



Lottomatica S.p.A.

With Registered Office in Rome, Viale del Campo Boario, 56/d

Paid-in Capital Euro 151,512,500.00

Registered in the Companies Register of Rome with the no. 08028081001

Subjected to the management and coordination of

De Agostini S.p.A.

**ILLUSTRATIVE REPORT BY THE BOARD OF DIRECTORS ON THE PROPOSAL
LISTED AS ITEM NO. 1 OF THE ORDINARY SESSION ON THE AGENDA OF THE
SHAREHOLDERS' MEETING SUMMONED FOR APRIL 23 AND 24, 2007,
RESPECTIVELY IN FIRST AND SECOND CALL**

Item no. 1 of the ordinary session on the agenda – “Financial statements as at December 31, 2006 and proposal of dividend allocation; related resolutions”

Dear Shareholders:

The financial statements as at December 31, 2006 has been prepared in accordance with the IFRS international accounting principles adopted by the European Community, pursuant to Legislative Decree no. 38 of February 28, 2005. The 2006 financial year closes for the Company with a net profit equal to Euro 2,345,007, compared to the profits of the previous financial year (2005) that were equal to Euro 94,885,780 according to the international accounting principles (Euro 61,006,236 according to the Italian accounting principles).

While remitting any detailed information to the documentation already made available in compliance with the provisions of law, the Shareholders' Meeting, in ordinary session and, if necessary, in extraordinary session, is invited to:

- approve the financial statements of Lottomatica S.p.A. as at December 31, 2006, along with the related reports;
- allocate a percentage of the said profit equal to Euro 117,250 to the legal reserve fund, so that the said legal reserve fund will amount to Euro 18,488,873;
- allocate the remaining part of the said profit, equal to Euro 2,227,757, to an *ad hoc* reserve bound to the increase of the corporate share capital serving stock based plans resolved or to be resolved upon by the Company pursuant to Article 2349 of the Italian Civil Code;
- allocate a percentage of the share premium account equal to Euro 11,813,627 to the legal reserve fund, so that the said legal reserve fund will amount to a fifth of the corporate share capital, therefore up to an overall amount of Euro 30,302,500;
- resolve to distribute to the Shareholders an overall dividend of Euro 0.79 per share, for a total of Euro 119,694,875, represented by the following items:
 - (a) retained earnings for an amount of Euro 30,165,366 resulting from the financial statements as at December 25, 2005, drafted in accordance with the IFRS international accounting principles adopted by the European Community pursuant to Legislative Decree no. 38 of February 28, 2005, considering that such retained earnings have already been deducted of the amount of Euro 3,714,178 from the FTA reserve that was established following the adoption of the above said international accounting principles;
 - (b) reserve from future increases in share capital, equal to Euro 180,000, since the reasons for the increase of the share capital for which the said reserve had been established are no longer in force;
 - (c) merger reserve equal to Euro 20,137,809;
 - (d) a quota of the share premium reserve equal to Euro 69,211,700.

It is reminded that, should the above proposal be approved, the dividend will be paid starting from May 24, 2007, upon prior coupon detachment on May 21, 2007, and no tax benefit will arise therefrom. With reference to the tax treatment, the dividend quota concerning the year profit equals to Euro 0.1990949, the dividend quota concerning the reserves from future increases in share capital equals to Euro 0.00118802, the dividend quota concerning the merger reserve equals to Euro 0.13291187, and the dividend quota concerning the share premium reserve equals to Euro 0.45680521.

On behalf of the Board of Directors
The Chairman