

## **LOTTOMATICA S.P.A.**

Head Office in Rome, Viale del Campo Boario 56/d  
Registered Share Capital Euro 151,991,896.00  
Registration number with Rome business register and fiscal number 08028081001  
Company subject to guidance and coordination of De Agostini S.p.A.

### **REPORT OF THE BOARD OF DIRECTORS**

#### **on the proposed resolution on item 1 of the agenda of the Company's Ordinary Shareholders Meeting convened for April 15 and 17, 2008**

Dear Shareholders,

This report has been drafted pursuant to Article 73, Article 93 and Annex 3A of Consob Resolution no. 11971 of May 14, 1999 (as subsequently amended), and it has been approved by the Board of Directors on March 6, 2008.

On the same date, the Company's Board of Directors has resolved, *inter alia*, to call the Company's Ordinary Shareholders Meeting in order to submit to your approval, pursuant to Article 2357 and 2357-ter of the Italian Civil Code and Article 132 of the Legislative Decree no. 58 of February 24, 1998, a plan for the purchase and disposal, in one or more *tranches*, of ordinary shares of the Company, on a revolving basis, for maximum 10% of the Company's outstanding share capital (therefore, at the date of this Report, for maximum no. 15,199,189 ordinary shares having pair value of Euro 1.00 each).

This Report outlines the reasons underlying the request of authorization for the plan of buy-back of the Company's shares and the terms and mechanics which will be followed to perform such plan.

#### **1. Reasons for the requested authorisation to purchase and dispose of Company's own shares**

The request submitted to the Company's Shareholders Meeting to authorize the purchase and disposal of the Company's own shares is based on the opportunity to provide the Company with the means necessary to pursue the following goals:

- (a) intervene on the stock market, to the extent permitted by applicable law and through authorized intermediaries, to curb abnormal flotation of the Company's stock prices as well as to regularize the course of trade in the face of possible distortions connected to volatility or lack of liquidity;
- (b) grant to the shareholders an additional means to easily liquidate their investment;
- (c) purchase the Company's own shares to be assigned, as the case may be, in the context of current or future stock compensation plans addressed to directors and/or employees and/or advisors of the Company or its subsidiaries;
- (d) purchase the Company's own shares to be used to carry out, in line with the

strategies of the Company, transactions on the share capital of the Company or other transactions entailing the exchange or the transfer of interests by means of exchange, contribution in kind, sale or other disposal.

Regarding the disposal of the Company's own shares that might have been acquired pursuant to the plan, the Board of Directors deems appropriate that the Company should be able to dispose of the said shares also in order to maximize the shares' value deriving from the course of the price on the market and, therefore, also to carry out trading activities.

The requested authorisation aims to grant to the Board of Directors the power to carry out several and subsequent purchases and disposals of shares, on a revolving basis, even for portions of the maximum number of shares for which the authorisation is required, so that, at any given time, the number of the Company's own shares purchased and owned by the Company shall not exceed the thresholds set out by applicable law and by the authorisation of the Company's Shareholders Meeting.

In light of the above, the Board of Directors deems it appropriate to submit to the Company's shareholders the request to authorize the purchase and disposal of the Company's own shares, pursuant to Article 2357 and 2357-ter of the Italian Civil Code.

**2. Maximum number, class and par value of the shares for which the authorisation is requested**

The Company's outstanding share capital is Euro 151,991,896.00 and is represented by no. 151,991,896 ordinary shares having par value of Euro 1,00 each.

The maximum number of shares for which the authorisation is required is 15,199,189, or such other number that shall represent no more than 10% of the Company's outstanding share capital at any give time, in the event a capital increase or a reduction of capital is resolved and carried out during the term for which the authorisation shall be granted, as mentioned in paragraph 3 below.

Without prejudice to the aforesaid, after the authorisation of the Company's Shareholders Meeting, the purchase of the Company's own shares will be performed by the Board of Directors taking into account the arrangements from time to time outstanding, with particular reference to the covenants undertaken with the financing banks.

**3. Time limit of the authorization**

The authorisation for the purchase of the shares is requested for the maximum duration allowed by Article 2357 of the Italian Civil Code, thus for a maximum period of 18 months, starting from the date of authorisation of the Company's Shareholders Meeting.

The authorisation for the disposal of the shares that may be purchased by the Company is being requested without any time limit, in the light of the absence of any mandatory constraints in this respect as well as of the expediency of enabling the Company to maximize the time frame to effect any possible disposal.

**4. Information on the compliance to the provisions of Article 2357, first and third paragraph, of the Italian Civil Code**

The Company does not currently own its own shares. No controlled companies own Company's shares.

Pursuant to Article 2357, first paragraph, of the Italian Civil Code, the purchase of company's own shares is permitted within the limits of distributable profits and available reserves as result from the last Financial Statements of the Company duly approved.

In order to assess the compliance with the above limits, the Board of Directors deems it appropriate to make reference to the draft Financial Statements of the Company as at December 31, 2007, assuming that such draft Financial Statements will be duly approved by the Company's General Meeting within the time frame set forth by the Board of Directors. The draft Financial Statements as at December 31, 2007 shows a legal reserve of Euro 30,379,839.00, equivalent to one fifth of the share capital assuming the allocation thereto of net profits worth Euro 77,339.00, and residual profits equal to Euro 68,922,391.00, to be entirely distributed. As a result, the Company may dispose of the following available reserves, to be partially distributed, pursuant to the applicable provisions of law:

Reserve	Amount (in thousands Euro)
Share premium	1,568,064,977.00

It must be highlighted that the Board of Directors must make sure that at any give time provisions of Article 2357, first paragraph, of the Italian Civil Code are obeyed whenever a purchase of shares is carried out.

At the time of each purchase or disposal of the shares, the relevant registration shall be made on the Company's account pursuant to the applicable provisions of law and accounting principles. In any case of sale, exchange, contribution or depreciation of the shares, the corresponding amount will become available for further purchase of shares, until the expiration of the authorisation granted by the Shareholders Meeting and without prejudice to the limits to the number of shares, availability of funds as well as the other terms and conditions as set out in the authorisation.

##### **5. Minimum and maximum price**

The Board of Directors proposes that the per shares purchase price be set from time to time for each single transaction, it being understood that such price shall not be lower nor higher for more than the 25% of the reference price registered by the Company's stock in the last market day preceding each relevant transaction.

As far as the per share disposal price, the Board of Directors proposes that the Shareholders Meeting content itself with setting a minimum price, so granting the Board of Directors with the power to set, from time to time and in respect of each transaction, any further terms, conditions or procedures of the disposal.

The said price shall not be lower than 50% of the reference price registered by the Company's stock in the last market day preceding each transaction. Such limit shall not apply in the event that the

disposal is made in favor of directors and/or employees and/or advisors of the Company or its subsidiaries in the context of stock compensation plans, for the performance of transactions entailing the exchange or the transfer of interests even by means of exchange or contribution in kind, or other transactions on the share capital of the Company implying the assignment or the disposal of the Company's own shares (including but not limited to, mergers, de-mergers, issuance of convertible bonds or warrants).

## **6. Procedures for the purchase and disposal**

The purchase will be performed within the time frame set forth by the Board of Directors after the authorisation of the Company's Shareholders Meeting.

Taking into account the different goals that may be pursued through the sale and the disposal of the Company's own shares, the Board of Directors proposes that the authorisation include the faculty to perform the purchase in any ways as are permitted by applicable law, to the sole exclusion of public tender or exchange offer, such ways to be determined from time to time by the Board of Directors. Such procedures currently include:

- (a) purchases made on the market, in compliance with the relevant procedures established by Borsa Italiana S.p.A.;
- (b) purchases and sales of derivatives instruments traded on regulated markets which provide for the physical delivery of the underlying shares, pursuant to the conditions established by Borsa Italiana S.p.A.;
- (c) proportional assignment to shareholders of options to sell their shares.

As far as the disposal of the shares is concerned, the Board of Directors proposes that the authorisation grants the possibility to use any mean deemed appropriate to achieve the objectives that will be pursued from time to time. As anticipated above, the Board of Directors expressly requests the authorization to carry out several and subsequent purchases and disposals of the acquired Company's own shares, in the context of trading activity.

## **7. Further information, should the purchase be aimed at a capital reduction by annulment of the shares purchased by the company**

It is hereby confirmed that the purchase of the Company's own shares is not aimed at the reduction of the Company's outstanding share capital.

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Dear Shareholders,

In light of the above, the Board of Directors hereby proposes to you to adopt the following resolutions:

“Lottomatica S.p.A.'s ordinary Shareholders Meeting:

- having examined the Report of the Board of Directors drafted pursuant to Article 73,

Article 93 and Annex 3A of Consob Resolution no. 11971 of May 14, 1999 (as subsequently amended);

- having acknowledged that at the date of this meeting the Company does not own its own shares and no controlled companies own the Company's shares;
- having acknowledged the opportunity to authorise the purchase and disposal of the Company's own shares to achieve the purposes mentioned in the Report of the Board of Directors and within the terms and conditions set forth thereof;

resolves

1. to authorise, pursuant to and in accordance with Article 2357 of the Italian Civil Code, the purchase, in one or more *tranches*, of a maximum number, on a revolving basis (i.e the maximum quantity of shares held in the portfolio at any given time), of 15,199,189 ordinary shares of the Company or the different number of shares that, from time to time, will represent 10% of the Company share capital in the event that an increase or a reduction of the Company's share capital is adopted and carried out during the term of the authorization, also taking into account the shares that may be held at any given time by any Company's subsidiaries and in any case within any legal limits, to achieve the purposes mentioned in the Report of the Board of Directors and at the following terms and conditions:
  - (a) shares may be purchased within a period of 18 (eighteen) months as from the date of this resolution;
  - (b) the purchase may be performed in any of the ways permitted by Article 132 of Legislative Decree no. 58 of February 24, 1998 and Article 144-*bis* of Consob's Regulation no. 11971 of May 24, 1999, to the sole exclusion of public tender or exchange offer, including the exemption provided for by paragraph 3 of the said Article 132 of the Decree 58/1998 and, in any case, in any other manner permitted by applicable law and regulations
  - (c) the purchase price per share may not be greater or lower than 25% of the reference price recorded in the market session prior to each single purchase transaction;
2. to authorise, pursuant to and in accordance with Article 2357-*ter* of the Italian Civil Code, the disposal, in one or more *tranches*, of the shares purchased, within legal and regulatory limits, to achieve the purposes stated in the Report of the Board of Directors and at the following terms and conditions:
  - (a) shares may be disposed at any given time without time limits;
  - (b) disposal may be carried out even before having exhausted the purchases and may occur in one or more *tranches* by means of sale on the market, also in the context of trading activity, in lots and/or by means of disposal in favor of directors, employees and/or advisors of the Company and/or its subsidiaries in the context of stock compensation plans, and/or any other disposal for the performance of transactions in relation to which it is deemed appropriate to exchange or transfer

Company's interests also through exchange or contribution in kind, or, finally, in the context of transactions on the share capital implying the assignment or disposal of Company's own shares (such as, by way of example, mergers, de-mergers, issuance of convertible bonds or warrants);

- (c) The disposal per share price may not be less than 50% of the reference price recorded in the market session prior to each single disposal transaction. This price limit does not apply to disposals in favor of directors and/or employees and/or advisors of the Company and/or its subsidiaries in the context of shares compensation plans, nor shall it apply to disposals other than sales, namely to disposal which should be carried out by means of exchange or contribution or in the context of transactions on the share capital entailing the assignment or disposal of Company's own shares (such as, by way of example, mergers, de-mergers, issuance of convertible bonds or warrants);
3. to grant to the Board of Directors, any necessary or convenient power to carry out this resolution, including the faculty to sub-delegate one or more Directors to such effect and adopt any executive measures relating to the relevant share purchase program.”

Rome, 6 March 2008

The Chairman of the Board of Directors, Managing Director and CEO

Lorenzo Pellicoli