional spin-offs, shareholders' meeting resolutions on the compensation of members of the Board of Directors, as well as related party transactions of the Company with, or among, its subsidiaries, as well as with its associated companies, provided that no significant interests (as defined therein) are held by any other Company's related parties (other than subsidiaries) and ordinary transactions.

As anticipated under paragraph no. 10 above the internal charter governing the works of the Internal Audit and Compliance was amended accordingly.

Finally, in the event that a member of the Board of Directors holds a direct interest in the transaction the same not only abstains from voting but leaves the meeting during the discussion.

The Company established an internal related party register updated on a six-month basis, integrated with the administrative and accounting procedures implemented by the Company pursuant to the Consolidated Financial Law.

The "Internal charter governing related party transactions" is 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 as per the term indicated by the relevant provisions of law (currently 3 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 25 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, 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 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% | 7 |
| Angelo Gaviani | . effective member | 16/12/2005 | X | 100% | 21 |
| Francesco Martinelli | . effective member | 16/12/2005 | X | 100% | 29 |
| Giampiero Calducci | . alternate member | 15/04/2008 | X | - | - |
| Giulio Gasoli | . 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 2010, it has never occurred to learn that a Statutory Auditor had such an interest.

In 2010 the Board of Statutory Auditors held 9 meetings with a 100% attendance average by its members. The meetings lasted on average 120 minutes.

During the meeting of November 24, 2010, 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 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-*quaterdecies* and subsequent of

the Issuers Regulation and by the bylaws.

On January 18, 2011 the Board of Statutory Auditors 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.

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

SERGIO DUCA

(Chairman) Sergio Duca graduated *cum laude* in Economics and Business from the Bocconi University in Milan. A certified chartered accountant and public accountant, as well as auditor authorized by the U.K. Department of Trade and Industry, he acquired broad experience through the PricewaterhouseCoopers network as the external auditor of important Italian listed companies, including Fiat, Telecom Italia, and Sanpaolo IMI. He was the Chairman of PricewaterhouseCoopers S.p.A. from 1997 until July 2007, when he resigned from his office and ceased to be a shareholder of that firm because he had reached the age limit provided for by the bylaws. After serving as, among other things, a member of the Edison Foundation's advisory board and the Bocconi University's development committee, as well as chairman of the Bocconi Alumni Association's board of auditors and a member of the board of auditors of the ANDAF (Italian Association of Chief Financial Officers), he was chairman of the board of statutory auditors of Tosetti Value SIM and an independent director of Sella Gestione SGR until April 2010. A member of the Ned Community, an association of non-executive directors, he currently holds high offices on the boards of directors and the boards of statutory auditors of important Italian companies, associations, and foundations, serving as chairman of the board of statutory auditors of Enel, chairman of the board of directors of Orizzonte SGR, an independent director of Autostrada Torino-Milano and Telecom Audit, a member of the supervisory board of Exor instituted pursuant to Legislative Decree n. 231/2001, and chairman of the board of auditors of the Silvio Tronchetti Provera Foundation and the Compagnia di San Paolo, as well as a member of the boards of auditors of the Intesa San Paolo Foundation Onlus, and the ISPI (Institute for the Study of International Politics). He has been Chairman of the Board of Statutory Auditors of Lottomatica since April 2008.

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, Almaxwave, Almaviva S.p.A., Almaviva Contact, Alicos, G.Matica, T.S.F., Arianna 2001, Press & Image, Servizi in Rete, TNET 2001, Servizio Italia, Lottomatica Group, Cartalis Imel, Consorzio Lotterie Nazionali, Lis, Lottomatica Scommesse, Lotterie Nazionali, Lotterie Nazionali Holding, Lottomatica Videolot Rete, PCC Giochi e servizi, Toto Carovigno, Reteltalia Internazionale, Melior Trust, Immo Finanziaria, 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 Enel S.p.A.;
 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;
 Member of the Board of Auditors of Fondazione Intesa San Paolo Onlus;
 Chairman of the Board of Auditors of Compagnia di San Paolo;
 Independent member of the Board of Directors of Telecom Italia Audit & Compliance Services S.c.a.a.r.l.;
 Independent member of the Board of Directors of Autostrada Torino – Milano.

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.;
 Statutory Auditor of Lotterie Nazionali S.r.l.

Francesco Martinelli

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.;
 Statutory Auditor of Aviofinf S.p.A. (winding up);
 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 Almawave S.r.l.;
 Chairman of the Board of Statutory Auditors of Almaviva Technologies;
 Chairman of the Board of Statutory Auditors of Almaviva TSF 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.;
 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 Lotterie Nazionali S.r.l.;
 Chairman of the Board of Statutory Auditors of Lotterie Nazionali Holding S.r.l.;
 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, also in accordance with the entry into force of the legislative decree no. 39 of January 27, 2010, the Board of Statutory Auditors monitors the financial information flow process, the efficiency of the internal control systems, internal audit and of risk management, the audit of the annual and consolidated accounts and 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. To this last specific regard, the Company has implemented, also with the participation of the Board of Statutory Auditors, the “external auditor group policy” more thoroughly described under paragraph no. 11 above, with the aim of regulating any further engagement to the external auditor in charge of the mandatory audit over the Company as well as the engagement of any of the entities belonging to its network, by the same Company or by any of its subsidiaries, in order to safeguard the independence of such external auditor. To this end, 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 and protocols involving the Internal Audit and Compliance Committee and the external auditor as well as the manager in charge of drawing up corporate reports and financial statements 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 2011.

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) 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 were recently adopted by the Company, in implementation of the provisions of legislative decree no. 27 of January 27, 2010 as described in the paragraphs that follow.

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 2010 the Company's investor relations carried out the following activities:

- no. 156 investor meetings (one-to-one or via conference call);
- no. 7 road shows;
- no. 5 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 2009 annual results and 2010 infra-annual reports.

16. SHAREHOLDERS' MEETING

The provisions of the bylaws regulating the Shareholders' Meetings of the Company have been amended in order to implement the provisions of legislative decree no. 27 of January 27, 2010 that implemented in turn the European directive 2007/36/EC on shareholders' rights.

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 compliance with the relevant provisions of law (i.e. currently the publication of the notice of call at least on the website of the Company).

The Shareholders' Meeting can be called, other than by the Board of Directors, at the request of several Shareholders representing the minimum thresholds set by the law, or by the Board of Statutory Auditors (or at least two members of the same).

The Shareholders representing, also jointly, the thresholds of share capital set by the law (currently set at

least 1/40) 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 fifteen 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. The publication of the additional items shall be accompanied by a report by the proposing Shareholders, together with evaluations, if any, by the Board of Directors.

Pursuant to the entry into force of legislative decree no. 27 of 2010, the Company amended Section no. 9 of its bylaws and introduced, among the other, the so called "record date" principle, whereby are entitled to attend the meeting and vote thereat those individuals that own Company's shares up to the seventh market open day prior to the date of the meeting, and provided that their authorized intermediaries that keep their accounts have sent the Company the communication required by the current provisions within the terms set by the relevant provisions of law 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. Moreover, every Shareholder who is entitled to intervene in the Meeting can be represented, by means of written proxy pursuant to the applicable provisions or by means of proxy granted electronically, pursuant to the applicable provisions. Such proxy may be notified to the Company also through electronic means, with one of the following methods indicated each time in the notice of call: (i) sending the proxy to the, also certified, e-mail address indicated in the notice of call; (ii) using the appropriate section of the Company's website indicated in the notice of call. The notice of call can also indicate, in accordance with applicable laws, additional methods of electronic notification of the proxy which can be used for the specific meeting to which the notice refers to.

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, in addition to the Company's website, 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 person 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 September 9, 2010, the Board of Directors examined the corporate responsibility report as at December 31, 2009, that collects the social responsibility initiatives of the Company connected to gaming and promoted during the 2009 financial year, certified by Reconta Ernst & Young S.p.A. and presented to the press on July 8, 2010.

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 five 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) *Lottomatica's Group Sustainability Strategy*, 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) *Social Responsibility*, dedicated to illustrate the major Shareholders of the Company, the Company's investor relations activities, the relations with the human resources of the entire Group and its customers; (v) *Environmental Responsibility*, dedicated to describing the Group's environmental policies and initiatives.

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 September 9, 2010, 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 for the 2010 financial year | | | | | | | | | | | 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 | % BoD (**) | No. of other offices (***) | (****) | (**) | (****) | (**) | (****) | (**) |
| Chairman | Lorenzo Pellicoli | 12.04.2005 | Approval Financials as at 31.12.2010 | M | • | | | | 100% | 13 | | | | | • | 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 | • | | | | 100% | 17 | | | | | • | 100% |
| Director | Paolo Ceretti | 20.12.2005 | Approval Financials as at 31.12.2010 | M | • | | | | 100% | 10 | | | | | • | 100% |
| Director | Marco Drago | 20.12.2005 | Approval Financials as at 31.12.2010 | M | • | | | | 100% | 11 | | | | | • | 100% |
| Director | Jeremy Hanley | 15.04.2008 | Approval Financials as at 31.12.2010 | M | | • | • | • | 100% | 4 | • | 100% | | | | |
| Director | James F. | 29.08.2006 | Approval | M | | • | • | • | | 3 | | | • | 100% | | |

| | | | | | | | | | | | | | | | | |
|----------|---------------------------|------------|--------------------------------------|---|---|---|---|---|------|----|---|------|---|------|---|-----|
| | McCann | | Financials as at 31.12.2010 | | | | | | 100% | | | | | | | |
| Director | Jaymin Patel | 9.11.2007 | Approval Financials as at 31.12.2010 | M | • | | | | 100% | 12 | | | | | • | 75% |
| Director | Anthony Ruys | 29.08.2006 | Approval Financials as at 31.12.2010 | M | | • | • | • | 80% | 6 | • | 60% | | | | |
| Director | Severio Salvemini | 20.12.2005 | Approval Financials as at 31.12.2010 | M | | • | • | • | 60% | 6 | • | 100% | | | | |
| Director | Gianmario Tondato Da Ruos | 29.08.2006 | Approval Financials as at 31.12.2010 | M | | • | • | • | 80% | 4 | | | • | 100% | | |
| Director | W. Bruce Turner | 29.08.2006 | Approval Financials as at 31.12.2010 | M | | • | | | 100% | 1 | | | | | | |

No. of meetings held in 2010:

- . Board of Directors: 5
- . Internal Audit and Compliance Committee: 5
- . Remuneration Committee: 2
- . 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

| TABLE 2: Board of Statutory Auditors | | | | | | | |
|---|----------------------------|----------------|--------------------------------------|------------|------------------------------|---|------------------------------|
| 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% | 7 |
| 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% | 29 |
| Alternate member | Giampiero Balducci | - | Approval Financials as at 31.12.2010 | M | - | - | - |
| Alternate member | Giulio Gasloli | - | 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 Sguazzini 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 10, 2011

Corporate Affairs

T (+39) 06 518991
F (+39) 06 51894213

Investor Relations

T (+39) 06 518991
F (+39) 06 51894205

This report was drafted by the Corporate Affairs and approved by the Board of Directors of Lottomatica Group S.p.A. on March 10, 2011 and refers to the financial year ended on December 31, 2010