



LOTTOMATICA S.p.A.

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

Paid-in Capital Euro 151,991,896.00

Enrolled with the Companies Register of Rome with the no. 08028081001

Subjected to the direction and coordination of

De Agostini S.p.A.

**ILLUSTRATIVE REPORT BY THE BOARD OF DIRECTORS
ON THE THIRD ITEM OF THE AGENDA OF THE SHAREHOLDERS MEETING,
IN ORDINARY SESSION, SUMMONED FOR APRIL 15 AND 17, 2008, RESPECTIVELY
IN FIRST AND SECOND CALL**

Item 3 of the ordinary session on the agenda – “Appointment of the Board of Directors, upon prior determination of the number of directors; determination of their respective remuneration”.

Dear Shareholders,

The mandate granted to the Board of Directors terminates with the approval of the financial statements as at December 31, 2007. Consequently, it is necessary to proceed with the appointment of the Board for the period 2008-2010.

Pursuant to Article no. 13 of the By-laws, the Company is managed by a Board of Directors made up of between 7 (seven) and 15 (fifteen) members.

We wish to remind you that the Shareholders’ meeting of December 16, 2005 resolved that the number of Directors be 13 (thirteen) and such number remained unchanged to date.

Pursuant to the law and to the By-laws, the Shareholders’ meeting appoints the members of the Board of Directors on the basis of lists submitted by the Shareholders that own, alone or together with other Shareholders, at list 1.5% of the share capital. Each list shall indicate no more than 15 candidates, indexed by progressive numbering; at least 2 out of the 15 candidates shall meet the independence requirements provided by the law. The lists of candidates must be deposited at the Company’s head office at least fifteen days prior to the date scheduled for the Shareholder’s meeting summoned to resolve on the appointment of the Directors, therefore no later than by 5.00 P.M., March 31, 2008.

Upon filing, each list shall enclose:

- A) an exhaustive information on the personal and professional qualifications of the candidates, indicating their alleged independency qualification, pursuant to the provisions of law;
 - B) a statement through which each candidate accepts the nomination 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 requirements provided by the law and by the By-laws;
 - C) 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 at that time.

Each Shareholder can submit or take part in the submission of only one list and each candidate will be entitled to present himself in one list only, otherwise resulting ineligible.

The lists or any candidate submission, the presentation of which do not comply with all the above provisions, except for those to be complied with by the Company, are deemed as not submitted.

The candidates may take and remain in office upon condition that all requirements set by the law and by the By-laws are met on a constant basis. Particular reference is made to:

1. eligibility requirements (Article no. 2382 of the Italian Civil Code). Interdicted, legally disabled, bankrupt persons or those who have been sentenced to a penalty entailing interdiction, even temporary, from public offices or incapacity to exercise managerial functions may not be appointed Directors and, if appointed, cease from their office;
2. integrity requirements pursuant to the Minister of Justice's Decree no. 162 of March 30, 2000 and, in relation with the relevant participations owned by Lottomatica in companies that carry out financial, issuance of electronic money and banking related activities, as provided by the Minister of Treasury' Decree no. 517 of December 30, 1998, by Articles no. 113 and no. 108 of the Legislative Decree no. 38 of September 1, 1993 and by the Minister of Treasury's Decree no. 144 of March 18, 1998, as recalled by other provisions of the Consolidated Banking Law and by the so called "Supervisory Regulations" by the Bank of Italy;
3. other requirements eventually provided by special provisions of law: particular reference is made to the compatibility of the office to be taken with other institutional, academic or professional offices and appointments already held. In particular, upon the acceptance of the office as Director of the Company, Directors are required to evaluate whether they believe they can diligently perform their offices. To this end, each candidate is invited to take into consideration the number of offices as director or statutory auditor held 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.

The candidates and the Shareholders who submit them, shall also verify that the candidates meet the requisites required by the gaming authorities of those countries in which the Company or its subsidiaries operate, with particular reference to the so called "jurisdictions" of the United States.

To this end, a summary of (i) such requisites as well as of (ii) the information that each Director is required to provide to the said authorities and of (iii) the administrative procedures to which each Director will be submitted, will be made available and updated from time to time on the website of the Company (www.gruppolottomatica.it).

Directors will be elected as follows:

- a) a number of Directors representing the entirety of those to be appointed will be elected from the list having obtained the highest number of votes at the Shareholders' meeting, on the basis of the same progressive numbering they have been listed in the list, save for one;
- b) one Director will be elected from the list (i) having obtained the second greatest number of votes at

the Shareholders' meeting, in accordance with the progressive numbering they have been listed, and (ii) not related in any manner whatsoever, also indirectly, to the Shareholders that have submitted or voted the list under (a) above.

In the event that only one list is submitted or voted, then all the Directors shall be elected from such list.

Moreover, the Shareholders' meeting is required to resolve on the annual remuneration of the members of the Board of Directors, taking into consideration that the current annual gross remuneration of each Director is equal to Euro 50,000.00, as resolved by the Shareholders' meeting on October 18, 2006.

In light of the above considerations, you are invited to present the lists for the appointment of the Board of Directors for the period 2008-2010 and, on the basis of the proposed candidates, to vote and resolve on the overall remuneration of the Board of Directors for each year of office, upon prior determination of the number of Directors.

Rome, March 6, 2008

Lottomatica S.p.A.

On behalf of the Board of Directors

The Chairman, Managing Director and CEO