



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. 2 OF THE EXTRAORDINARY SESSION
ON THE AGENDA OF THE SHAREHOLDERS MEETING SUMMONED FOR
APRIL 23 AND APRIL 24, 2007, RESPECTIVELY IN FIRST AND SECOND
CALL**

Item no. 2 of the extraordinary session on the agenda – “Proposed delegation of the Board of Directors, pursuant to Article 2443 of the Civil Code, with the powers to increase, through one or more issuances, the share capital for free, by means of issue of ordinary shares to be allocated to employees of Lottomatica S.p.A. and/or its subsidiaries pursuant to Article 2349 of the Civil Code. Subsequent amendment of Section 5 of the By-laws. Relevant Resolutions”

Dear Stockholders,

we recall that the Ordinary Stockholders’ Meeting of the Company, dated October 18, 2006, approved, among other things, (i) the stock allocation plan 2006-2009, for a maximum of 500,000 ordinary shares of the Company (the “**Stock Allocation Plan 2006-2009**”), and (ii) the stock allocation plan 2006-2011, for a maximum of 1,000,000 ordinary shares of the Company (the “**Time Based Plan 2006-2011**”), both plans in favour of the employees of Lottomatica S.p.A. and/or its subsidiaries.

We also recall that, point 3 of the agenda of the Ordinary Stockholders’ Meeting concerns the resolution of a new stock allocation plan 2007-2010, for a maximum of 400,000 ordinary shares of the Company (the “**Stock Allocation Plan 2007-2010**”), in favour of the employees of Lottomatica S.p.A. and/or its subsidiaries.

All the above mentioned allocation plans (the “**Plans**”) relate to ordinary shares of the Company for a par value of euro 1 each, which shall be allocated to the beneficiaries according to the terms and conditions provided for by the respective Plans, and that, following a discretionary decision of the Company, can consist of:

- (a) shares to issued and allocated for free, pursuant to Article 2349 of the Civil Code; or
- (b) treasury shares of the Company to be assigned for free,

always provided that the Company maintains its right to liquidate by cash equivalent the rights of the beneficiaries pursuant to the Plans, in lieu of the allocation of the shares to them.

In particular, the Time Based Plan 2006-2011 provides for the allocation of the first *tranche* of shares by the end of next summer.

In light of the foregoing, it becomes due to provide for the creation of a necessary fund of shares in order to face the case in which the Company elected to proceed – at the due dates provided for by each of the Plans, or pursuant to analogous stock allocation plans to be approved in the future – according to the option to allocate pursuant to the above mentioned letter (a).

In consideration of Section 6 of the current By-laws, you have been called to attend the Extraordinary Stockholders' Meeting to discuss and approve the delegation of the Board of Directors, pursuant to Article 2443 of the Civil Code, for the term of five years starting from the date of the relevant resolution, with the powers to increase the share capital for free, through one or more issuances, for a maximum amount of euro 3,200,000.00, par value, by means of the issue of no. 3,200,000 ordinary shares for a par value of euro 1 each, to be allocated to the employees of Lottomatica S.p.A. and/or its subsidiaries, pursuant to Article 2349 of the Civil Code, within the limits of the Plans or the analogous stock allocation plans to be approved in the future (always provided that the expiration of the term of the delegation of powers remains unchanged).

The capital increases would be made using the special balance sheet provision named "Reserve for Plans pursuant to Section 2349 of the Civil Code", created to this purpose and year by year possibly re-created or increased, or would be made according to the different means provided by law from time to time in force. To this purpose, it is to be noticed that the proposal relating to the allocation of year 2006 profits – under the ordinary part of the Meeting's agenda -, provides for the allocation of the amount of Euro 2,227,757 with the mentioned to-be-created special balance sheet provision.

For sake of clarity, no withdrawal rights of the stockholders, pursuant to art. 2437 of the Civil Code, shall accrue as a result of the resolutions proposed above.

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In case the Stockholders' Meeting agrees with the above, it is invited to take the following resolutions:

“The Extraordinary Stockholders’ Meeting of Lottomatica S.p.A.

- *having reviewed the illustrative report of the Board of Directors and the proposals contained therein;*
- *having acknowledged the statement of the Board of Statutory Auditors relating to the full payment of the current share capital of the Company;*

resolved

- I. *to delegate the Board of Directors, pursuant to Article 2443 of the Civil Code, for the term of five years starting from the date of this resolution, with the powers to increase the share capital for free, through one or more issuances, for a maximum amount of Euro 3,200,000.00, par value, by means of the issue of maximum no. 3,200,000 ordinary shares, for a par value of Euro 1 each, to be allocated to the employees of Lottomatica S.p.A. and/or its subsidiaries, pursuant to Article 2349 of the Civil Code, within the limits of the current and future stock allocation plans of the Company. Said capital increases shall be made using the special balance sheet provision named “Reserve for Plans pursuant to Section 2349 of the Civil Code”, created to this purpose and year by year possibly re-created or increased, or shall be made according to the different means provided by law from time to time in force;*
- II. *to amend Section 5 of the By-laws as follows:*

<i>Section 5 (Share Capital) – Current text</i>	<i>Section 5 (Share Capital) – Proposed text</i>
<i>5.1 (omissis)</i>	<i>5.1 (unchanged)</i>
<i>5.2 (omissis)</i>	<i>5.2 (unchanged)</i>
<i>5.3 (omissis)</i>	<i>5.3 (unchanged)</i>
<i>5.4 (omissis)</i>	<i>5.4 (unchanged)</i>
<i>5.5 (omissis)</i>	<i>5.5 (unchanged)</i>
	<i>5.6 On April 23, 2007 the Extraordinary Stockholders’ Meeting resolved to delegate the Board of the Directors pursuant to Article 2443 of the Civil Code, for the term of five years starting from the date of the resolution, with the powers to increase the share capital for free, through one or more issuances, for a maximum amount of Euro 3,200,000.00, par value, by means of the</i>

	<p><i>issue of maximum no. 3,200,000 ordinary shares for a par value of Euro 1 each, to be allocated to the employees of Lottomatica S.p.A. and/or its subsidiaries, pursuant to Article 2349 of the Civil Code, within the limits of the current and future stock allocation plans of the Company. Said capital increases shall be made using the special balance sheet provision named “Reserve for Plans pursuant to Section 2349 of the Civil Code”, created to this purpose and year by year possibly re-created or increased, or shall be made according to the different means provided by law from time to time in force.</i></p>
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- III. *to delegate the Chairman of the Board of Directors, and the Managing Director or the Managing Directors then in charge, jointly and severally, with any powers to amend Section 5 of the By-laws according to the resolution, the performance and perfection of the delegated capital increases, and, to this purpose, with powers to apply for all formalities required by law;*
- IV. *to delegate the Chairman of the Board of Directors, and the Managing Director or the Managing Directors then in charge, jointly and severally, with any powers to comply with any required formalities aimed to the due filing of the resolutions with the Companies’ Register, accepting all the formal amendments possibly required for a proper filing, and any other power to comply with laws and rules to be considered as a consequence of the taken resolutions.”*