

# **LOTTOMATICA S.p.A.**

**2007 CORPORATE GOVERNANCE REPORT**  
*approved on March 7, 2008*

[www.gruppolottomatica.it](http://www.gruppolottomatica.it)

**CHAIRMAN, MANAGING DIRECTOR  
and CHIEF EXECUTIVE OFFICER (\*)**

Lorenzo Pellicoli

**VICE-CHAIRMAN (\*)**

Robert Dewey, Jr.

**MANAGING DIRECTOR  
and GENERAL MANAGER (\*)**

Marco Sala

**DIRECTORS (\*)**

Rosario Bifulco  
Pietro Boroli  
Paolo Ceretti  
Marco Drago  
James F. McCann  
Jaymin Patel  
Anthony Ruys  
Severino Salvemini  
Gianmario Tondato da Ruos  
W. Bruce Turner

**SECRETARY OF THE BOARD OF DIRECTORS**

Paola Bottero

**BOARD OF STATUTORY AUDITORS (\*)**

Francesco Martinelli, chairman  
Paolo Andrea Colombo (effective member)  
Angelo Gaviani (effective member)  
Giulio Gasloli (alternate member)  
Marco Sguazzini Viscontini (alternate member)

**ACCOUNTING MANAGER**

Manager in charge of drawing up corporate reports and financial statements

Stefano Bortoli

**SURVEILLANCE BODY(\*)**

Severino Salvemini, presidente  
Angelo Gaviani  
Emanuela Chiti

(\*) expiring as at the date of approval of the financial statements as at December 31, 2007

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## **Foreword**

This report illustrates the degree of enforcement within Lottomatica S.p.A. in its quality of issuer of ordinary shares listed on a regulated market (hereinafter alternatively referred to as the “**Company**” or as “**Lottomatica**”), of corporate governance rules, measures and procedures adopted by the Company. The Company complies to the self-regulatory code of March 2006 issued by the Italian Stock Exchange (the “**Code**”) that implements the national and international corporate governance best practices by listed companies. This report was approved by the Company during the Board of Directors’ meeting held on March 7, 2008.

Lottomatica is one of the largest lottery operators in the world based on total wagers and a leader 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**”), that belongs to the B&D Holding di Marco Drago & C. S.A.p.A. (hereinafter referred to as “**B&D**”) group that has been active for over a century in the publishing business, and more recently also in the media and financing business.

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

The new group has more than € 1.66 billion in CY07 revenue and 6,000 employees in over 50 countries.

Lottomatica is organized on the basis of the “traditional” model, which consists of a Shareholders’ Meeting, a Board of Directors and a Board of Statutory Auditors.

The data and information provided in this report refer to the date of approval of the same unless otherwise stated.

The paragraphs following the “General Company Overview” are generally numbered in accordance with the paragraphs of the Code, so as to facilitate the reading.

## **General Company Overview**

The deliberated share capital is equal to Euro 156,805,233.00, the underwritten and paid up portion of which amounts to Euro 151,991,896.00 divided into no. 151,991,896 ordinary shares with a par value of 1.00 Euro each, all equipped with equal rights and listed on the *Mercato Telematico Azionario* organized and managed by the Italian Stock Exchange.

The Company has in addition issued:

- a) non convertible bonds due on February 29, 2008 with a total value of 360,000,000.00 Euro at an interest rate of 4.80% listed on the Luxembourg Stock Exchange;
- b) non convertible subordinated non guaranteed bonds, listed on the Luxembourg Stock Exchange, due 2066 with a total value of 750,000,000.00 Euro 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;

- c) issued Sponsored Level I American Depositary Receipts (ADR) on the basis of a program agreed with Bank of New York as depositary bank. Each ADR represents no. 1 ordinary share of Lottomatica, and is traded over the counter (OTC) on the United States' Pink Sheet market under the symbol "LTTOY" and with the following CUSIP number: 545697104.

The Extraordinary Shareholders' meeting of Lottomatica of April 23, 2007 empowered the Board of Directors, for a five year term as from the resolution, to increase the stock capital, free of charge, in one or more *tranches* by a maximum amount of Euro 3,200,00.00 by issuing up to no. 3,200,000 new ordinary shares, to be allocated to employees of Lottomatica and/or of its subsidiaries, pursuant to Section no. 2349 of the Italian Civil Code, within the frame of existing or future stock based compensation plans.

The Board of Directors, pursuant to the powers granted by the Shareholders' meeting held on April 23, 2007 resolved:

- on May 3, 2007, a free increase in share capital, for a nominal amount of Euro 99,271.00 by issuing up to no. 99,271 new ordinary shares, with a nominal value of Euro 1.00 each, with ordinary rights, assigning them to the beneficiaries of the 2006-2011 Share Allocation Time-Based plan, between August 29, 2007 and September 30, 2007;
- on December 11, 2007, a free increase in share capital, for a nominal amount of Euro 139,962.00 by issuing up to no. 139,962 new ordinary shares, with a nominal value of Euro 1,00 each, with ordinary rights, that were all assigned to some of the beneficiaries of the above stock allocation plans, contextually to the early termination of the respective employment relationships;

De Agostini directly holds the absolute majority of the Company's stock capital (57.746%). The share capital of De Agostini is entirely owned by B&D (hereinafter referred to as "**B&D**"). The Company is therefore included within the consolidated financial statements of B&D and is subject to the direction and co-ordination of De Agostini, pursuant to Sections no. 2497 and following of the Italian Civil Code, which in full respect of the independence of the Directors of the Company has issued uniform managerial instructions to its subsidiaries, including the Company, to ensure a unified direction to the group.

The other shareholders of the Company known to hold more than 2% as at March 27, 2007 are:

- Mediobanca S.p.A. with a holding of 6.896%;
- Assicurazioni Generali S.p.A. with a (direct/in direct) holding of 3.316%.

Declarant	Direct Shareholder	% owned on ordinary stock capital	% owned on votino stock capital
B&D	De Agostini	57.746%	57.746%
Mediobanca S.p.A.	Mediobanca S.p.A.	6.896%	6.896%
Assicurazioni Generali S.p.A.	. Nuova Tirrena S.p.A. . Other compnaies of the Generali group	<b>3.316%</b> Subtotal	3.316%

### Shareholders' agreements

The Company is cognizant of the existence of the following Shareholders' agreements within the meaning of Section no. 122 of the Legislative Decree no. 58 of 24 February 1998 as consequently amended (hereinafter referred to as the "**Consolidated Financial Law**", or "**TUF**"):

- Toro Assicurazioni S.p.A. is bound, *vis-à-vis* De Agostini (formerly Nova S.r.l.) to ensure that, within the meaning and for the purposes of sect. 1381 of the Italian Civil Code, in the period running from October 4, 2006 to the end of the 24th next following month, its subsidiary company Nuova Tirrena S.p.A. takes no steps whatever for the disposal, even partial, of its 4,317,008 Lottomatica S.p.A. shares (being 2.842% of the latter's stock capital), without prejudice to any disposals that may take place within the compass of the Gruppo Generali, this term being deemed to comprise the group of companies composed of Assicurazioni Generali S.p.A. and its subsidiaries. Assicurazioni Generali S.p.A. has signed this agreement by way of acknowledgement and cognizance of the obligations undertaken by its subsidiary Toro Assicurazioni S.p.A. Subsequently, in relation to its relinquishment of its stake in Nuova Tirrena S.p.A. Toro Assicurazioni S.p.A. took over the said 4,317,008 Lottomatica shares, which will remain inalienable for the remainder of the term of the agreement, again without prejudice to any disposals that may take place within the compass of the Gruppo Generali,

- on November 15, 2006, the holders of the full ownership, the holders of the *nuda proprietas* and the beneficial owners of a total of 39,413,505 shares representing the entire stock capital of B&D, 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, with a currency of two years and renewable for another three.

### Authorization to the purchase of own shares

During the meeting held on March 7, 2008, the Board of Directors resolved to propose to the Shareholders' meeting, in ordinary session, to grant the authorization for the purchase and disposal of Company's own shares pursuant to Section no. 2357 of the Italian Civil Code.

### **1) Role of the Board of Directors**

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

### Appointment

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

With particular reference to the provisions concerning the maximum number of offices of directors and statutory auditors of stock-listed companies the Board of Directors has considered it opportune to await the forthcoming appointment of the new Board by the Shareholders' meeting so as to avoid to impose a maximum number of offices on the new directors that will be appointed. The general criteria to determine the maximum number of offices as director or statutory auditors held in other listed, financial, banking, insurance or relevant sized companies shall be determined during the next Board of Directors' meeting.

Nevertheless, the parent company B&D has always followed strict procedures when selecting the candidates Directors to be submitted to the approval by the Shareholders' Meeting or, in the event of co-opted Directors, the Board. Such procedures have always ensured a diversified composition of the Board and a mix of experiences amongst its members.

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 Section no. 2390 of the Italian Civil Code.

For a thorough description of the appointment procedures of the Directors of the Company please refer to Paragraph no. 6.

#### Meetings and resolutions

The meetings of the Board are adequately regulated by the By-laws and by the law, and no further regulation has therefore been deemed necessary.

The Board of Directors meets on a regular basis for the approval of the quarterly and half-yearly reports as well as of the consolidated and non consolidated financial statements and industrial plans. During 2007 it met 6 times on the following dates: March 8-9, May 3, June 20, September 13, November 8-9 and December 11. During 2008, the Board has met on March 6-7, and three more sessions were scheduled for the review and approval of the infra-annual results, as resulting from the calendar published at the end of January 2008. During such 2007 meetings there was an 82% average attendance by all Board members, and 78% average attendance by the independent members and 83% by the Statutory Auditors.

The meetings of the Board may 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 By-laws also provide for a reduced term to summon the meeting (48 hours). Such necessity was only given once during the course of 2007 and not yet occurred in 2008.

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

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

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

In order to ensure well balanced and transparent Board meetings, the Company recommends to its Directors to disclose their interests for any corporate transaction in accordance with Section no. 2391 of the Italian Civil Code (Interests of Directors). To such an extent, each Director is aware of being obliged – also pursuant to the intra-group and related party transaction charter (see paragraph 9 hereinbelow) – to inform the other Directors and the Board of Statutory Auditors by a 5-day advance written notice of any interest that he, on his own behalf or on behalf of third parties, has in a given transaction. Either Managing Director is further aware that he shall refrain from carrying out the transaction and shall submit the same to the Board. In order not to influence the Board, Managing Directors have sometimes not simply abstained themselves from carrying out the transaction, but also left the meeting, as required by the above said charter; powers to close the transaction were in such cases granted to other Directors (normally the Chairman). In all such cases, and more generally in the event of a related party transaction, the Board of Directors has always indicated the reasons and the convenience of the transaction for the Company.

### Powers

The Board of Directors has all the powers for the ordinary and extraordinary management of the Company in pursuance of the corporate purpose. In particular, the Board of Directors is responsible for the following:

- a) merging and spin-off resolutions concerning the Company, pursuant to Sections no. 2505, 2505-*bis* and 2506-*ter*, last paragraph, of the Italian Civil Code (merger and spin-off of at least 90% owned subsidiaries);
- b) setting up or closing secondary premises;
- c) appointment of Directors with powers of attorney;
- d) share capital reduction in the event of withdrawal of shareholders;
- e) amendments to the By-laws aimed at making them fully compliant with laws and regulations;
- f) transfer of the headquarters to another municipality within Italy;
- g) issuing non convertible bonds and setting the terms and conditions of their placement.

Furthermore, in accordance with the Company's practice as well as to the extent not already covered by the powers granted to single members, the Board of Directors is competent for the following matters mentioned under Section 1 of the Code, though not expressly reserved to it by the By-laws:

- h) examining and approving in advance transactions having a significant impact on the Company's profitability, assets and liabilities or financial position, with specific reference to related party transactions, including any such transactions to be carried out by its most relevant subsidiaries, and particularly by GTECH, as well as any transaction which may involve personal interests of single Directors or be of special interest for the marketplace. Since uniform and general criteria may not be easily set for purposes of identifying any such transactions, all

corporate transactions in excess of Euro 10 million worth are reserved to the competence of the Board, in some cases prior evaluation by the Executive Committee, which is empowered to directly execute and then report to the Board of Directors on transactions involving an amount of up to Euro 200 million. Coherently therewith, Managing Directors normally report to the Board of Directors on a quarterly basis on the main transactions carried out by them in accordance with the specific powers granted to them;

i) examining and approving the Company's and the group's strategic, operational and financial plans as well as the corporate structure of the group it heads.

j) granting and revoking powers to the corporate executive bodies, specifying the limits to such delegated powers, the manner of exercising them and the reporting frequency, usually not less than quarterly. The Board of Directors had firstly granted powers to the two Managing Directors – General Managers, as well as to the Executive Committee; hence, following the resignations by W. Bruce Turner from his offices of Managing Director – General Manager – Chief Executive Officer and the contextual replacement by the Chairman, Lorenzo Pellicoli, in the offices of Managing Director – Chief Executive Officer, the relevant powers were granted to the latter, who already enjoyed them on a substitute basis (refer to this same paragraph).

k) determining, upon the proposal of the Remuneration Committee and the favourable opinion of the Board of Statutory Auditors, the remuneration of the executive bodies and of those directors who are appointed to particular positions within the Company. The basic remuneration of the Directors is decided by the Shareholders. The remuneration of the Managing Directors (as well as that of the top management) of the Company is partially connected to corporate results achieved and/or to the achievement of specific objectives; to such an extent, the overall remuneration is normally composed of MBOs and supplemented by the proceeds of stock based plans.

l) periodically supervising and evaluating the general performance of the Company. The results of such evaluation is then described in general terms in the annual Financial Statements and in the infra-annual reports, as well as in press releases disseminated simultaneously with the approval of such Financial Statements and infra-annual reports, whereby the results achieved are compared to those planned.

m) checking the adequacy of the general organisational, administrative and accounting structure established by the executive bodies for the Company and the group it heads. In particular, the adequacy of the organizational and of the managing structure of new businesses is evaluated on a time to time basis by the competent Managing Director.

Moreover the Chairman of the Board of Directors, also with the avail of experts, normally dedicates time during Board meetings to update the members on the latest relevant provisions of law.

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

- in ordinary session: the approval of the Company's stand alone financial statements, the appointment and removal of Directors and Statutory Auditors, as well as the determination of the amount of fees of Directors and Statutory Auditors, purchase and disposal of Company's own shares;

- in extraordinary session: amendments to the By-laws not required by laws nor regulations, mergers and spin-offs of companies that are not at least 90% owned by the Company, issuance of convertible bonds and, in accordance with Section 25 of the By-laws, appointment of one or more receivers and resolutions on their respective powers and fees;

### Executive Committee

The Board of Directors has established an Executive Committee entrusted with a range of managing powers and which meets periodically, normally almost on a monthly basis. The members of the Executive Committee are therefore deemed as executive Directors for the purposes of the Code.

The composition of the Executive Committee, appointed on December 22, 2005 up to the date of approval of the financial statements as at December 31, 2007, was firstly modified in 2006, following the acquisition of GTECH and following the resignations by W. Bruce Turner from his executive offices, including his office as member of the Committee, as from December 31, 2007. The Executive Committee is therefore composed of the following Directors: Lorenzo Pellicoli (Chairman), Pietro Boroli, Paolo Ceretti, Marco Drago and Marco Sala.

During 2007 there were 6 Executive Committee meetings with a 97% attendance by Committee members and 57% attendance by Statutory Auditors.

The table that follows provides the reader with data relating to the composition and operating activity of the Executive Committee:

### **Executive Committee**

<b>Name</b>	<b>Office</b>	<b>% of attendance to the meetings of the Committee</b>
Lorenzo Pellicoli	. Chairman of the Board of Directors . Managing Director . Chief Executive Officer	100%
Marco Sala	. Managing Director and General Manager	100%
Pietro Boroli	. Executive Director	86%
Paolo Ceretti	. Executive Director	100%
Marco Drago	. Executive Director	100%

A few top managers of the Company - in addition to the Statutory Auditors - normally participate to the meetings too for purposes of contributing to the presentation of particular items of the agenda as well as of drafting the relevant minutes.

The Executive Committee is competent for:

- a) budget and long-term plan proposals to be submitted for the approval of the Board of Directors;
- b) controlling the implementation of the budget, long-term plans and strategic projects;

- c) the macro-organization of the Company and its subsidiaries;
- d) appointing the Company's top management and approving the related remuneration packages as well as the remuneration policies of the Company and its subsidiaries, upon prior consultation with the Remuneration Committee;
- e) 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 350,000.00;
- f) calling for and awarding tenders for an amount from Euro 10 million to Euro 50 million, including all powers to negotiate and execute all related agreements and covenants;
- g) resolving on investments and expenses ranging from Euro 10 million to Euro 200 million worth;
- h) submitting extraordinary transactions in excess of Euro 200 million worth for the approval of the Board of Directors.

Pursuant to Section 14.3 of the By-laws, the Executive Committee reports at least quarterly to the Board of Directors.

In 2007 the Executive Committee has, among the other, drafted and submitted for the approval of the Board of Directors the industrial plan, as well as instructed the Board on extraordinary transactions (such as the acquisitions carried out during 2007, such as Pllard, Finsoft Ltd and Atronic) and on the participation by the Company to a number of tenders, as well as on the American Depositary Receipt program, as more thoroughly described in the previous paragraphs.

During the first 3 months of 2008, the Executive Committee has met on January 17, and March 5. During 2008, the Executive Committee is expected to meet 6 times.

## **2) Composition of the Board of Directors**

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

In order to ensure that highly skilled professionals are appointed as non-executive Directors, the controlling shareholder has adopted internal policies aimed at selecting and submitting to the other shareholders a diversified range of candidates, from university professors to entrepreneurs and other experts who are familiar with the Company's activities.

As of December 31, 2007, the Board of Directors is composed as follows:

- . Lorenzo Pellicoli (Chairman, Managing Director and Chief Executive Officer);
- . Robert Dewey Jr. (Vice-Chairman);
- . Marco Sala (Managing Director and General Manager);
- . Rosario Bifulco;
- . Pietro Boroli;
- . Paolo Ceretti;
- . Marco Drago;
- . James F. McCann;
- . Jaymin Patel;
- . Anthony Ruys;
- . Severino Salvemini;
- . Gianmario Tondato Da Ruos;
- . W. Bruce Turner.

During 2007, following the resignations by Paolo Ainio on October 4, 2007, the Board of Directors co-opted on November 9, 2007, Jaymin Patel, already President and Chief Operating Officer of GTECH, who was confirmed by the Shareholders' meeting of December 11, 2007 up to the date of termination of the entire Board.

During the first part of the same Board meeting held on November 8-9, 2007, the Managing Director and General Manager – Chief Executive Officer W. Bruce Turner resigned from said offices, as well as from member of the Executive Committee with effect from December 31, 2007, keeping his office as Director of the Company. During the same meeting, the Board of Directors resolved to appoint Lorenzo Pellicoli as Managing Director and Chief Executive Officer of the Company as from the entry into effect of the resignations by W. Bruce Turner, therefore as from December 31, 2007. Lorenzo Pellicoli continued also to keep his office as Chairman of the Board of Directors of the Company.

The table that follows represents the changes in the composition of the Board of Directors and of its internal committees, as well as other useful information concerning each single Director as more thoroughly described in this paragraph.

**Board of Directors (1)**

Name	Office	In charge from	Executive	Non executive	Independent	Indep. pursuant to TUF	% attendance to BoD (2007)	Other offices held
Lorenzo Pelliccioli	. Chairman . Managing Director . Chief Executive Officer . Member of the Executive Committee	12.04.2006	X				100%	15
Robert Dewey, Jr.	. Vice Chairman	29.08.2006			X	X	100%	0
Marco Sala	. Managing Director . General Manager	20.12.2005	X				100%	2
Paolo Ainio (*)	. Director . Member of the Internal Audit and Compliance Committee	20.12.2005 / 04.10.2007			X	75%	9	
Rosario Bifulco	. Director	20.12.2005		X			67%	4
Pietro Boroli	. Member of the Executive Committee	20.12.2005	X				67%	19
Paolo Ceretti	. Member of the Executive Committee . Member of the Internal Audit and Compliance Committee	20.12.2005	X				100%	11
Marco Drago	. Member of the Executive Committee	20.12.2005	X				83%	14
James F. McCann	. Member of the Remuneration Committee	29.08.2006			X	X	100%	3
Jaymin Patel	. Director	9.11.2007		X			0%	0
Anthony Ruys	. Member of the Internal Audit and Compliance Committee	29.08.2006			X	X	67%	8
Severino Salvemini	. Supervisor of the Internal Audit and Compliance	20.12.2005			X	X	67%	6

**1 LEGEND**

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

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

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

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

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

**% attendance to BoD (2007):** indicates the attendance, indicated by means of percentage, by the Director to the meetings of the Board.

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

	Committee . Chairman of the Surveillance Body							
W. Bruce Turner (* )	. Managing Director . General Manager . Chief Executive Officer	29.08.2006 / 31.12.2007				67%	-	

(\* ) ceased from the offices of Managing Director, General Manager and Chief Executive Officer as well as from member of the Executive Committee of Lottomatica.

Other offices

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

Lorenzo Pelliccioli	Managing Director of De Agostini; Director of B&D; Director and member of the Executive Committee of Assicurazioni Generali S.p.A.; General Manager of Dea Factor S.p.A.; Director of De Agostini Editore S.p.A.; Director of De Agostini Periodici S.r.l.; Director of Editions Atlas (France) S.A.S.; Director of Editoriale Genesis S.r.l.; Chairman of DeA Capital S.p.A.; Chairman of Idea Alternative Investments S.p.A.; Chairman of Magnolia S.p.A.; Director of Magnolia France; Member of the surveillance body of General de Santé S.A.S.; Chairman of Xantos S.A.S.
Robert Dewey Jr.	-
Marco Sala	Director of Ayperos Technology S.p.A.; Director of Magnolia S.p.A.
Rosario Bifulco	Chairman of Pierrel S.p.A.; Vice-Chairman of Sirti S.p.A.; Member of the Surveillance Board of Générale de Santé; Chairman of Ayperos Technology S.p.A.
Pietro Boroli	Vice Chairman and member of the Executive Committee of De Agostini; Chairman and Chairman of the Executive Committee of De Agostini Editore S.p.A.; Director of De Agostini Diffusione del Libro S.p.A.; Director and member of the Executive Committee of Mikado Films 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.;  
Chairman of De Agostini Periodici S.r.l.;  
Sole Director of Vis Value Partecipazioni S.r.l.;  
Director of Armando Testa S.p.A.;  
Chairman of Unione Tipografico Editrice Torinese S.p.A.;  
Director of De Agostini UK Limited;  
Director of Grupo Planeta – De Agostini SL;  
Director of DeA Planeta SL;  
Vice Chairman of Editorial Planeta De Agostini S.A.;  
Director of Edizioni Atlas (France) SAS;  
Director of De Agostini Atlas Edition BV;  
Director of Magnolia S.p.A.;  
Director of Venchi S.p.A.

Paolo Ceretti

General Manager of De Agostini;  
Director of DEA Factor S.p.A.;  
Director of De Agostini Editore S.p.A.;  
Director of De Agostini Invest S.A.;  
Director of Mikado Film S.p.A.;  
Managing Director of DeA Capital S.p.A.;  
Director of Idea Alternative Investments S.A.;  
Director of Magnolia S.p.A.;  
Managing Director of De Agostini Communications S.p.A.;  
Member of the Surveillance Board of Générale de Santé S.A.;  
Chairman of the Surveillance Board of Marathon Group S.A.

Marco Drago

Chairman of the Board of Directors of De Agostini;  
Chairman of B&D;  
Director of DeA Capital S.p.A.;  
Director of De Agostini Editore S.p.A.;  
Honorary Chairman of De Agostini Diffusione del Libro S.p.A.;  
Director of Editions Atlas S.a.s. (France);  
Director of Antena 3 TV SA;  
Vice Chairman De Agostini Communications S.A. (Lux);  
Member of the Supervisory Board and of the Board of Directors of San Faustin N.V. Curacao;  
Vice Chairman of Grupo Planeta De Agostini S.L. (Spain).  
Member of the Directive Board of ASSONIME;  
Director of the Fondazione Re Rebaudengo;  
Director of Sabah De Agostini Yayincilik As

James F. McCann

Director of Willis Holdings Group;

Director of 1-800-Flowers.com;  
Director of Winthrop University Hospital.

Jaymin Patel

-

Anthony Ruys

Director of ABN AMRO Bank NL;  
Director of British American Tobacco PLC UK;  
Director of Luchthaven Schiphol NV NL;  
Director of Janivo Holding NV NL;  
Chairman of the Supervisory Board of Het Rijksmuseum NL;  
Chairman of the Supervisory Board of Stop Aids Now Foundation NL;  
Director of the Dutch Foundation for International Affairs;  
  
Board member of the International Chamber of Commerce Nederland.

Severino Salvemini

Director of Mediacontech S.p.A.;  
  
Director of Lombarda & Associati S.p.A.;  
Chairman of Mikado Films S.p.A.;  
Director of Accademia Arti e Mestieri Teatro della Scala S.p.A.;  
Director of Cinecittà Holding S.p.A.;  
Director of Fondazione Unicredito – Unidea.

Gianmario Tondato  
da Ruos

Managing Director of Autogrill S.p.A.;  
Director and member of the Internal Control Committee of Guala Closures S.p.A.;  
Director of Aldeasa S.A.;  
Director of Alpha Airports Group PLC;  
Director of A.D.M. – Associazione Distribuzione Moderna;  
Director of INDICOD-ECR – Istituto per le imprese di beni di consume.

W. Bruce Turner

-

Powers granted to the Chairman of the Board of Directors

Contextually to the resignations by W. Bruce Turner from his executive offices (effective from December 31, 2007), the Chairman of the Board of Directors, Lorenzo Pellicoli, was appointed Chief Executive Officer and Managing Director of the Company. In addition to the powers exclusively granted him in order to enable him to manage top level public relations, corporate communication and image, institutional relationships as well as to supervise the effective working of the Company's internal control system, the Board has granted Lorenzo Pellicoli, in his quality of Chairman, Managing Director and Chief Executive Officer the same powers of the resigning Chief Executive Officer. As a result, Lorenzo Pellicoli was granted the following overall powers:

*“The Chairman – Managing Director – CEO is granted such powers – in addition to those provided for by the law and the By-laws – to manage, in accordance with the Board of Directors’ guidelines, top level public relations, corporate communication and image as well as institutional relationships with, among the others, the Ministry of Economics and Finance, the Amministrazione Autonoma dei Monopoli di Stato, public bodies and public or private, domestic or foreign entities, consortia, partnerships, joint ventures involving the Company whether on a temporary or permanent basis. The Chairman – Managing Director – CEO shall further supervise the effective working of the Company’s internal audit system, and therefore the Internal Audit department shall report to him.*

*Moreover, the following powers are granted to the Chairman – Managing Director – CEO of the Company:*

- 1. issuing guidelines for the preparation of the Company’s financial statements, also on a consolidated basis, draw the draft financial statements, the consolidated financial statements and the budget and the operational plans to be submitted to the Board of Directors for approval;*
- 2. submitting proposals to the competent corporate Bodies, giving evidence of the grounds and opportunity of the same;*
- 3. preparing for the Board of Directors proposals, within the previously agreed budget thresholds, regarding the acquisition or disposal of equity investments and going concerns, the entering into consortia and partnerships, as well as the purchase, sale or exchange of real estate assets;*
- 4. execute and pay in increases in the share capital of subsidiaries of Lottomatica S.p.A., even when foreign companies, as well as enter into and execute loans in favor of the above subsidiaries, in any event aimed at the acquisition of companies or entities as resolved by the Board of Directors or Executive Committee of Lottomatica S.p.A.;*
- 5. appointing and removing representatives, agents or commission agents and establishing and modifying their rights and duties;*
- 6. engaging consultants and advisors for specific tasks connected with the corporate business up to Euro 1,000,000.00 fee per each engagement or consultancy, subject to reporting duties vis-a-vis the Board of Directors on the first occasion;*
- 7. negotiating and entering into contracts for the day-to-day management of the Company, including contracts for the sale and purchase of products, goods and equipment related to the Company’s scope, as well as agreements with government bodies, in any case up to Euro 10,000,000.00 each, and agreeing on all the relevant terms and conditions;*
- 8. negotiating contracts with government bodies over Euro 20,000,000.00 worth to be then submitted to the Board of Directors for approval;*
- 9. organizing and awarding prize events or competitions, tenders for the supply of goods, services and works up to a maximum of Euro 10,000,000.00 each, 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;*
- 10. other than for the cases provided above, deciding, executing and performing intra-group transactions or*

*transactions with other related parties (i) at standard conditions, up to Euro 5,000,000.00 each, or (ii) at unusual or atypical conditions, up to Euro 2,000,000.00 each, in both cases in compliance with the relevant laws and the internal regulations governing intra-group transactions and transactions with other related parties;*

11. *collecting any amount due to the Company from any body, enterprise or person and issuing the relevant receipt;*
12. *executing all documents related to the Italian vehicle licensing office (Pubblico Registro Automobilistico);*
13. *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 consortia and/or temporary partnerships, executing the related contracts and regulations, signing and presenting bids up to Euro 10,000,000.00 each with single signature, or exceeding Euro 10,000,000.00 each if signed jointly with the other Managing Director, signing and presenting price adjustments to the competent commission, taking part in ballots, if any, signing declarations and, in the event of an award, entering into the related contracts, executing them and signing all related documents;*
14. *performing all acts and formalities required to obtain licences, concessions and authorisations in general from government bodies and offices;*
15. *settling any dispute up to Euro 5,000,000.00, appointing arbitrators and signing the relevant documentation binding upon the Company;*
16. *other than for the cases provided above, making payments up to Euro 20,000,000.00 each and debiting each of the Company's bank accounts for the relevant amount ;*
17. *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;*
18. *demanding and endorsing cheques, drafts and bills exclusively for encashment, discounting and depositing in the Company's accounts and protesting them;*
19. *receiving, opening and paying back deposits, including guarantee deposits, allowing all types of such deposits to be entailed or released up to Euro 10,000,000.00 each;*
20. *performing all financial and banking credit and debit transactions necessary for the ordinary management of the Company within the assigned thresholds;*
21. *accepting collaterals and/or guarantees, including accepting, setting up, registering and renewing mortgages and liens to the charge of debtors and third parties and to the benefit of the Company, assenting to cancellations and registrations of mortgages to the charge of debtors and third parties and to the benefit of the Company in order to discharge or reduce obligations;*
22. *waiving, upon prior authorisation of the Board of Directors, mortgages and mortgage subrogation, including legal mortgages or constructive subrogation, to the charge of 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;*

23. *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;*
24. *allocating responsibility among the Operational Units as well as among the Staff Units of the Company's subsidiaries and deciding on the relevant organizational structure underlying the general structure laid down by the Company's Board of Directors;*
25. *consistently with the guidelines set forth by the Board of Directors:*
  - a. *preparing staff recruitment as well as management and salary policies, in compliance with long term plans and annual budgets;*
  - b. *engaging, appointing, allocating and dismissing non executive staff;*
  - c. *determining salary conditions for all staff pursuant to applicable collective labour agreements or in accordance with the staff recruitment as well as management and salary policies, e.g. with respect to occasional or project or interim employment or to training agreements, in compliance with the relevant Company's plans and policies;*
26. *representing the Company vis-à-vis health insurance and social security organizations;*
27. *signing periodic returns for care insurance and social security institutions and bodies connected with the payments due for employee contributions;*
28. *issuing staff pay-roll extracts and certificates for public and private bodies, ensuring that obligations on the Company as withholding agent be 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;*
29. *granting advances on the Staff Severance Fund and loans to employees up to a sum not exceeding the amount that has been set aside by way of Staff Severance Fund in relation to the concerned beneficiary;*
30. *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 signing the relevant minutes, pursuant to Sections 410, 411 and 412 of Law no. 533 of August 11, 1973, and subsequent amendments and/or additions;*
31. *performing, 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;*
32. *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, pursuant to Legislative Decree no. 626/1994 and subsequent amendments and/or additions;*
33. *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;
34. representing the Company in legal proceedings before any Court, including Corte di Cassazione, Corte dei Conti, Consiglio di Stato at all levels of jurisdiction, being fully empowered to appoint lawyers and grant proxies;
  35. 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 matters involving compulsory social security and care 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;
  36. suing and appearing as a civil party, filing petitions and complaints;
  37. making declarations in the capacity of garnishee;
  38. executing, signing and submitting all documents, certificates and returns to be addressed to the relevant public bodies, such as tax and VAT returns, also on a consolidated basis;
  39. managing the Company's stock participations referred to companies non operating 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, subject to the prior resolutions of the Company's Superior Bodies for all corporate appointments;
  40. implementing the resolutions of the Superior Bodies of the Company;
- The amount limits set forth under no. 7), 9), 10) and 19) above may be doubled where the relevant powers are exercised jointly with the other Managing Director.

*Within the powers granted to him by the Board of Directors, the Chairman Managing Director – CEO 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 the Company's executives or managers”.*

During 2007, the concentration of corporate offices on a single individual has only concerned Lorenzo Pellicoli, Chairman, Managing Director and Chief Executive Officer due to the temporary need to ensure a centralized management of the Company following the resignations of the previous Managing Director, W. Bruce Turner.

#### Powers granted to the Managing Director - General Manager

The corporate offices as Managing Director and General Manager concentrated in Marco Sala, are of similar nature and size and clearly equip him with the role of head of the Company for the Italian and, in some cases, European operations of the group.

The concentration of the offices of General Manager and Managing Director in Marco Sala and, up until his resignations, W. Bruce Turner, is considered appropriate in light of the very simple organization and management structure of the Company.

Pursuant to Section 14.3 of the By-laws of the Company, each Managing Director reports at least quarterly to the Board of Directors. *De facto*, the Managing Directors refer to the Board of Directors on the activities carried out pursuant to the powers granted them at the first useful occasion.

During the Board meeting held on May 3, 2007, Marco Sala was granted the following overall powers as Managing Director and General Manager of the Company:

1. *“preparing, in coordination with the Chief Executive Officer, the budget and the operational plans relating to the Italian activities of the Company, to be submitted to the Board of Directors for approval in the context of the whole budget and operational plans of the Company and its Group;*
2. *submitting proposals to the competent corporate Bodies; within the budget thresholds approved from time to time by the Board of Directors, preparing for the same Board proposals regarding the acquisition or disposal of equity investments and going concerns, the entering into consortia and partnerships, as well as the purchase, sale and exchange of real estate assets;*
3. *execute and pay in increases in the share capital of subsidiaries of Lottomatica S.p.A., even when foreign companies, as well as enter into and execute loans in favor of the above subsidiaries, in any event aimed at the acquisition of companies or entities as resolved by the Board of Directors or Executive Committee of Lottomatica S.p.A.;*
4. *within the general directives given by the Board of Directors and coordinating with the Chairman, holding the day-by-day relationships with the Ministry of Economics and Finance, the Amministrazione Autonoma dei Monopoli di Stato, public and private entities, bodies and consortia where the Company holds interests on a temporary or permanent basis;*
5. *appointing and removing representatives, agents or commission agents, establishing and modifying their rights and duties;*
6. *engaging consultants and advisors for specific tasks connected with the corporate business up to Euro 500,000.00 fee per each engagement, subject to reporting duties vis-à-vis the Board of Directors on the first occasion;*
7. *negotiating and entering into contracts for the day-to-day management of the Company, including contracts for the sale and purchase of products, goods and equipment related to the Company’s scope, as well as agreements with government bodies, in any case up to Euro 10,000,000.00 each, and agreeing on all the relevant terms and conditions;*
8. *negotiating contracts with government bodies over Euro 20,000,000.00 worth to be then submitted to the Board of Directors for approval;*
9. *organizing and awarding prize events or competitions, tenders for the supply of goods, services and works up to a maximum of Euro 10,000,000.00 each, inclusive of (i) entering into, amending and terminating the related contracts, (ii) defining the most suitable clauses, such as the arbitration clause, (iii) defining and implementing all required procedures and formalities;*
10. *other than for the cases provided above, deciding, executing and performing intra-group transactions or transactions with other related parties (i) under standard conditions, up to Euro 5,000,000.00 each, or (ii) under unusual or atypical conditions, up to Euro 2,000,000.00 each, in both cases in compliance with the relevant laws and the internal regulations governing intra-group transactions and transactions with other related parties;*
11. *collecting any amount due to the Company from any body, enterprise or person and issuing the relevant receipt;*
12. *executing all documents related to the Italian vehicle licensing office (Pubblico Registro Automobilistico);*
13. *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 consortia and/or temporary partnerships, executing the related contracts and regulations, signing and presenting bids up to Euro 10,000,000.00 each on single signature, or exceeding Euro 10,000,000.00 each if signed jointly with the Chairman or the other Managing Director, signing and presenting price adjustments to the competent commission, taking part in ballots, if any, signing declarations and, in the event of an award, entering into the related contracts, executing them and signing all related documents;*

14. performing all acts and formalities required to obtain licences, concessions and authorisations in general from government bodies and offices;
15. settling any dispute up to Euro 5,000,000.00, appointing arbitrators and signing the relevant documentation binding upon the Company;
16. other than for the cases provided above, making payments up to Euro 20,000,000.00 each and debiting each of the Company's bank accounts for the relevant amount;
17. 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;
18. demanding and endorsing cheques, drafts and bills exclusively for encashment, discounting and depositing in the Company's accounts and protesting them;
19. receiving, opening and paying back deposits, including guarantee deposits, allowing all types of such deposits to be entailed or released up to Euro 10,000,000.00 each;
20. performing all financial and banking credit and debit transactions necessary for the ordinary management of the Company within the assigned thresholds;
21. accepting collaterals and/or guarantees, including accepting, setting up, registering and renewing mortgages and liens to the charge of debtors and third parties and to the benefit of the Company, assenting to cancellations and registrations of mortgages to the charge of debtors and third parties and to the benefit of the Company in order to discharge or reduce obligations;
22. waiving, upon prior authorisation of the Board of Directors, mortgages and mortgage subrogation, including legal mortgages or constructive subrogation, to the charge of 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;
23. 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;
24. allocating responsibility among the Italian Operational Units as well as among the Staff Units of the Company and of the relevant Italian based subsidiaries, deciding on the relevant organizational structure underlying the general structure laid down by the Company's Board of Directors;
25. consistently with the guidelines set forth by the Board of Directors:
26. preparing, in coordination with the Chief Executive Officer, staff recruitment as well as management and salary policies for the personnel devoted to the Italian activities, in compliance with long term plans and annual budgets of the Company and its Group;
27. engaging, appointing, allocating and dismissing non executive staff devoted to the Italian business activities;
28. determining salary conditions for all staff devoted to the Italian business activities pursuant to applicable collective labour agreements or in accordance with the staff recruitment as well as management and salary policies, e.g. with respect to occasional or project or interim employment or to training agreements, in compliance with the relevant Company's plans and policies;
29. representing the Company vis-à-vis health insurance and social security organizations;
30. signing periodic returns for care insurance and social security institutions and bodies connected with the payments due for employees' contributions;

31. *issuing staff pay-roll extracts and certificates for public and private bodies, ensuring that obligations on the Company as withholding agent be 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 advances on the Staff Severance Fund and loans to employees up to a sum not exceeding the amount that has been set aside by way of 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 signing the relevant minutes, pursuant to Sections 410, 411 and 412 of Law no. 533 of August 11, 1973, and subsequent amendments and/or additions;*
34. *performing, 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, pursuant to Legislative Decree no. 626/1994 and subsequent amendments and/or additions;*
36. *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;*
37. *representing the Company in legal proceedings before any Court, including Corte di Cassazione, Corte dei Conti, Consiglio di Stato at all levels of jurisdiction, being fully empowered to appoint lawyers and grant proxies;*
38. *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 matters involving compulsory social security and care 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;*
39. *suing and appearing as a civil party, filing petitions and complaints;*
40. *making declarations in the capacity of garnishee;*
41. *executing, signing and submitting all documents, certificates and returns to be addressed to the relevant public bodies, such as tax and VAT returns, also on a consolidated basis;*
42. *implementing the resolutions of the Superior Bodies of the Company.*

*The amount limits set forth under no. 7), 9), 10) and 19) may be doubled where the relevant powers are exercised jointly with the General Manager – Chief Executive Officer or with the Chairman.*

*Within the powers granted to him by the Board of Directors, the Managing Director - General Manager Mr. Marco Sala 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 the Company's executives or managers.”;*

#### Other powers granted

Limited powers of attorney, duly filed with the Companies' Register, were also granted on several occasions by the Board of Directors to the following managers of the Company currently in charge:

Renato Ascoli, Manager of Games and Lotteries Division;  
Gianluca Ballocci, Manager of Sports Games Business Unit;  
Mario Bondone, Manager of Resources and Shared Services Department;  
Stefano Bortoli, Chief Financial Officer and Manager in charge of drawing up corporate reports and financial statements;  
Emanuela Chiti, Manager of Audit, Quality and Security Department;  
Giovanni Chiura, Chief Financial Officer Italy;  
Giorgio Degli Abbati, Manager for Supplies Business Unit;  
Andrea Faelli, Manager of Sales Department;  
Fabrizio Feliziani, Manager of International Relations & Development Department;  
Giuliano Frosini, Manager of Public Relations and Corporate Image;  
Antonio Izzo, Manager of Administration Business Unit;  
Claudia Ricchetti, Manager of Legal Department;  
Marco Tasso, Manager of Management Planning and Control.

The Board, during its meeting of March 6, 2008, revoked the powers previously granted to Maurizio Santacroce.

Evaluation on the size, composition and performance of the Board of Directors

In the second half of 2007, the Board of Directors has carried out (and completed in the month of November 2007) an evaluation on the adequacy of the size, composition and performance of the Board as well as of the internal committees (Executive Committee, Remuneration Committee and Internal Audit and Compliance Committee).

The evaluation process, coordinated by the Lead Independent Director, was carried out through the completion of a self-evaluation questionnaire by the Directors. The results were also shared with the Statutory Auditors and during the Board meeting held on November 9, 2007. As highlighted by the Lead Independent Director during the meeting, the questionnaire has reached the objectives thanks to the participation of all the Directors. The general outcome had been positive and the results enriched by some comments aimed at improving the performance and efficiency of the Board of Directors and of the Committees. No negative opinions had been expressed by the Directors.

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

Among the most positive aspects that resulted from the evaluation, it had been highlighted that the decision taking process received an adequate information flow, even though it could be further improved (it was considered adequate by eleven out of twelve Directors); the accessibility by the Directors to the Managing Directors, to the executives of the Company as well as the outside consultants had been assessed as adequate (all Directors were favourable); the structure of the Board of Directors as well as the number of meetings held annually had been deemed adequate and the objectives entrusted to the top management were deemed as well identified (all Directors favourable); with particular

reference to the Committees, their role, efficiency and adequacy of its composition and on the number of their annual meetings was generally recognized by the Directors (almost all Directors deemed the above topics as “adequate”).

Among the topics that were deemed as improvable, it was wished that the Board be composed by a larger number of non-Italian Directors (four Directors stressed this particular topic) – in one occasion it was also wished that the Board comprised at least a single female Director – as well as the need to improve the representation by the delegated bodies of the Company's business and dynamics, its competition, opportunities and risks (four Directors have expressed this feeling); in one case a greater integration between Lottomatica and GTECH was also considered as improvable; as well as, in two cases, a greater need to revert more to the executives of the Company and to external consultants before adopting particular important decisions, a greater knowledge of the responsibilities of the Directors was desired (requested by two Directors), and finally it was highlighted the need to dedicate more time to the discussion, valuation and reflection of the decisions adopted (as highlighted by two Directors) as well as the need to obtain prior to each meeting the documentation on the items on the agenda more in advance (need highlighted by five Directors).

Finally, with reference to the Internal Audit and Compliance Committee it was called for an alignment of the number of independent Directors composing the Committee and of the number of meeting to the data of the other best practices (called for by two Directors).

### **3) Independent Directors**

The Board of Directors 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 9, 2007, the Board of Directors within its periodical assessments on the independence of its members, has ascertained that Rober Dewey Jr., James F. McCann, Anthony Ruys, Severino Salvemini and Gianmario Tondato da Ruos continued to be eligible as independent Directors. Gianmario Tondato da Ruos was appointed as Lead Independent Director in order to counterbalance the role of the played by the Chairman of the Board of Directors of the Company, Lorenzo Pellicoli as Managing Director of the parent company De Agostini, and Managing Director – Chief Executive Officer of Lottomatica as from January 1, 2008.

During 2007, the number of independent Directors was reduced from 6 to 5, following the resignation of Paolo Ainio that was replaced, through co-option, by Jaymin Patel as member of the Board of Directors.

The last yearly assessment of the independence of the above said Directors was made by the Board of Directors during the Board meeting held on March 6, 2008. The first time on which the more restrictive independence criteria provided for by the Code were applied was during the Board meeting held on March 8-9, 2007.

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 as well as 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 its members 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 carried out by the control body during its meeting held on February 12, 2008.

#### 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. During 2007, two such meetings were held.

In particular, the coordination of the self-evaluation process on the size, composition and performance of the Board of Directors as well as on its internal committees, was among the first assignments received from the Board.

Moreover, the Board of Directors of the Company, resolved, during its meeting of March 6-7, 2008, to amend the internal rules governing relevant as well as related party transactions, setting Euro 30 million as the threshold after which a transaction must be regarded as relevant, and subordinating the resolutions by the Board of Directors on such matters, to the opinion of the independent Directors, the Lead Independent Director and the Internal Audit and Compliance Committee.

#### **4) Handling of information**

##### Investor relations

The Company has appointed a Investor Relator as the reference contact for shareholders, particularly for institutional investors, who further concurs to ensure that press releases concerning the Company and/or its most relevant subsidiaries are 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. specific information which might significantly affect the price of Company’s shares, if made public).

Management of privileged and non privileged information

In order to ensure a high degree of protection to the information regarding the Company and its subsidiaries, particularly of the privileged information, the Company has adopted a charter governing the management of privileged and non-privileged information, amended on March 9, 2007 by the Board of Directors of the Company, in compliance with a number of new law provisions.

According to the charter, privileged information is disseminated through press releases the contents of which are prepared by:

- a) the Company's Investor Relator, possibly by mutual agreement with other corporate officers, should the privileged information concern the Company; and
- b) the Investor Relator or the equivalent officer of the concerned controlled entity, when available, or its legal representative, should the privileged information concern a controlled entity, in any case by mutual agreement with the Investor Relator and, possibly, with other corporate officers of the same controlled entity and of the Company.

The draft press releases, prior to their dissemination, are approved by the Company's competent Managing Director, who is also responsible for prior assessment (i) of whether or not any privileged information actually occurs, and (ii) of the possible convenience to defer disclosure of the press release itself. Press releases containing privileged information that arouse or were shared during meetings of the Board of Directors or of the Executive Committee are, when possible, shared within said bodies prior to disclosure.

The approved press releases are issued and disseminated, both in Italian and English, without delay under the responsibility of the Investor Relator, through the so called "network information system" managed by the Italian Stock Exchange, and are promptly published on the Company's website. For the above purposes, the Investor Relator may avail itself of third parties trusted by the Company. Moreover, press releases in English language are forwarded, as soon as published, to the competent gaming authorities of those Countries in which the Company operates directly or through its subsidiaries.

Directors and Statutory Auditors are bound by specific internal policies (and by the law) to keep confidential any privileged and non privileged information gained in the course of their activities. Advisors and employees of the Company and its most relevant subsidiaries are also bound by similar provisions, particularly with respect to privileged information acknowledged within the more limited scope of their activities, including information whose nature as privileged information may not be ascertained, and must immediately report any such information to (i) the Investor Relator, or (ii) the Investor Relator 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 competent Managing Director, in any case in accordance with the applicable laws and regulations.

In the event of scheduled meetings or conference calls with financial analysts and/or institutional investors, the Company promptly informs CONSOB and the Italian Stock Exchange, invites

Pursuant to the same charter and to recent law provisions, on April 1, 2006, 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 enrollment 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.

During 2006, other registers have been similarly established under the supervision of the Company's Corporate Affairs department, for a selected number of subsidiaries of the Company.

Finally, the charter provides for a series of sanctions as a result of non-compliance with the 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.

#### Internal dealing

During the Board meeting of March 9, 2007 a new version of the code of conduct on internal dealing was also adopted, , pursuant to new provisions of law and regulations.

Such code 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 internal dealing duties are applicable;
- 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;
- 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.

#### **5) Internal Committees of the Board of Directors**

The Board of Directors has established among its members two committees with proposing and consultative functions, in addition to the Executive Committee already referred to under Paragraph no. 1 above, which is competent for those managing functions within the limits delegated by the board of directors.

The two Committees (Remuneration Committee and Internal Audit and Compliance Committee) are made up by three Directors each and have been mainly attributed those functions provided for in the Code.

Each of the above said Committees meets periodically, and the minutes of each meeting are timely prepared, recorded and kept. Some of the top managers of the Company attend the meetings of the Committees with the purpose of actively contributing to the respective activities 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 fee amount established by the Board of Directors.

The Remuneration Committee and the Internal Audit and Compliance Committee are thoroughly described respectively in Paragraphs no. 7 and no. 8 hereinbelow.

## **6) Appointment of Directors**

Section 13 of the By-laws of the Company provides that the members of the Board of Directors are appointed by means of a voting list, so as to reserve to the Shareholders' minorities the appointment of at least one Director, in compliance with the provisions of the Savings Protection Law. Section 13 expressly (i) allows shareholders owning the minimum percentage provided for by the law indicated in the notice of call of the Shareholders' meeting called to resolve on the appointment of the Board of Directors (equal to 1.5% 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 By-laws (i.e. representing less than one eightieth of the share capital), (iii) requires that the minimum number of Directors provided for by the law (i.e. one) is taken from the list of minority shareholders with the largest number of votes and unrelated with the list ranked first, (iv) in the event that two or more lists have obtained an equal number of votes, the list presented by those Shareholders that own the greater shareholding at the moment of the presentation of the list, or, in suborder, by the greater number of Shareholders, shall prevail, (v) requires that in order to be vested as Director, a person must possess the individual requisites provided for by the law, and that an appropriate number of Directors (at least 2) must possess the independence requisites provided by the law (Directors' independence is thoroughly described under Paragraph no. 3 above).

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

- exhaustive information on the personal and professional qualifications of the candidates, indicating their alleged independency qualification pursuant to the law;
- 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 By-Laws;
- an indication of (i) the identity of the Shareholders that have submitted the list and (ii) the percentage of share capital jointly owned, as well as (iii) a copy of the certificates delivered by authorized intermediaries and certifying the ownership of the number of shares required to file the lists.

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

Among the requirements needed to be appointed as Director, the By-laws provide that the denial, or the grounded risk of denial, of the satisfaction expressed by public administrations or public or private entities pursuant to administrative or law provisions, also foreign, applicable to the Company or its subsidiaries, are construed as causes of ineligibility to the office of Director, or if appointed, shall result in the Director's termination of office<sup>2</sup>.

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

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

- the appointment of Directors is already thoroughly regulated by the By-laws in compliance with the provisions of law and of the Code;
- pursuant to the provisions governing the Company's public concessions, the appointment, amongst others, of the Chairman and of the Managing Directors must be previously agreed upon by the *Amministrazione Autonoma dei Monopoli di Stato*, which makes the entire process already complicated;
- the parent company of Lottomatica systematically applies best practice criteria to select candidates to the office of Director, with specific reference to the independent Directors.

## **7) Remuneration of Directors**

The 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. Particular attention is given by the controlling Shareholder and by the Board of Directors so as to make sure that the overall amount of the remuneration may attract and motivate Directors with the professional skills required for the excellent execution of their offices.

In particular, the remuneration of the executive Directors other than the Managing Directors, as that of the non-executive Directors, is determined on a fixed basis and is not linked to the economic results nor to any specific objectives achieved by the Company, since said Directors – especially if considered individually – do not adopt any strategic decision. The remuneration of said Directors is proportional to the commitment requested from them, taking into account their membership of one or more Committees and/or the number of other offices held in the Company.

The remuneration of the Managing Directors and of the top management of the Company, on the other side, 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

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<sup>2</sup> Such cause on ineligibility, or termination from office, is currently being proposed by the Board of Directors to the approval of the 2007 financials Shareholders' meeting that will be probably summoned for April 15, 2008.

remuneration of similar positions. To this end, in addition to MBOs the Company normally adopts stock based plans (stock granting and/or stock option plans) with a three year average vesting period in favour of employees of Lottomatica and/or its subsidiaries, including those employees serving as Directors.

**Remuneration of the members of the Board of Directors (Fiscal Year 2007)**

Name	Remuneration	Non-monetary benefits	Bonus	Other
Lorenzo Pellicoli	60,000.00			
Robert Dewey, Jr.	60,000.00			
Marco Sala	60,000.00	35,050.00	641,491.00	1,700,360.00
Paolo Ainio (*) (* cessato in data 04.10.2007)	45,370.00			
Rosario Bifulco	50,000.00			
Pietro Boroli	60,000.00			
Paolo Ceretti	70,000.00			
Marco Drago	60,000.00			
James F. McCann	60,000.00			
Jaymin Patel		15,576.00	499,074.00	447,666.00
Anthony Ruys	51,452.00			
Severino Salvemini	70,000.00			
Gianmario Tondato da Ruos	70,000.00			
W. Bruce Turner	60,000.00	109,972.00	924,101.00	895,218.00

**Stock based plans**

During 2007, the Shareholders' meeting has approved a new share allocation plan and a new option allocation plan, both in favour of employees of Lottomatica and/or of its subsidiaries, including some Directors of Lottomatica. The Board of Directors has subsequently given execution through the determination of the beneficiaries and the preparation of the relevant regulation. During the same year, the Board of Directors has resolved to increase the share capital of the Company serving the stock based compensation plans, pursuant to the powers granted by the Shareholders meeting, for a maximum amount of no. 239,233 ordinary shares, with a nominal value of Euro 1.00 each.

The information document on Lottomatica on-going stock-based compensation plans in accordance with CONSOB resolution no. 15915 of May 3, 2007 and Section no. 84-bis, of the regulation approved with CONSOB resolution no. 11971 of May 14, 1999, is published on the website of the company.

[http://www.gruppoltomatica.it/eng/investor/governance/allegati/1297\\_ALL\\_1\\_DOCUMENTO\\_INFORMATIVO\\_PIANI\\_DI\\_AZIONARIATO\\_%5BRev\\_29\\_11\\_2007%5D\\_%5BENG%5D.pdf](http://www.gruppoltomatica.it/eng/investor/governance/allegati/1297_ALL_1_DOCUMENTO_INFORMATIVO_PIANI_DI_AZIONARIATO_%5BRev_29_11_2007%5D_%5BENG%5D.pdf)

The table that follows, provided in the stand alone financial statements as at December 31, 2007, indicates the stockholdings owned by the management having a strategic responsibility within Lottomatica, deriving, also, from stock-based plans.

**Stockholdings owned by strategic management**

Name	Number of Shares 12/31/2006	Number of Shares purchased	Shares exercised	Number of Shares sold	Number of Shares 12/31/2007
Bruce Turner	249,843	-	613,081	5,013	857,911
Marco Sala	352,520	-	10,249	-	362,769
Rosario Bifulco	185,245	1,000	-	-	186,245
Saverio Salvemini	6,000	2,000	-	-	8,000
Stefano Bortoli	-	-	2,049	1,180	869
Lorenzo Pellicoli	-	70,000	-	-	70,000
Jaymin Patel	175,136	-	10,254	3,342	182,048
Walter DeSocio	4,668	-	57,274	2,240	59,702

The above table, provided in the stand alone financial statements as at December 31, 2007 of Lottomatica S.p.A. is available on the website of the Company at: (<http://www.gruppoltomatica.it/eng/investor/financial/2007/>).

**Remuneration Committee**

The Board of Directors has established a Remuneration Committee amongst its members, composed of independent Directors. The Committee is responsible for submitting proposals to the Board of Directors for the remuneration of the Managing Directors and of Board members holding special offices as well as, also at either Managing Director's proposal, remuneration criteria for the Company's top management. Supervision over the implementation of the Board's final decisions, as well as preparation of and supervision over stock based compensation plans – with specific reference to the definition and measurement of the goals – are included within the competences of the Committee.

The Committee results therefore composed of the following members, who are designed to remain in charge up to the date of approval of the financial statements as of December 31, 2007:

## Remuneration Committee

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 2007 the Committee has met on 4 occasions. The working of the Remuneration Committee is governed by a charter that was amended by the Board of Directors on March 9, 2007 upon the proposal of 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, even though such necessity was never given in 2007.

Upon invitation of the Committee, persons that are not members of the same may take part to its meeting. However, this has never occurred in 2007.

During the Board of Directors meeting that was held on May 4, 2007, the supervisor of the Committee, Gianmario Tondato da Ruos, has reported to the Board on the activities carried out by the Committee during the first semester of 2007, with particular reference to the two new stock based compensation plans approved by the Board of Directors, as thoroughly described in Paragraph no. 7 above.

## 8) 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 By-laws 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, particularly 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 control system has been reviewed in 2007, also in order to improve the coordination between the Company and GTECH and take into due consideration the *best practices* in those most relevant countries where GTECH operates.

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., whose engagement was extended up to the approval of the financial statements as at December 31, 2013 by the Shareholders' Meeting that was held on April 23, 2007, pursuant to Section no. 155 of TUF.

#### The Internal Audit and Compliance Committee

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

In particular, the Committee is responsible for:

- evaluating, together with the Accounting Manager and with the auditors, the correct utilization of the accounting principles and their consistency for the purpose of the preparation of the financial statements and of the infra-annual reports;
- upon request of the executive Director charged of the supervision of the internal control system (hereinafter referred to as the "**Executive Director**"<sup>3</sup>), expressing opinions on specific aspects relating to the identification of the principal risks for the Company as well as on the design, implementation and management of the internal control system;
- reviewing the work plan and the periodic reports prepared by the Audit Manager;
- evaluating the proposals submitted by the auditing firm for obtaining the relevant appointment, as well as the work plan prepared for the audit and the results described in the report and the letter of suggestions, if any;
- supervising the validity of the accounting audit process;
- performing any additional duties that are assigned to it by the Board of Directors;

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<sup>3</sup> The Chairman of the Board of Directors, Managing Director and Chief Executive Officer of the Company has been appointed as the Executive Director by the Board of Directors, coherently with the powers granted to him on the same date (please refer to Paragraph 2 hereof).

- 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 of the internal control system.

In addition to the above tasks, the Internal Audit and Compliance Committee has always been assisting the Board of Directors in defining the guidelines of the internal control system and evaluating, on a six-month basis, the adequacy, effectiveness and actual working of said system.

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

In 2007 the Internal Audit and Compliance Committee has worked on a continuative basis, as shown by the number of meetings held (3), the attendance of its members (100%), and the periodical report submitted by its Supervisor to the Board of Directors during the meeting held on May 4, 2007.

Following the resignations by Paolo Ainio of October 4, 2007, the Board of Directors during the meeting held on December 11, 2007 resolved to appoint Anthony Ruys as new member of the Internal Audit and Compliance Committee, that therefore, as from that date results made up by the following members:

#### **Internal Audit and Compliance Committee**

<b>Name</b>	<b>Office</b>	<b>% of participation to the meetings of the Committee</b>
Paolo Ainio (*)	. Director	100%
Severino Salvemini	. Supervisor . Independent Director	100%
Anthony Ruys (dall'11/12/2007)	. Independent Director	non applicabile
Paolo Ceretti (**)	. Member of the Executive Committee . Executive Director	100%

(\*) resigned from the office of member of the Board of Directors and of the Internal Audit and Compliance Committee on October 4, 2007

(\*\*) Paolo Ceretti contributes with his specific expertise in accounting and finance matters.

In 2007 there were 3 Committee meetings with a 100% attendance. 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.

The Internal Audit and Compliance Committee during its 2007 meetings examined the progress made by the internal control system, with specific reference to:

- the adequacy and effectiveness of the Company's internal control system and internal audit function;
- the corporate governance principles or rules;
- the Company's compliance with applicable laws, regulations and standards;
- the financial risks and the so called Savings Protection Law (law no. 262 of December 28, 2005);
- the work plan and periodic reports prepared by the Audit Manager.

Manager in charge of the internal control system - 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 competent 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 – Managing Director and Chief Executive Officer, Lorenzo Pellicoli in its capacity as the Executive Director (as defined above).

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

In particular, in 2007 the Audit Manager was responsible for :

- drafting the audit plan approved by the top management and by the concerned corporate bodies (such as the Chairman, 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 – Managing Director and Chief Executive Officer.

### Internal Audit

The Internal Audit is an independent assurance and consultancy department, aimed at improving the efficiency and effectiveness of the structure. It assists the corporate structure in striving to achieve its goals 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:

- it 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.);
- it 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 laws and procedures;
- it 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;
- it evaluates the degree of reliability of the information system, with particular reference to the accounting management system and to the reporting by the management;
- it evaluates the efficient use of the resources, ascertaining the degree of protection of the material ones;
- it 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, in full respect of the principle on keeping separate those that operate from those that control the corporate structure, the Internal Audit reports directly to the Chairman of the Board of Directors – Managing Director and Chief Executive Officer 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 and Code of Conduct

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 the following 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 appointed the following as members of the Surveillance Body, therefore responsible for the full execution and update (if necessary) of the compliance program:

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

During 2007 there were 3 meetings of the Surveillance Body with a 100% attendance. 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. In such respect, the Surveillance Body ascertained that no violations of the compliance program occurred during 2007, which in such respect resulted therefore compliant with the adequacy standards provided for by the law.

Moreover, the compliance program has been reviewed during 2006 so as to take into account recent law provisions concerning, among the others, market abuse behaviours. The new version of the program has been adopted by the Board of Directors on March 9, 2007, and was extended to the other Italian companies and consortia of the group, taking into account any specific characteristic of such companies and consortia. The management bodies of such companies and consortia have temporarily taken the role as Surveillance Body, as provided for the law for small sized entities or structures.

The Board of Directors of the Company, during the meeting that was held on May 3, 2007, resolved to entrust the Surveillance Body of the Company, through its Supervisor, Severino Salvemini, with the task (i) to draw up, in light of the provisions provided in the code of conduct model prepared by GTECH and of the organizational model of the Company, general guidelines to be adopted by all the companies of the Group and (ii) consequently update the Code of Conduct of Lottomatica S.p.A. for the subsequent approval by the Board of Directors of the same Lottomatica and by the other Italian and foreign entities of the Group. The new code of conduct of the Lottomatica group was approved by the Board of Directors on September 13, 2007.

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

[http://www.gruppolottomatica.it/eng/investor/governance/allegati/1297\\_Organizational\\_and\\_ManagementModel\\_March2007.pdf](http://www.gruppolottomatica.it/eng/investor/governance/allegati/1297_Organizational_and_ManagementModel_March2007.pdf)

In particular, the Company and its subsidiaries conduct their activities by complying with the principles of lawfulness, loyalty, correctness and transparency and have chosen to promote and spread an organizational, management and control model that appropriately represents the values and the principles of all their members or those who act on their behalf are required to follow. Accordingly, the boards of directors of each company have adopted a code of conduct, which represents a cornerstone of the above model, in order to introduce for the companies and entities construing the group binding principles and rules that are important to reasonably prevent those crimes provided by Legislative Decree no. 231 of June 8, 2001.

Therefore, the code of conduct aims to recommend, promote and prohibit certain conducts and to effectively exempt entities belonging to the group from the liabilities arising from the crimes provided therein.

The current version of the code of conduct was approved by the Board of Directors of the Company on March 7, 2008 and can be found on the Company's website at: (<http://www.gruppolottomatica.it/eng/investor/governance/>).

#### Manager in charge of drawing up corporate reports and financial statements

In compliance with the Savings Protection Law, the Company, after having amended the corporate By-laws, has appointed on May 4, 2007 the Chief Executive Officer of the Company, Stefano Bortoli, as Accounting Manager (as defined above), after having evaluated his suitability in consideration of his past professional experiences and having ascertained that the same meets all requirements set by the By-laws.

In particular, the Accounting Manager:

- 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 for the relevant financial period.

### **Global Compliance and Governance**

The Board of Directors during its meeting held on March 8-9, 2007, acknowledged the initiatives undertaken or scheduled by the Company and by its foreign subsidiaries in order to ensure the compliance of the internal control system to relevant regulations and provisions of law, on the basis of the requirements and of the expectations provided by the United States authorities (“jurisdictions”) encouraging to this end the integration of the structures and of the internal control bodies of the Lottomatica group and of the GTECH group, within a unitary program called Global Compliance and Governance Program. Within the framework of such program, the Board of Directors during the course of other meetings, has approved the Global Compliance and Governance Plan, that provides for the establishment of a Global Compliance and Governance Committee and temporarily appointed the Chief Financial Officer of the Company as Chief Compliance Officer, granting all necessary powers to give full execution of the Plan to the Chairman of the Board of Directors – Managing Director and Chief Executive Officer.

The Committee reports jointly to the Board of Directors and to the Chief Executive Officer of Lottomatica and meets at least every quarterly in order to examine the issues and related matters falling under its competences.

The Committee is currently composed of the following members:

### **Global Compliance and Governance Committee**

<b>Office or position</b>	<b>Name</b>
. Chairman of the Committee . External advisor	Rick Trachok
. Member of the Committee . Chief Compliance Officer . Group Chief Financial Officer	Stefano Bortoli
. member of the Committee . GTECH executive	Michael Prescott
. member of the Committee . Lottomatica executive	Claudia Ricchetti
. member of the Committee . External advisor	Bob Lewis

In particular, the Committee is responsible for:

- approving the proposals for the execution, renewal or extension of consultancy agreements with reference to government agents, that involve a value greater than Euro 350,000.00 or multiannual compensations higher than Euro 1,000,000.00. Moreover, such agreements will also require the prior approval of the Internal Audit

- and Compliance Committee, while those agreements involving a lesser amount are approved by the Government Affairs Committee, which consists in an internal control committee on governmental affairs;
- drafting, supervising and verifying the corporate governance and compliance processes and procedures (such as the Code of Conduct and its related training, the so called “integrity line” and “ask the Board email”, advertising related expenses, etc.);
  - drafting an internal control system that provides, within the framework of the relevant law provisions, preliminary investigations on the integrity of advisors, providers, distributors and other individuals;
  - the relations between the Company and the United States’ controlling authorities;
  - supervising the activities of the Government Affairs Committee.

## **9) Directors’ interests and related party transactions**

Intra-group transactions and transactions with other related parties are governed by an internal charter that was lastly updated by the Board of Directors on March 7, 2008. The new charter, that was denominated “Internal rules governing relevant as well as related party transactions” generally provides for:

- the definition of relevant transactions, transactions with other related parties, unusual and atypical transactions and transactions at standard conditions (the charter presumes, in any event, as relevant all transactions above Euro 30 million );
- the reservation of the above transactions to the Board of Directors, with limited faculty to delegate them to single Board members who shall in such case report to the Board on the first useful meeting;
- the adoption by the Board of the relevant resolutions (if not delegated to single Board members or to the Executive Committee), after proper examination and on the basis of sufficient information on the way the transaction is to be implemented, the conditions, including the financial terms, the assessment procedure, the reasons for the transaction, the underlying interests and any significant risks for the Company;
- the obligation of each Director having an interest to any transaction, even on behalf of third parties, to report thereon to the Board of Directors and to the Board of Statutory Auditors, where possible also in writing, before the Board meeting convened to resolve on that transaction, specifying the nature, origin, scope and terms of such interest (see paragraph 1 hereinabove for certain other duties of the Directors, also pursuant to Section no. 2391 of the Italian Civil Code). - quarterly reports by the Board of Directors to the Board of Statutory Auditors regarding intra-group transactions and transactions with other related parties.

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

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

The “[Internal rules governing relevant as well as related party transactions](#)” are made available to the public on the website of the Company:

([http://www.gruppoltomatica.it/eng/investor/governance/allegati/1297\\_Internal\\_rules\\_governing\\_related\\_party\\_transactions\\_Sept2007.pdf](http://www.gruppoltomatica.it/eng/investor/governance/allegati/1297_Internal_rules_governing_related_party_transactions_Sept2007.pdf))

## 10) Board 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 Section 20 of the By-laws 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 1.5% of the corporate share capital) indicated in the notice of call that summons the Shareholders' Meeting called to resolve on the appointment of the Board of Directors. Such threshold is halved in the event that upon expiry of the term given to present the lists - that in such event is extended by 5 days prior communication to the market by the Company – no candidates have been presented by the so called "authentic minorities", i.e. not connected to the majority Shareholder.

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

- exhaustive information on the personal and professional qualities of the candidates, on the acquired expertises and on their past experiences and an indication of the management and control offices held in other companies and their expiration date;
- a statement through which each candidate accepts to be candidate and certifies under his/her own responsibility that there are no reasons of ineligibility or incompatibility provided under the law, as well as that he/she possesses all requisites provided by the law and by the By-laws;;
- 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;
- a declaration by the Shareholders that have presented the list, stating the non existence of 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.

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

The current appointment and replacement procedures provided by the By-laws 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<sup>4</sup>.

In particular, the By-laws provide that the denial expressed by 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.

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<sup>4</sup> The Board of Directors meeting that was held on March 6-7, 2008, resolved to propose to the Shareholders' Meeting to amend the By-laws of the Company, with reference, among the other, to the Statutory Auditors appointment procedure, in order to provide that (i) two effective Statutory Auditors as well as all alternate Statutory Auditors will be appointed from the list that shall receive the greater number of votes, and (ii) in the event that only one list be presented or voted, all effective and alternate Statutory Auditors shall be appointed from therein.

Up to the date of approval of the financial statements as of December 31, 2007, the Board of Statutory Auditors is composed as follows:

Name	Office	In office from	Indep. pursuant to the Code	% of participation to the meetings of the Board	Other offices
Francesco Martinelli	. Chairman	12.16.2005	X	100%	33
Paolo Andrea Colombo	. Effettive Statutory Auditor	12.16.2005	X	100%	24
Angelo Gaviani	. Effettive Statutory Auditor	12.16.2005	X	100%	34
Giulio Gasloli	. Alternate Statutory Auditor	12.16.2005	X	N/A	N/A
Marco Sguazzini Viscontini	. Alternate Statutory Auditor	12.16.2005	X	N/A	N/A

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 2007, it has never occurred to learn that a Statutory Auditor had such an interest.

In 2007 the Board of Statutory Auditors held 5 meetings with a 100% attendance average by its members.

During the meeting that was held on September 12, 2007, 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.

Moreover, the Board of Statutory Auditors during the meeting that was held on April 2, 2007 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.

The By-laws provide that those Statutory Auditors that already hold the office of director or statutory auditor in a number of companies higher than the one provided by the law , cannot be appointed as Statutory Auditors of the Company.

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

Francesco Martinelli

Statutory Auditor of Aviofin S.p.A.;  
Statutory Auditor of Actalis S.p.A.;  
Statutory Auditor of Almaviva Consulting S.r.l.;  
Statutory Auditor of Alma Viva S.p.A.;  
Chairman of the Board of Statutory Auditors of Alma Viva Technologies S.r.l.;  
Statutory Auditor of Alma Viva – CNR S.c.a.r.l.;  
Statutory Auditor of Almaviva Finance S.p.A.;  
Statutory Auditor of Alicos S.p.A.;  
Statutory Auditor of Krenesiel S.p.A.;  
Statutory Auditor of Italsiel S.p.A.;  
Chairman of the Board of Statutory Auditors of Banca Impresa Lazio S.p.A.;  
Statutory Auditor of BNL Edizioni S.r.l.  
Statutory Auditor of BNP Paribas Asset Management SGR S.p.A.;  
Statutory Auditor of BNL Partecipazioni SPA;  
Chairman of the Board of Statutory Auditors of Cheminova Agro Italia S.r.l.;  
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 Melior Trust S.p.A.;  
Member of the board of auditors of Istituto Commercio Estero (ICE);  
Chairman of the Board of Statutory Auditors of Cartalis Imel S.p.A.;  
Chairman of the Board of Statutory Auditors of Consorzio Lotterie Nazionali;  
Chairman of the Board of Statutory Auditors of Consorzio Lottomatica Giochi Sportivi;  
Chairman of the Board of Statutory Auditors of LIS S.p.A.;  
Chairman of the Board of Statutory Auditors of Lottomatica Scommesse S.r.l.;  
Chairman of the Board of Statutory Auditors of Lottomatica Sistemi 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 Lottomatica Videolot Gestione S.p.A.;  
Chairman of the Board of Statutory Auditors of PCC GS S.p.A.;  
Chairman of the Board of Statutory Auditors of CFN – Compagnia Fondiaria Nazionale S.p.A.;  
Statutory Auditor of Reteltalia Internazionale S.p.A.;  
Statutory Auditor of Serfin Srl.

Paolo Andrea Colombo

Chairman of the Board of Statutory Auditors of Ansaldo STS S.p.A.;  
Chairman of the Board of Statutory Auditors of ENI S.p.A.;  
Chairman of the Board of Statutory Auditors of Saipem S.p.A.;  
Statutory Auditor of Sirti S.p.A.;  
Statutory Auditor of Angelo Moratti S.a.p.a. Di G. Moratti e M. Moratti;  
Chairman of the Board of Statutory Auditors of Aviva Vita S.p.A.;  
Statutory Auditor of Eigenmann & Veronelli S.p.A.;  
Statutory Auditor of Finanziaria BTB S.p.A.;

Statutory Auditor of Humanitas Mirasole S.p.A.;  
Statutory Auditor of Intesa Trade SIM S.p.A.;  
Statutory Auditor of Eurizon SGR S.p.A. (previously CAAM Alternative Investments SGR S.p.A.);  
Statutory Auditor of Quadrante Riqualficazione Quadrante Orientale S.p.A.;  
Chairman of the Board of Statutory Auditors of Techint Cimimontubi S.p.A.;  
Director of Mediaset S.p.A.;  
Chairman of the Board of Statutory Auditors of Partecipazioni Italiane S.p.A.;  
Director of SIAS S.p.A.;  
Director of Binda S.p.A.;  
Chairman of the Board of Statutory Auditors of Forumnet Holding S.p.A.;  
Chairman of the Board of Statutory Auditors of Open Care S.p.A.;  
Director of GIVI Holding S.p.A.;  
Director of Gianni Versace S.p.A.;  
Director of Interbanca S.p.A.;  
Director of Ceresio SIM S.p.A.  
Statutory Auditor of Crédit Agricole Assicurazioni Italia Holding S.p.A.

Angelo Gaviani

Statutory Auditor of Augusta Assicurazioni S.p.A.;  
Statutory Auditor of Augusta Vita S.p.A.;  
Statutory Auditor of Banzai S.p.A.;  
Statutory Auditor of B&D Holding di Marco Drago e C. S.A.p.A.;  
Chairman of the Board of Statutory Auditors of Cideb Editrice S.r.l.;  
Statutory Auditor of De Agostini S.p.A.;  
Chairman of the Board of Statutory Auditors of De Agostini Diffusione del Libro S.p.A.;  
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.;  
Statutory Auditor of De Agostini Partworks Licensing S.p.A.;  
Statutory Auditor of Diffusione Scolastica S.r.l.;  
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 Lottomatica Sistemi S.p.A.;  
Statutory Auditor of Utet S.p.A.;  
Chairman of the Board of Statutory Auditors of Autovictor S.r.l.;  
Statutory Auditor of Banca Popolare di Novara S.p.A.;  
Statutory Auditor of Gigi Molina S.p.A.;  
Statutory Auditor of Imos S.p.A.;  
Chairman of the Board of Statutory Auditors of MAFFEI S.p.A.;  
Statutory Auditor of M.Dis Distribuzione Media S.p.A.;  
Chairman of the Board of Statutory Auditors of Milano Press S.r.l.;

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

Chairman of the Board of Statutory Auditors of Officine Grafiche Novara 1901 S.p.A.;

Statutory Auditor of Righi S.p.A.;

Statutory Auditor of Saronni S.p.A.;

Statutory Auditor of Sogeim S.p.A.;

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 To-Dis 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 provided by the same.

In particular, the Board of Statutory Auditors ascertains the enforcement of the criteria and of the evaluation procedures adopted by the Board of Directors to evaluate the independence of its members. Moreover, the Board of Statutory Auditors shall periodically monitor the independence of the external auditors, having regard to the relevant law provisions as well as to the nature and extent of services other than the audit provided to the Company and its subsidiaries, if any, by the same auditing firm and the entities belonging to its network. The Board of Statutory Auditors shall also ensure 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 engage 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 systematically invited to attend the meetings of the Board of Statutory Auditors, and the annual audit plan is prepared taking into consideration the requests and suggestions of the Statutory Auditors.

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

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

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

## 11) Relations with the Shareholders

### Protection of minority Shareholders

The Company, even though subjected to the controlling Shareholder, has always promoted the broadest and aware participation of 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 minority Shareholders' rights.

To this end, the By-laws 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 Paragraphs no. 1 and no. 10 above).

### Shareholders' meetings

Shareholders' meetings are governed by an internal charter approved by the Shareholders' Meeting, which is made available to those participating to each Shareholders' meeting and published on the website of the Company:

([http://www.gruppoltomatica.it/ita/investor/corporate\\_gov/assemblee/allegati/3009\\_regolamentoassembleare.pdf](http://www.gruppoltomatica.it/ita/investor/corporate_gov/assemblee/allegati/3009_regolamentoassembleare.pdf))

The Company publishes in a specific 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 reports of the Board of Directors on each item of the agenda and the lists of candidate Directors and Statutory Auditors together with the relevant documentation provided by the By-laws).

Similar information is made available to all those in attendance and 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 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 are usually published on 2 or 3 main national newspapers, whereby Shareholders are reminded to (i) timely deliver the documentation enabling them to participate to the meeting and (ii) attend the meeting with reasonable advance, especially when representing a number of Shareholders;

The internal charter ensures that each Shareholder entitled to participate to the Shareholders' meeting pursuant to the law and to the By-laws, 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.

Such request is made by show of hands unless the Chairman of the meeting has provided to proceed by means of a written request. In the event that the floor is taken by show of hands, the Chairman leaves the floor to the first person to raise the hand; in the event that it is not possible to exactly determine so, the Chairman grants the floor as he/she deems opportune. In the event that written requests are made, the Chairman grants the floor in alphabetical order.

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.

#### Investor relator

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

The Investor Relator 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, as well as with journalists and analysts.

The Investor Relator is further engaged 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 Paragraph 4 hereinabove.

**Table 1: Structure of the Board of Directors and of the Committees**

Board of Directors							Internal Audit and Compliance Committee		Remuneration Committee		Executive Committee	
Office	Name	Executive	Non executive	Independent	(*)	No. Of other offices held	(**)	(***)	(**)	(***)	(**)	(***)
Chairman – Managing Director – CEO	Lorenzo Pelliccioli	•			100%	15					•	100%
Vice-Chairman	Robert Dewey Jr.		•	•	100%	0			•	100%		
Managing Director – General Manager	Marco Sala	•			100%	2					•	100%
Director	Rosario Bifulco				67%	4						
Director	Pietro Boroli	•			67%	19					•	86%
Director	Paolo Ceretti	•			100%	11	•	100%			•	100%
Director	Marco Drago	•			83%	14					•	100%
Director	James F. McCann		•	•	100%	3			•	100%		
Director	Jaymin Patel				N/A	0						
Director	Anthony Ruys		•	•	67%	8	•	100%				
Director	Severino Salvemini			•	67%	6	•	100%				
Director	Gianmario Tondato da Ruos			•	83%	6			•	100%		
Director	W.Bruce Turner		•		67%	0						
No. Of meetings held in 2007		BoD: 6		Internal Audit and Compliance Committee: 3			Remuneration Committee: 4			Executive Committee: 6		

(\*) Indicates the participation percentage of the Directors to the meetings of the Board of Directors

(\*\*) Indicates the membership by the Director to one or more Committees.

(\*\*\*) Indicates the percentage of participation by the Director to the specific Committee.

**Table 2: Board of Statutory Auditors**

<b>Office</b>	<b>Name</b>	<b>Percentage of participation to the meetings of the Board</b>	<b>No. of other offices (*)</b>
Chairman	Francesco Martinelli	100%	33
Effective Statutory Auditor	Paolo Andrea Colombo	100%	24
Effective Statutory Auditor	Angelo Gaviani	100%	34
Alternate Statutory Auditor	Giulio Gasloli	-	N/A
Alternate Statutory Auditor	Marco Sguazzini Viscontini	-	N/A

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(\*) Paragraph no. 10 gives a more thorough account on the other offices held by the Statutory Auditors

**Table 3: Other provisions by the Code**

	Yes	No	Explanations in case of negative answer
<b>Powers and transactions with related parties</b>			
Has the BoD granted powers determining: a) limits b) modalities c) information modalities?	X X X		
Has the BoD reserved itself the right to examine and approve the transactions that have a particular economic and financial relevance (including transactions with related parties)?	X		
Has the Board of Directors defined guidelines and criteria for the identification of "transactions of particular significance"?	X		
Are these guidelines and criteria described in the Report?	X		
Has the board of directors defined procedures for the review and approval of transactions involving related parties?	X		
Are the procedures for approval of transactions involving related parties described in the Report?	X		
<b>Procedures followed for the most recent appointments to the board of directors and the board of auditors</b>			
Were the proposals for the appointment to the position of Director deposited at the Company's offices at least 10 days ahead of time?	X		
Were these proposals accompanied by detailed information?	X		
Did these proposals provide information on candidates' eligibility to qualify as independent directors?	X		
Were the proposals for the appointment to the position of member of the Board Of Auditors deposited at the company's offices at least 10 days ahead of time?	X		
Were these proposals accompanied by detailed information?	X		
<b>Shareholders' Meetings</b>			
Has the company adopted rules of procedure for its Shareholders' meetings?	X		
	X		

Are these rules of procedure attached to the report (or does the report indicate where such rules can be obtained/downloaded?)			
<b>Internal Control System</b>			
Has the Company appointed persons to run its internal control system?	X		
Are these persons not placed hierarchically under managers in charge of business units or operations?	X		
<b>Investor relations</b>			
Has the Company appointed an individual in charge of Investor Relations?	X		
Unit and contact information (address/phone/fax/e-mail) for the Company's Investor Relations person	X		