

## LOTTOMATICA GROUP S.p.A.

### GROUP COMPENSATION POLICY AND 2011 LONG TERM INCENTIVES

#### Introduction

This policy has been drafted pursuant to (i) article 7 of the Self-regulatory code of listed issuers promoted by the Italian Stock Exchange, dealing with compensation of board members and of top executives of listed companies, as enacted on March 24, 2010 and (ii) article 123-ter of Legislative Decree no. 58 of February 24, 1998 (so called "Consolidated Financial Law"), as introduced by Legislative Decree no. 259 of December 30, 2010 effective from the financial year following the issuance of the relevant Consob enforcement provisions (still to be issued). Nevertheless, Lottomatica Group S.p.A. (the **Company**) decided to voluntarily implement art. 123-ter as from the 2011 Shareholders' Meeting called to approve the 2010 annual report, also with a view to ensure in a more exhaustive manner compliance with the above said Self-regulatory provision.

This general policy, whose structure also reflects the indications provided by the same art. 123-ter, sets the general criteria and guidelines for the compensation of Company's (i) members of the Board of Directors (**Directors**), inclusive of executive Directors<sup>1</sup> and Directors vested with particular offices<sup>2</sup>, (ii) the General Manager and those executives with strategic responsibilities<sup>3</sup> (**Top Executives**), as well as (iii) members of the Board of Statutory Auditors (**Statutory Auditors**), at least over the current 2011 financial year.

In accordance to Company's bylaws and law, Directors are in charge for a three year mandate; current three year mandate will expire at the date of the Shareholders' meeting to be summoned for the approval of 2010 Financial statements. It is the intention of the Company not to substantially amend the policy once the new directors will be appointed at the next Shareholders meeting to be called in April 2011. To this regard, it must be noted that the Company has not established succession plans for executive Directors pursuant to Consob communication no. 11012984 of February 24, 2011, in consideration of the current control asset upon a single shareholder.

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<sup>1</sup> According to criteria 2.C.1 of the Self-regulatory code promoted by the Italian Stock Exchange, the following qualify as "executive directors": (a) the managing directors of the issuer or a subsidiary having strategic relevance, including the relevant chairmen when these are granted individual management powers and when they play a specific role in the definition of the business strategies; (b) the directors vested with management duties within the issuer or in one of its subsidiaries having strategic relevance, or in a controlling company when the office concerns also the issuer; (c) the directors who are members of the executive committee of the issuer, when no managing director is appointed or when the participation in the executive committee, taking into account the frequency of the meetings and the scope of the relevant resolutions, entails, as a matter of fact, the systematic involvement of its members in the day-to-day management of the issuer (as it is the case of the Company).

<sup>2</sup> I.e. currently: the Chairman, the members of the Compensation and of the Internal Audit and Compliance Committees as well as of the Surveillance Body.

<sup>3</sup> According to the Consob provisions on listed companies' related party transactions cited later on in the text, reference is made to those individuals having the power and responsibility, either directly or indirectly, of the planning, direction and supervision of the activities of an entity.

In compliance with Consob regulation no. 17221 of March 12, 2010 on listed companies' related party transactions, as enforced by the Company through the charter available on its website ([www.lottomaticagroup.com](http://www.lottomaticagroup.com)), the acknowledgement/approval of this policy by the Shareholders Meeting, once adopted by the Board of Directors with the active involvement of the Compensation Committee (composed by a majority of independent Directors), shall waive Company's resolutions on the compensation of its Directors and Top Executives from the observance of the above said Consob provisions governing related party transactions.

## **SECTION I**

### **Compensation Philosophy for Board Members**

The overall amount of the Directors' compensation is such as to attract and motivate individual Directors with the skills required for the superior execution of their offices. It is not connected to economic results nor to specific objectives of the Company, save for Marco Sala and Jaymin Patel, as they both have operational responsibility.

Pursuant to the bylaws of the Company, thresholds for the compensation of all the members of the Board of Directors and of those Directors in charge of the Executive Committee - inclusive of a fixed amount, tokens for the attendance of meetings and all-inclusive expense reimbursements – were determined by the Shareholders' Meeting upon proposal of the Board of Directors, having heard the prior opinion by the Compensation Committee.

The additional compensation of those Directors vested with particular offices pursuant to the Bylaws was determined by the Board of Directors upon proposal by the Compensation Committee, having heard the preliminary opinion of the Board of Statutory Auditors and within the above thresholds.

### **Compensation Philosophy for Top Executives**

The Company and its subsidiaries pay competitively to attract and retain qualified Top Executives, including the Group CEO Marco Sala, the General Manager Renato Ascoli, the GTECH CEO Jaymin Patel and the Group CFO Stefano Bortoli.

To motivate Top Executives to perform at their full potential, a significant portion of compensation is incentive-based. This typically results in salary levels for Company Top Executives around the median of competitive ranges, and bonuses, if performance is achieved, above the median. While acknowledging the need to recognize individual performance in setting overall compensation, the Company believes that it is of primary importance to reward Top Executives based on Group and/or business unit. This serves the dual purpose of encouraging teamwork among Top Executives and also of aligning with the Company's objective of increasing shareholder value.

It is worth considering that, not only Group, business unit and individual performance are evaluated, but also a number of other circumstances and challenges facing the Company. Consequently, while

rewarding the achievement of performance objectives is the primary focus of the Company's compensation philosophy, subjective criteria may also be used in setting and adjusting the base salary and the annual bonus for Top Executives.

Compensation criteria were proposed by the Executive Committee and then reviewed with the Compensation Committee and then finally brought to the Board of Directors. At the end of the year the degree by which targets were - or were not - achieved shall be proposed by the Executive Committee and then reviewed with the Compensation Committee and then finally brought to the Board of Directors which shall also be in charge of appraising whether or not and how to adjust such criteria and targets for the following financial years.

### **Compensation Philosophy for Statutory Auditors**

In consideration of their independent nature, the annual compensation of Statutory Auditors is determined by the Shareholders' Meeting on the basis of the fees provided by the bar of professional chartered accountants, pursuant to the Ministry Decree no. 169 of September 2, 2010, even though the possibility to determine an overall maximum cap for the entire Board of Statutory Auditors is not excluded.

Depending on their participation to other control bodies of the Company, Statutory Auditors are additionally remunerated with a fixed amount base compensation.

## **SECTION II**

### **a. Main Compensation Items**

#### **Board of Directors**

Board of Directors' membership is rewarded with (i) an annual base compensation in addition to (ii) an attendance token calculated on the basis of physical/telephone attendance by the interested Director, up to the maximum overall amount determined by the Shareholders' Meeting.

#### **Executive Directors**

Executive Directors are additionally compensated for their role on the Executive Committee by means of a fixed amount as well as of an attendance token.

#### **Directors vested with particular offices**

Each such Director (see footnote no. 2) is entitled to additional (i) fixed amounts and, limited to the members of the Compensation Committee and of the Internal Audit and Compliance Committees, (ii) attendance tokens and a lump sum for expense reimbursement.

## Top Executives

On average the total compensation package of the Company's Top Executives for 2011 is split as follows, exclusive of Non Monetary Benefits:

Base Salary – 19%

Short Term Incentives – 18%

Long Term Incentives – 63%

We feel that this split is in-line with the Company's strategic objectives to maximize single business units' results but without causing any unprofitable inside competition, considering that (i) a significant portion of total compensation is contingent on Group performance, and (ii) base salaries are sufficient to compensate Top Executives at times when performance criteria are not achieved to payout either the short term and / or long-term incentive.

### *Base Salary*

Top Executives salaries are reviewed annually using external market data by the Human Resources department. In reviewing salaries the Company considers a number of factors, including corporate profitability, performance on the job, responsibility level, internal compensation equity, external pay practices for comparable companies, the relationship of salary to the median of competitive ranges and the Top Executive's level of responsibility, experience and expertise, which factors may be given varying weights depending upon the circumstances.

### *Short Term Incentives (STI)*

It is the Company's philosophy that incentive compensation is performance-based and designed to provide incentives to achieve both short-term financial results and longer term strategic objectives. The primary focus of STI is to motivate Top Executives and reward the achievement of annual objectives. The STI is designed to recognize growth achievement with an opportunity to earn a bonus on the upside, as well as to limit the downside potential. Payments under the STI are based on Group and/or Business Unit and Individual performance.

For financial performance EBIT (Earnings Before Interest and Taxes) is the most prevalent metric. Also Top Executives have a goal to improve the Company's Net Financial Position. All financial goals are measured on a curve where in general the minimum threshold payment is made for 90% achievement, 100% for target performance and maximum payout for 115% achievement. All financial objectives are established at the start of the year by the Executive Committee, with the active involvement of the Compensation Committee, and communicated to all participants in the STI. All STI objectives have a cap for maximum payout (115% financial performance = 200% payout), and an appropriate mix of financial and individual metrics. STI payouts can be adjusted for windfalls outside of the control of the Top Executive.

The Company ensures that risk management targets are duly considered as well.

Also to ensure risk management targets, Stefano Bortoli, as Group CFO, is responsible for the proper statement of Company financials and corporate reporting. His compensation has been set to reflect these responsibilities.

#### *Long-Term Incentives (LTI)*

Long Term Incentive plans provide for stock option grants and restricted stock awards. The principal purpose of granting long-term incentives is to assist the Company and its subsidiaries in attracting and retaining recipients, to provide a market competitive total compensation package and to motivate recipients to increase shareholder value by enabling them to participate in the value which has been created. All LTI plans are based upon three year performance measurements, linked to consolidated EBITDA (Earnings Before Interest, Taxes, Depreciation & Amortization). All financial objectives shall be established by the Board of Directors upon proposal by the Compensation Committee and in line with the authorization by the Shareholders. After approval the financial objectives are communicated to all participants. The LTI plans utilize two metrics: 3 Year Cumulative EBITDA (profit) and Net Financial Position (cash management).

All LTI awards, as mentioned above, comprise grants of stock options to encourage stock price growth and restricted stock to encourage stock ownership. Over performance is necessary in order to meet 100% vesting with 105% achievement. The total value delivered is allocated to 35% stock options and to 65% restricted stock by the Compensation Committee.

Top Executives beneficiaries are required to retain for three years at least 20% of the Shares received under LTIs, without the right to dispose of the same in whatsoever manner.

The information memoranda relating to 2011 stock based compensation plans of the Company and prepared pursuant to article no. 84-bis of Consob Regulation no. 11971 of 14 May 1999, as subsequently amended and integrated, are attached hereto.

#### *Non Monetary Benefits*

Non Monetary Benefits may include but are not limited to medical, dental, vision, disability, life-insurance and retirement benefits.

#### *Executive Employment Agreements*

All Top Executives have a right to a severance payout either through an employment agreement or severance is provided under local law if terminated by the employer for reasons other than cause. Severance payouts have a set limit established in the Top Executive's employment agreement or by local law.

Marco Sala, Renato Ascoli and Stefano Bortoli employment relationship with the Company is regulated by the Italian national executive agreement "*Contratto Collettivo Nazionale di Lavoro per i Dirigenti di*

*Aziende Industriali*” and, as such, its general provisions are reflected in their individual agreements. No individual additional rights have been granted to them.

The following terms provided under Jaymin Patel’s employment agreement were negotiated as condition of the acquisition of GTECH by Lottomatica in August 2006. These terms will expire on August 28, 2011.

Contract Term	Through August 28, 2011
Resignation / For Cause	<ul style="list-style-type: none"> <li>· Base Salary through termination date</li> <li>· Accrued unpaid bonus for prior fiscal year</li> <li>· All unvested equity is cancelled</li> <li>· 3 months to exercise vested options</li> </ul>
Discharge on account of Without Cause / Resignation for Good Reason/ Death / Disability	<ul style="list-style-type: none"> <li>· 18 mo base, bonus &amp; perquisite</li> <li>· 18 mo tax preparation</li> <li>· Pro-rated bonus for current Fiscal Year</li> <li>· 10 years of benefits (cease at age 65) – Death &amp; Disability</li> <li>· Benefits for remainder of contract term, plus 18 months – Without Cause / Resignation for Good Reason</li> <li>· 100% accelerated LTI vesting</li> <li>· 18 mo to exercise vested options</li> </ul>
Retirement	<ul style="list-style-type: none"> <li>· Ability to exercise vested options until expiration date</li> <li>· Retirement Factor (age+ service) of 65 = 5 years of benefits / 50% of Restricted Shares vest (benefits cease at age 65)</li> <li>· Retirement Factor (age+ service) of 75 = 10 years of benefits / 100% of Restricted Shares vest (benefits cease at age 65)</li> <li>(Incremental vesting between retirement factor 65 and 75)</li> </ul>
Change in Control	<ul style="list-style-type: none"> <li>· 2.99 X annual compensation (base, bonus &amp; perquisite)</li> <li>· Pro-rated bonus for current Fiscal Year</li> <li>· 3 years of benefits</li> <li>· 2.99 X average Company contributions to retirement plan over last 3 years</li> <li>· LTI fully vests</li> <li>· 280G Gross up (US excise taxes)</li> </ul>

Mr. Patel is expected to enter a new contract effective August 29, 2011.

**b. Compensation**

**b. 1) 2010 Compensation**

A detailed break-down of the compensation of the above listed individuals and categories is provided in the following tables (in Euros unless otherwise expressly indicated).

**Chairman** – Compensation includes Board and Committee membership fees as well as the holding of a particular office (Chairman of the Board).

<i>Name</i>	<i>Year</i>	<i>Compensation for offices held</i>	<i>Attendance tokens</i>	<i>Non monetary benefits</i>	<i>STI</i>	<i>LTI</i>	<i>Other Compensation (including base salary)</i>
Lorenzo Pellicoli  (Chairman)	Paid in 2010	400,000	35,000	-	N/A	N/A	-

N/A - not applicable

**CEO** – Compensation includes Board and Committee membership fees, annual STI bonus, Long –Term Incentive award and base salary.

<i>Name</i>	<i>Year</i>	<i>Compensation for offices held</i>	<i>Attendance tokens</i>	<i>Non monetary benefits</i>	<i>STI</i>	<i>LTI</i>	<i>Other Compensation (including base salary)</i>
Marco Sala	Paid in 2010	60,000	35,000	34,919	1,326,750	Stock Options no. 441,570 Restricted Shares - no. 182,720	750,000
	accrued in 2010 and to be paid in 2011				1,453,741	Stock Options- no. 386,376 Restricted Shares - no. 191,599	

#### **Other Executive Board Members**

<i>Name</i>	<i>Year</i>	<i>Compensation for offices held</i>	<i>Attendance tokens</i>	<i>Non monetary benefits</i>	<i>STI</i>	<i>LTI</i>	<i>Other Compensation (including base salary)</i>
Pietro Boroli	Paid in 2010	60,000	31,250	-	N/A	N/A	N/A
Paolo Ceretti	Paid in 2010	60,000	35,000	-	N/A	N/A	-
Marco Drago	Paid in 2010	60,000	35,000	-	N/A	N/A	N/A
Jaymin Patel	Paid in 2010	60,000	32,500	8,216	862,087	Stock Options - no. 232,114 Restricted Shares - no. 95,815	579,554

	accrued in 2010 and to be paid in 2011				872,937	Stock Options- no. 186,170 Restricted Shares –no. 92,330	
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For Jaymin Patel other compensation also includes his annual perquisite, 401K (US retirement) match, car lease value and tax preparation allowance. 2011 is an estimate based on 2010 actuals.

The compensation due to these Directors, exception made for Jaymin Patel, is directly paid to the Company's parent De Agostini S.p.A. per the instructions provided by the concerned individuals.

### Non Executive Board Members

<i>Name</i>	<i>Year</i>	<i>Compensation for offices held</i>	<i>Attendance tokens</i>	<i>Non monetary benefits</i>	<i>STI</i>	<i>LTI</i>	<i>Other Compensation (including base salary)</i>
Robert Dewey (Vice Chairman)	Paid in 2010	75,000	21,250	-	N/A	N/A	10,000
Jeremy Hanley	Paid in 2010	80,000	23,750	-	N/A	N/A	10,000
James F. McCann	Paid in 2010	75,000	23,750	-	N/A	N/A	10,000
Anthony Ruys	Paid in 2010	80,000	20,000	-	N/A	N/A	10,000
Severino Salvemini	Paid in 2010	130,000	21,250	-	N/A	N/A	10,000
Gianmario Tondato Da Ruos	Paid in 2010	85,000	17,500	-	N/A	N/A	10,000
Bruce Turner	Paid in 2010	50,000	17,500	-	N/A	N/A	-

### General Manager

Name	Year	Base Salary	Non monetary benefits	STI	LTI
Renato Ascoli	Paid in 2010	330,000	33,484	394,267.5	Stock Options- no. 119,340 Restricted Shares - no. 49,380
	accrued in 2010 and to be paid in 2011			473,398	Stock Options- no. 124,110 Restricted Shares - no. 61,555

### Other Top Executives\* (on aggregate basis)

Year	Base Salary	STI	LTI
Paid in 2010	392,860	491,468.34	Stock Options- no. 108,800 Restricted Shares - no. 45,040

\*only refers to Stefano Bortoli. Marco Sala, Jaymin Patel and Renato Ascoli are indicated respectively in the "CEO", "Other Executive Board Members" and "General Manager" tables above.

### Statutory Auditors

Name	Year	Professional services fees	Other
Sergio Duca (Chairman)	Paid in 2010	112,500	-
Angelo Gaviani	Paid in 2010	75,000	10,000 (as member of the Surveillance Body)
Francesco Martinelli	Paid in 2010	75,000	-

### b.2) 2011 Forecasts

#### Board of Directors

The table that follows depicts, for each office to be held, the 2011 compensation expected for the new members of the Board of Directors to be appointed by the Shareholders' Meeting to be held in April

2011 (excluding any additional compensation if employee of the Company), in any event within the overall threshold to be set by the Shareholders' Meeting:

<i>Office</i>	<i>Compensation</i>	<i>Attendance token (per meeting)</i>	<i>Other (expense reimbursement)</i>
Member of the Board of Directors	50,000	5,000 <i>(physical attendance)</i> 2,500 <i>(attendance by teleconference)</i>	-
Additional compensation as <i>Chairman</i>	340,000	-	-
Additional compensation as member of the <i>Executive Committee</i>	10,000	2,500 <i>(physical attendance)</i> 1,250 <i>(attendance by teleconference)</i>	-
Additional compensation as member of the <i>Internal Audit and Compliance Committee</i>	30,000	2,500 <i>(physical attendance)</i> 1,250 <i>(attendance by teleconference)</i>	10,000
Additional compensation as <i>Supervisor of the Internal Audit and Compliance Committee</i>	25,000	-	-
Additional compensation as member of the <i>Compensation Committee</i>	25,000	2,500 <i>(physical attendance)</i> 1,250 <i>(attendance by teleconference)</i>	10,000
Additional compensation as <i>Supervisor of the Compensation Committee</i>	15,000	-	-
Additional compensation as <i>Chairman of the Surveillance Body</i>	25,000	-	-

*note: the table above shall be construed as follows: e.g. overall compensation for the Supervisor of the Compensation Committee = 50,000 (as Board member) + 25,000 (as Committee member) + 15,000 (as Supervisor) + attendance tokens + other*

### **Top Executives (sitting in the Board of Directors)**

<i>Name</i>	<i>Year</i>	<i>Base Salary</i>	<i>STI</i>	<i>LTI</i>
Marco Sala	2011 Forecast	750,000	750,000	Stock Options- no. 386,376 Restricted Shares - no. 191,599
Jaymin Patel	2011 Forecast	508,906	508,906	Stock Options- no. 186,170 Restricted Shares –no. 92,330

## General Manager

Name	Year	Base Salary	STI	LTI
Renato Ascoli	2011 Forecast	330,000	247,500	Stock Options- no. 124,110 Restricted Shares - no. 61,555

## Other Top Executives\*(on aggregate basis)

Year	Base Salary	STI	LTI
2011 Forecast	392,860.35	294,645.26	Stock Options- no. 95,570 Restricted Shares - no. 47,395

\*Refers only to Stefano Bortoli.

Marco Sala, Jaymin Patel and Renato Ascoli are indicated respectively in the "CEO", "Other Executive Board Members" and "General Manager" tables above.

## Statutory Auditors

Name	Year	Professional services fees	Other
Chairman	2011	120,000	-
Statutory Auditor	2011	80,000	10,000  (as member of the Surveillance Body)
Statutory Auditor	2011	80,000	-

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## Financial Definitions

**EBIT** is defined as Operating Income plus equity and other income or expense excluding foreign exchange realized or unrealized gains or losses between USD/EUR, excluding foreign exchange gains and losses on financial assets, the impact of acquisition transactions and including the impact of local currency to EUR foreign exchange rate fluctuations from budget on operating results.

**Net Financial Position** is the result as presented in the net financial position footnote to the group's consolidated annual financial statements filed with the CONSOB excluding the impact of fluctuations in the USD to EUR exchange rate from budget and the impact of unbudgeted acquisition transactions.

**Consolidated EBITDA** of the group shall mean earnings before taxes of the Company on the closing date of a financial year, as set forth in the consolidated financial statements approved by the Board of Directors of the Company, to which amortization and depreciation must be added, including non-monetary adjustments resulting from allocation of losses on purchases, interest receivable and payable or any other financial expenses, gains and losses on the disposal of intangible and tangible fixed assets, minority interest in the result for those shareholders which do not control the Company. "One-off" expenses are always

included in Consolidated EBITDA with the sole exception of one-off expenses expressly approved by the Board of Directors or the Executive Committee of the Company.

**Consolidated Net Financial Debt** means the long term financial debts, including the current portion of long term debts, and the short term financial debts, after having subtracted short term financial investments, cash and cash equivalents, other forms of cash, if any, such as restricted cash and cash held in escrow, as indicated in the "*nota illustrativa*" of the consolidated financial statements at a set date approved by the Board of Directors of the Company. Quasi-equity borrowings (i.e. hybrid) are included in Consolidated Net Financial Debt.

Rome, March 16, 2011

Lottomatica Group S.p.A.

On behalf of the Board of Directors and  
upon the proposal by the Compensation Committee

The Chairman  
Lorenzo Pellicoli

**2011 LONG TERM INCENTIVES**

# LOTTOMATICA GROUP S.p.A.

INFORMATIONAL MEMORANDUM RELATING TO THE 2011-2017 OPTION PLAN, PREPARED PURSUANT TO ARTICLE 84-BIS OF THE CONSOB RULES UNDER RESOLUTION NO. 11971 OF 14 MAY 1999, AS SUBSEQUENTLY AMENDED AND INTEGRATED

Rome, 10 March 2011

## Introduction

On March, 10, 2011 the board of directors of LOTTOMATICA GROUP S.p.A. (the “**Company**” or “**Lottomatica**”) resolved to submit to the shareholders’ meeting expected for April, 28 and 29, 2011, respectively on first and second call, the 2011-2017 stock option plan, to be reserved for the Company and/or its subsidiaries’ employees, (the “**Stock Option Plan**”, or simply, the “**Plan**”), convinced that their participation or expected participation in the share capital, in view of their strategic role within the Company and its group, represents a continuous promotion for growth in value of the Company.

The Stock Option Plan should be considered material in regards to Article 114-*bis*, 3<sup>rd</sup> comma, of Legislative Decree 58/98 (the “**TUF**”) and as regards Article 84-*bis*, 2<sup>nd</sup> comma, of the CONSOB Regulations adopted pursuant to resolution no.11971 of May, 14, 1999, as subsequently amended (the “**Issuer’s Regulations**”), as it includes among its Beneficiaries (as below defined) also members of the board of directors of the Company<sup>4</sup> even though the Plan does not provide for specific provisions reserved to them..

This informational memorandum has been prepared in conformity with Form 7 of Attachment 3A of the Issuer’s Regulations, including as regards the numbering of its paragraphs.

## Definitions

The terms referenced below have the following meanings:

“Shares” indicates the ordinary shares of the Company, listed on the Mercato Telematico Azionario MTA, organized and run by Borsa Italiana S.p.A., having a nominal value of 1 euro each, to be awarded pursuant to the Stock Option Plan;

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<sup>4</sup> The Company’s shareholders’ meeting expected for April 28 and 29, 2011, respectively on first and second call, will resolve on, among the items of the agenda, also on the appointment of the managing and control bodies of the Company for the period 2011-2013. Please see point 1.1 here below.

“Beneficiaries”	refers to the persons, employees of the Company and/or its subsidiaries, whom will be assigned the Options;
“Code”	indicates the Italian Stock Exchange self-regulation code as consequently amended in 2006 and in 2010;
“Consob”	indicates the <i>Commissione Nazionale per le Società e la Borsa</i> ;
“Relevant Subsidiary”	indicates a company which is directly or indirectly controlled by Lottomatica, if the accounting value of the controlling participation represents more than 50% of Lottomatica’s shareholders’ assets, based upon the last approved consolidated financial statement. As of the date of this informational memorandum, there are no Relevant Subsidiaries;
“Grant Date”	indicates the date on which the board of directors of the Company resolves to assign Options to the Beneficiaries in execution of the Plan, determining the number assigned to each of them;
“Key Executive Manager/s”	indicates the Beneficiaries who are general managers and the managers of Lottomatica or of one of its Relevant Subsidiaries having (i) regular access to Privileged Information and (ii) the power to take managerial decisions affecting the development and future prospects of Lottomatica or of such Relevant Subsidiary;
“Consolidated EBITDA”	of the group indicates earnings before taxes on the closing date of a financial year, as set forth in the consolidated financial statements approved by the board of directors of the Company), to which amortization and depreciation must be added, including non-monetary adjustments resulting from allocation of losses on purchases, interest receivable and payable or any other financial expenses, gains and losses on the disposal of

intangible and tangible fixed assets, minority interest in the result for those shareholders which do not control Lottomatica. Consolidated EBITDA always includes non-recurring expenses and any extraordinary expenses, with the sole exception of those specifically approved by the board of directors or the executive committee of the Company;

“Privileged Information” indicates information concerning directly Lottomatica or its subsidiaries , defined as such in the TUF;

“Options” refers to the options included in the Stock Option Plan, which will give the respective Beneficiaries, under the established conditions, the right to subscribe for an equivalent number of Shares;

“Company” or “Lottomatica” refers to Lottomatica Group S.p.A., having its legal seat in Rome, Viale del Campo Boario, 56/d.

## **1. Beneficiaries**

1.1 The Company’s shareholders’ meeting, expected for April 28 and 29, 2011, respectively on first and second call, to approve the Stock Option Plan, will resolve on, among the items of the agenda, also on the appointment of the managing and control bodies of the Company for the period 2011-2013. Upon publication of this informational memorandum, therefore, it is not possible to indicate the name of the Beneficiaries who will be members of the board of directors of the Company, but it is only possible to specify that among the Beneficiaries there are Marco Sala and Jaymin Patel who, currently, are, respectively, Managing Director and Chief Executive Officer of Lottomatica, and member of the board of directors of the Company as well as President and Chief Executive Officer of the Company’s subsidiary GTECH Corporation.

In any case, among the Beneficiaries there will be neither members of management bodies of companies controlling Lottomatica, nor of its subsidiaries, to whom conditions under Consob

communication no. DME/7082854 and DME/7082855 of September 13, 2007, are applicable, such as the title to additional remunerations or some Options (or a particular kind of them) or offices or positions other than the employment as a result of such membership.

- 1.2 The Plan is addressed to executives of the Company and/or its Italian subsidiaries and, in case of foreign subsidiaries to Senior Vice Presidents, Vice Presidents, Key Directors and Managers. Among Beneficiaries there are no consultants.
- 1.3 Among the Key Executive Managers, there are Renato Ascoli and Stefano Bortoli, respectively General Manager and Chief Financial Officer of Lottomatica.
- 1.4 Among Beneficiaries there are not Key Managers, nor other categories of employees or consultants. for whom have been provided different terms and conditions of the Plan

## **2. Reasons for the adoption of the Plan**

- 2.1 Even this year, Lottomatica intends to focus the commitment of the Beneficiaries on targets of strategic importance, encourage loyalty and devotion as well as retain them within the group, link their compensation to the upgraded value gained by the shareholders and improve the competitiveness of Lottomatica by encouraging the achievement of prefixed objectives, as well as maintain the compensation of the Beneficiaries a competitive level. Moreover the Company believes that the Plan may represent a suitable way to align the interests of the executive directors, under the previous point 1.1, and the managers with strategic responsibilities, under the previous point 1.3 (taking into account that pursuant to this Plan such individuals are considered Key Manager as defined above), with those of the shareholders.

In pursuing the above objectives, Lottomatica referred, among others, to the recommendations of the Code, pursuant to its article 7, whereby it is recommended that the variable components of the remuneration of the executive directors, under the previous point 1.1, and of the managers with strategic responsibilities, who pursuant to this Plan fall within the individuals identified as Key Manager under the previous point 1.3, are linked to predetermined and measurable criteria, as illustrated here below in the Plan. Moreover, in relation to the executive directors, under the previous point 1.1, and the managers with strategic responsibilities, under the previous point 1.3, the Company has provided for, in the following point 4.6 of the Plan, pursuant to the recommendation of article 7 of the Code, a measure aimed at discouraging that the Plan could lead them to seek to increase the short term market value of the Shares, undermining the creation of value in the medium-long term.

- 2.1.1 The Plan will be carried out over total time period of approximately seven years, which is considered to be the most appropriate to measure the Company's performance assumed relevant by the Plan.

As indicated in point 2.3 below, the maximum number of Options to be assigned to each Beneficiary will be determined by the board of directors pursuant to the criteria set forth in point 4.4. In regards the ratio between stock based incentive compensation based on Options and other components of total compensation packages, the Company refers to the best practices adopted by companies operating in similar industries to its own one.

- 2.2 The exercise of Options by the Beneficiaries will be connected to and conditioned upon the Company's reaching certain Consolidated EBITDA levels during the 2011, 2012 and 2013 financial years, considered as the whole, as well as upon reaching a certain ratio between net consolidated financial indebtedness and Consolidated EBITDA at the end of the same 3 financial years, i.e. as of December 31, 2013, as will be more specifically set by the board of directors when implementing the Stock Option Plan

- 2.2.1 The performance conditions referred to under point 2.2 above will be applied to all Beneficiaries equally and will be defined, without being necessarily the same, in strict relation to the medium and long-term objectives of the Company.

The board of directors believes that the above performance indicators are the most appropriate parameters to favor upgrades of value of the Company, also taking into consideration the business activities.

- 2.3 The board of directors of Lottomatica will decide the maximum number of Options to be assigned to each Beneficiary, pursuant to the criteria set forth in point 4.4 below, taking into account the role of each Beneficiary in the corporate organization and its influence in the reaching both the general objectives and the development of the Company's business activities, and also considering the experience, competence the position and the years of employment with the group.

- 2.3.1 The number of Options to be assigned to each Beneficiary will be based upon the factors detailed in point 2.3 above. The board of directors will be able to also take into account benefits received pursuant to other prior or concurrent incentive share based plans.
- 2.4 Since the Plan is based on financial instruments issued by the Company, it is not applicable the obligation to provide, pursuant to the Issuer's Regulation, the reason for not attributing incentive plans based on financial instruments issued by entities other than the Company.
- 2.5 No specific tax or accounting implications have impacted the Plan.
- 2.6 The Plan is not financed by the Special Fund to encouraging the workers' participation to their companies, pursuant to article 4, 112<sup>th</sup> comma of Law No. 350 of 24 December 2003.

### **3. Approval of the Plan and timetable for allocation of the Options**

- 3.1 The Company's ordinary shareholders' meeting, convened to approve the Plan, will be asked to confer upon the board of directors all necessary or opportune powers in order to carry out the Plan. In particular, by mere way of example, the board of directors will have the following powers, with the ability to sub-delegate them: (i) identify the Beneficiaries among the executives of Lottomatica and/or its Italian subsidiaries, as well as among the Senior Vice Presidents, Vice Presidents, Key Directors and Managers of its foreign subsidiaries, and to set the number of Options to be so assigned to each such participant; (ii) to set the results-based conditions and/or the performance measures to which exercise of the Options will be subject; (iii) to establish all other terms and conditions for the carrying out of the Plan; (iv) to prepare and approve the terms and conditions governing the Plan, as well as amend and/or supplement them, in accordance with the present memorandum and having consulted, if necessary, the Company's compensation committee.
- 3.2 The Plan will be managed by the Resources and Shared Services Department of the Company with the cooperation of the Corporate Affairs Department for the issue of the Shares or for the use of own Shares, and for the compliance with any internal dealing disclosure obligation and of entities authorized to provide investment and accessory services.
- 3.3 Apart from point 4.23 below, no procedures for changing the Plan in regards to basic objectives of the Plan are provided for.

- 3.4 In order to carry out the Plan, the board of directors will be able to increase the Company's share capital – with the power to exclude option's rights pursuant to article 2441, comma 4, second period of the Italian Civil Code – using the power which should be granted by the extraordinary shareholders' meeting of the Company expected for April 28 and 29, 2011, respectively on first and second call, for the period of five years from the date of such resolution or to use own Shares in portfolio.
- 3.5 As indicated in the previous point 1.1, it is noted that upon publication of this informational memorandum, it is not possible to indicate the name of the Beneficiaries who will be members of the board of directors of the Company, since the Company's shareholders' meeting, expected for April 28 and 29, 2011, respectively on first and second call, called to approve the Stock Option Plan, will resolve on, among the items of the agenda, also on the appointment of the managing and control bodies of the Company for the period 2011-2013. After such appointments, therefore, it will be possible to determine the role performed by each director in determining the features of the Plan and the occurrence of any situations of conflicts of interest for the directors involved. In any case, since among the Beneficiaries of the Plan it is expected to have Marco Sala and Jaymin Patel, currently directors of Lottomatica, they have abstained from the discussion and the vote during the board meeting which approved Plan to be submitted to the shareholders' meeting.
- 3.6 The board of directors resolved to submit the Plan for shareholders' approval at the meeting held on March, 10, 2011, upon proposal by the compensation committee which gave its opinion in relation thereto on the same date.
- 3.7 It is foreseen that the maximum number of Options to be assigned to each Beneficiary will be set by the board of directors, in one or more times, based on the specific powers delegated to it by the shareholders (see point 3.4 above) in compliance with article 84-bis, 5th comma, letter a), of the Issuer's Regulations.
- 3.8 The official price of the Shares, as appearing on the Telematic Share-trading Market [*Mercato Telematico Azionario*] organized and run by Borsa Italiana S.p.A. on March, 10, 2011 was equal to euro 11,93. The official price registered on the date on which the board of directors will make its decisions pursuant to point 3.7 above will be notified in compliance with article 84-bis, 5<sup>th</sup> comma, letter a), of the Issuer's Regulations.
- 3.9 It's foreseen that the board of directors approves the assignment of the Options to the Beneficiaries in one or more tranche, contemporaneously with the approval/s of capital increase or use of own Shares in portfolio to be used to service such assignments, with contemporaneous setting of the Option's exercise price. In this regard, it is held that the procedures to determine price will be based on mean market prices over a significant period of time (see point 4.19 below), in such way to avoid that the price can be influenced by potential disclosure of Privileged Information. More generally, according to the Company internal regulations, Key Managers and other Beneficiaries cannot carry out transactions on Shares in certain periods of

the year, which normally coincide with the approval of Lottomatica's annual accounts and interim reports and can be established case by case by the board of directors of Lottomatica (so called "black out periods").

#### **4. Characteristics of the financial instruments to be assigned**

- 4.1 The Plan provides the assignment for free of Options, which permits the Beneficiaries, pursuant to conditions set forth, to sub sequentially subscribe for newly issuing Shares or to allocate Shares within the Company's portfolio, following the regulations for physical delivery (so called stock option).
- 4.2 The Options will be assigned to the Beneficiaries in one or more tranche and will be exercisable at the end of a three years vesting period and, in any case, within the time limit indicated in point 4.18 below, taking into account the constraint to the Shares deriving from the exercise of Options indicated in point 4.6 below.
- 4.3 The Plan will, in any case, terminate on 31 December 2017, taking into account the provision on the constraint to the Shares deriving from the exercise of Options indicated in point 4.6 below.
- 4.4 The Plan foresees an aggregate maximum number of 1,724,816 Options to be assigned. In particular, to the persons nominally indicated at the preceding points 1.1, 1.3 will be assigned the maximum number of Options as follows: Marco Sala no. 386,376 Options, Jaymin Patel no. 186,170 Options, Stefano Bortoli no. 95,570 Options and Renato Ascoli no. 124,110 Options. The exact number of Options that will be assigned to each Beneficiaries will be set by the board of directors when it acts to assign Options individually.
- 4.5 As regards procedures and execution clauses for the Plan which are not illustrated within the present informational memorandum, the Plan's terms and conditions will be prepared and approved by the board of directors based on the general powers that, it is expected, will be conferred upon them by the ordinary shareholders' meeting which will be convened to approve the Plan itself.

As indicated at point 2.2 above, the actual attribution of the Options to the Beneficiaries will be connected to and conditioned upon the Company's reaching certain Consolidated EBITDA levels during the 2011, 2012 and 2013 financial years, considered as the whole, as well as upon reaching a certain ratio between net consolidated financial indebtedness and Consolidated EBITDA at the end of the same three financial years, so as of December 31, 2013, as will be more specifically set by the board of directors when implementing the Plan.

- 4.6 The Options are to be assigned to the Beneficiaries on individual basis and cannot be transferred by deed *intra vivos* in any way, may not be pledged or be subject to any other act of disposition, whether for free or for consideration, whether by effect of law or otherwise; they shall not be subject to act of execution or precautionary measures involving third parties, subject to immediate forfeiture by the Beneficiary of all rights awarded him/her under the Plan. The Shares deriving from the exercise of Options will be freely transferable, except for those of the Beneficiaries identified under the previous points 1.1 and 1.3, who are required to retain for three years, following the exercise of the Options, a quota at least equal to 20% of such Shares resulting from the exercise of the Options.
- 4.7 No termination conditions are provided in case the Beneficiaries carry out hedging transactions that offset the prohibition on the sale of the assigned Options, and of the Shares deriving from the exercise of Options as provided for in the previous point 4.6.
- 4.8 Without prejudice to that provided below in the event of death:
- a) if termination of the employment relationship occurs due to the Company or its Subsidiary (except for resolution by the Company or its Subsidiary for just cause or justified ground) or due to the Beneficiary for any reason, or for termination of any reasons, the Beneficiary will definitely lose, contemporaneously with the receipt of notice of dismissal or resignation, the right to exercise the assigned, but not yet exercisable, Options, while he/she will have the right to exercise the assigned and eventually exercisable Options, not yet exercised, within deadline of six months from the receipt of notice of dismissal or resignation.
  - b) in case of dismissal for just cause or justified ground, the Beneficiary will definitely lose, contemporaneously with receipt of notice of dismissal or resignation, the right to exercise the assigned Options, not yet exercised, whether exercisable or not.

Movement by a Beneficiary from the Company to one of its subsidiaries and vice versa, as well as movement by the Beneficiary from another of the Company's subsidiaries, as long as still an employee, will not lead to forfeiture of Options.

The board of directors, if possible and in its discretionary and unquestionable judgment, may allow the Beneficiary to maintain the rights set forth in the Plan in the event that the

employment relationship is terminated but, at the same time, the Beneficiary takes or maintains the office as director of the Company and/or one of its subsidiaries.

In the event that, before termination of the employment relationship for any reason, a change of control over the Company occurs, the board of directors will be able to take actions it believes appropriate and equitable to preserve the aims of the Plan and with the interest of the Beneficiaries. Such actions may include, for example, providing the Beneficiary with the right to exercise all the Options assigned within a period set by the Board itself, but at any rate not less than 30 days, independently of whether, at the moment of the change of control, all objectives of the Plan have been met or not.

In the event of the Beneficiary's death:

- all exercisable, but not yet exercised Options, may be exercised by the Beneficiary's heirs or successors individually, with the fundamental term of 6 months from death or, if earlier, by the end of the Option exercise period, as established under the rules of the Stock Option Plan, and in all cases, only providing adequate documentation to legally prove their individual legal rights as heirs or successors;

- non - exercisable Options as at the Beneficiary's date of death will be forfeited, and the specific heirs and successor of the Beneficiary will not have the right to any indemnity or kind of compensation. The board of directors may assign to another Beneficiary(ies) the suspended Options.

The board of directors, in its discretionary and unquestionable judgment, may allow the Beneficiary, his/her heirs and successor, to exercise, partially or totally, the assigned Options in a broader manner as compared to the terms provided for here, in the term set by it (in any case not less than 30 days), or assign to other Beneficiaries the Options made available due to the termination of one or more employment relationships.

4.9 No reasons for the cancellation of the Plan are provided for.

4.10 Redemption by the Company for Options covered by the Plan is not provided for.

- 4.11 Loans or other credit facilities to exercise the Options pursuant to article 2358 of the Italian Civil Code are not to be provided
- 4.12 The burden on the Company is not, at this time, quantifiable.
- 4.13 The Plan's dilutive effect, calculated assuming an assignation of the maximum number of Options, as indicated at point 4.4 above, and the exercise of all such Options, would be equal to approximately 1% of Lottomatica's current corporate share capital
- 4.14 No particular restrictions are established for the exercise of voting rights and allocation of the ownership rights, as this regards a Stock Option Plan
- 4.15 No information can be provided to help determine the proper value of the Shares, as the Shares are traded on the Telematic Share-trading Market [Mercato Telematico Azionario] organized and run by Borsa Italiana S.p.A.
- 4.16 Each Option will give the right to subscribe for a Share
- 4.17 The expiration date for the exercise of Options are provided in point 4.18 below.
- 4.18 The exercise of Options may be carried out by the Beneficiaries – in one or more tranches, but in any case for a total that is not less, for each such tranche, than a set percentage of exercisable Options – in the period running from the 31<sup>st</sup> day of the calendar (month) after the date of approval, by the Company's board of directors, of the consolidated balance sheet related to 2013 and the third anniversary of such day and, in any case, not later than December, 31, 2017. Exercise of the Options will be suspended in the periods which will be defined in the Plan's terms and conditions.
- 4.19 The board of directors – in compliance with the terms of article 2441, 4th comma, second period, of the Italian Civil Code, will set the Options' exercise price using measures which correspond to their market value of the Shares, taking into account the average of the Company's stock market share prices over a significant period of time, and in any case not less than the arithmetical average of the Shares' official prices appearing on Borsa Italiana S.p.A. in the period running from the Grant Date, excluding the same day, to the same day of the previous month and without prejudice to the fact that in such period, in order to calculate the arithmetical average, account be taken only of the open stock market days in which the Shares' official price is actually available.

- 4.20 The price for the exercise of the Options corresponds to their fair market value.
- 4.21 Different criteria for the various Beneficiaries for the determination of the exercise price are not foreseen, even though concretely such prices could be different due to the differing Grant Dates, and since the assignment could occur in multiple tranches.
- 4.22 It is not necessary to provide information regarding the financial instruments under the Options, as the Shares are traded on the Telematic Share-trading Market [*Mercato Telematico Azionario*] organized and operated by Borsa Italiana S.p.A..
- 4.23 In case of increases in share capital – whether for free or for consideration - (with the exception of those effected to service stock incentive plans), splits or reverse-splits of Shares, the distribution of reserves, mergers, demergers, delisting of the Company's shares from official trading on the Telematic Share-trading Market [*Mercato Telematico Azionario*], legislative or regulatory reforms or other events capable of influencing the Options, the Shares, the meeting of the Company's objectives of the Plan, the Company's board of directors will make changes or amendments to the Plan that it considers necessary and/or opportune to maintain as much as possible the essential bases of the Plan, including the possibility of permitting the advance exercise of the Option.
- 4.24 Attached to this informational memorandum is section 1 of outline 2 of the table included in form 7 of attachment 3A of the Issuer's Regulations.

Section 2 of outline 2 of the aforementioned table will be provided pursuant to article 84- *bis*, 5th comma, letter a), of the Issuer's Regulations.

# LOTTOMATICA GROUP S.p.A.

INFORMATIONAL MEMORANDUM RELATING TO THE 2011-2015 SHARE ALLOCATION PLAN, PREPARED PURSUANT TO ARTICLE 84-BIS OF THE CONSOB RULES UNDER RESOLUTION NO. 11971 OF 14 MAY 1999, AS SUBSEQUENTLY AMENDED AND INTEGRATED

Rome, 10 March 2011

## Introduction

On March, 10, 2011 the board of directors of LOTTOMATICA GROUP S.p.A. (the “**Company**” or “**Lottomatica**”) resolved to submit to the shareholders’ meeting expected for April, 28 and 29, 2011, respectively on first and second call, the 2011-2015 share allocation plan, to be reserved for the Company and/or its subsidiaries’ employees (the “**Share Allocation Plan**”, or simply, the “**Plan**”), convinced that their participation or expected participation in the share capital, in view of their strategic role within the Company and its group, represents a constant promotion for growth in value of the Company.

The Share Allocation Plan should be considered material in regards to Article 114-*bis*, 3<sup>rd</sup> comma, of Legislative Decree no. 58/98 (the “**TUF**”) and pursuant to Article 84-*bis*, 2<sup>nd</sup> paragraph, of the CONSOB Regulations adopted pursuant to resolution no.11971 of May, 14, 1999, as subsequently amended (the “**Issuers’ Regulations**”), as it includes among its Beneficiaries (as below defined) also members of the board of directors of the Company<sup>5</sup>, even though the Plan does not provide for specific provisions reserved to them.

This informational memorandum has been prepared in conformity with Form 7 of Attachment 3A to the Issuers’ Regulations, including as regards the numbering of its paragraphs.

## Definitions

The terms referenced below have the following meanings:

“Shares” indicates the ordinary Shares of the Company, listed on the Mercato Telematico Azionario MTA, organized and run by Borsa Italiana S.p.A., having a nominal value of 1 euro each, to be awarded pursuant to the Share Allocation Plan;

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<sup>5</sup> The Company’s shareholders’ meeting expected for April 28 and 29, 2011, respectively on first and second call, will resolve on, among the items of the agenda, also on the appointment of the managing and control bodies of the Company for the period 2011-2013. Please see point 1.1 here below.

“Additional Shares”	has the meaning given to them in point 4.4 of the present Plan;
“Beneficiaries”	refers to the persons, employees of the Company and/or its subsidiaries, whom will be allocated (for free) the Shares;
“Cash Equivalent”	has the meaning indicated in point 3.4 of the present Plan;
“Code”	indicates the Italian Stock Exchange self-regulation code as consequently amended in 2006 and in 2010;
“Consob”	indicates the <i>Commissione Nazionale per le Società e la Borsa</i> ;
“Relevant Subsidiary”	indicates a company which is directly or indirectly controlled by Lottomatica, if the accounting value of the controlling participation represents more than 50% of Lottomatica’s shareholders’ assets based upon the last approved consolidated financial statements. As of the date of this informational memorandum, there are no Relevant Subsidiaries;
“Grant Date”	indicates the date on which the board of directors of the Company resolves to grant Shares to the Beneficiaries in execution of the Plan, determining the number assigned to each of them;
“Key Executive Manager/s”	indicates the Beneficiaries who are general managers and the managers of Lottomatica or of one of its Relevant Subsidiaries having (i) regular access to Privileged Information and (ii) the power to take managerial decisions affecting the development and future prospects of Lottomatica or of such Relevant Subsidiary;

“Consolidated EBITDA”	of the group indicates earnings before taxes on the closing date of a financial year, as set forth in the consolidated financial statements approved by the board of directors of the Company, to which amortization and depreciation must be added, including non-monetary adjustments resulting from allocation of losses on purchases, interest receivable and payable or any other financial expenses, gains and losses on the disposal of intangible and tangible fixed assets, minority interest in the result for those shareholders which do not control Lottomatica. Consolidated EBITDA always includes non-recurring expenses and any extraordinary expenses, with the sole exception of those specifically approved by the board of directors or the executive committee of the Company;
“Privileged Information”	indicates information concerning directly Lottomatica or its subsidiaries, defined as such in the TUF;
“Company” or “Lottomatica”	refers to Lottomatica Group S.p.A., having its legal seat in Rome, on Viale del Campo Boario, 56/d.

## **1. Beneficiaries**

- 1.1 The Company’s shareholders’ meeting, expected for April 28 and 29, 2011, respectively on first and second call, to approve the Stock Allocation Plan, will resolve on, among the items of the agenda, also on the appointment of the managing and control bodies of the Company for the period 2011-2013. Upon publication of this informational memorandum, therefore, it is not possible to indicate the name of the Beneficiaries who will be members of the board of directors of the Company, but it is only possible to specify that among the Beneficiaries there are Marco Sala and Jaymin Patel who, currently are, respectively, Managing Director and Chief Executive Officer of Lottomatica, and member of the board of directors of the Company as well as President and Chief Executive Officer of the Company’s subsidiary GTECH Corporation.

In any case, among the Beneficiaries there will be neither members of management bodies of companies controlling Lottomatica, nor of its subsidiaries to whom conditions under Consob communications no. DME/7082854 and DME/7082855 of September 13, 2007, are applicable, such as the title to additional remuneration or some Shares or offices or positions other than the employment as a result of such membership.

- 1.5 The Plan is addressed to executives of the Company and/or its Italian subsidiaries and, in case of foreign subsidiaries, to Senior Vice Presidents, Vice Presidents, Key Directors and Managers. Among the Beneficiaries there are no consultants.
- 1.6 Among the Key Executive Managers, there are Renato Ascoli and Stefano Bortoli, respectively General Manager and Chief Financial Officer of Lottomatica.
- 1.7 Among the Beneficiaries there are no Key Managers nor other categories of employees or consultants for whom have been provided different terms and conditions of the Plan.

## **2. Reasons for the adoption of the Plan**

- 2.1 Even this year, Lottomatica intends to focus the commitment of the Beneficiaries on targets of strategic importance, encourage loyalty and devotion as well as retain them within the group, link their remuneration to the upgraded value gained by the shareholders and improve the competitiveness of Lottomatica by encouraging the achievement of prefixed objectives, as well as maintain the remuneration of the Beneficiaries a competitive level. Moreover the Company believes that the Plan may represent a suitable way to align the interests of the executive directors, under the previous point 1.1, and the managers with strategic responsibilities, under the previous point 1.3 (taking into account that pursuant to this Plan such individuals are considered Key Manager as defined above), with those of the shareholders.

In pursuing the above objectives, Lottomatica referred, among others, to the recommendations of the Code, pursuant to its article 7, whereby it is recommended that the variable components of the remuneration of the executive directors, under the previous point 1.1, and of the managers with strategic responsibilities, who pursuant to this Plan fall within the individuals identified as Key Manager under the previous point 1.3, are linked to predetermined and measurable criteria, as illustrated here below in the Plan. Moreover, in relation to the executive directors, under the previous point 1.1, and the managers with strategic responsibilities, under the previous point 1.3, the Company has provided for, in the following point 4.6 of the Plan, pursuant to the recommendation of article 7 of the Code, a measure aimed at discouraging that

the Plan could lead them to seek to increase the short term market value of the Shares, undermining the creation of value in the medium-long term..

- 2.1.1 The Plan will be carried out over a total period of approximately four years, which is considered the most appropriate to measure the Company's performance assumed relevant by the Plan.

As indicated in point 2.3 below, the maximum number of Shares to be allocated each Beneficiary will be determined by the board of directors pursuant to the criteria set forth in point 4.4. In regards to the ratio between stock based incentive compensation based on shares and other components of total compensation packages, the Company refers to the best practices adopted by companies operating in similar industries to its own one.

- 2.2 The actual delivery of the Shares to the Beneficiaries will be connected to and conditioned upon the Company reaching certain Consolidated EBITDA levels during the 2011, 2012 and 2013 financial years, considered as the whole, as well as upon reaching a certain ratio between net consolidated financial indebtedness and Consolidated EBITDA, at the end of the same three financial years, i.e. as of December 31, 2013, as will be more specifically set by the board of directors when implementing the Share Allocation Plan.

- 2.2.1 The performance conditions referred to under point 2.2 above will be applied to all Beneficiaries equally and will be defined, without being necessarily the same, in strict relation to the medium and long-term objectives of the Company.

The board of directors believes that the above performance indicators are the most appropriate to favor upgrades of value of the Company, also taking into consideration the business activities.

- 2.3 The board of directors of Lottomatica will decide the maximum number of Shares to be allocated to each Beneficiary, pursuant to the criteria set forth in point 4.4 below, taking into account the role of each Beneficiary in the corporate organization and its influence in reaching both the general objectives and the development of the Company's business activities, and also considering the experience, the competence, the position and the years of employment within the group.

- 2.3.1 The maximum number of Shares to be allocated to each Beneficiary will be based upon the factors detailed in point 2.3 above. The board of directors will be able to also take into account benefits received pursuant to prior or current incentive share based plans.
- 2.7 Since the Plan is based on financial instruments issued by the Company, it is not applicable the obligation to provide, pursuant to the Issuer Regulations, the reasons for not attributing incentive plans based on financial instruments issued by entities other than the Company.
- 2.8 No specific tax or accounting implications have impacted the Plan.
- 2.9 The Plan is not financed by the Special Incentive Fund to encouraging the workers' participation to their companies, pursuant to article 4, 112<sup>th</sup> comma, of Law No. 350 of 24 December 2003.

### **3. Approval of the Plan and timetable for allocation of the Shares**

- 3.10 The Company's ordinary shareholders' meeting convened to approve the Plan will be asked to confer upon the board of directors all necessary or opportune powers in order to carry out the Plan. In particular, by mere way of example, the board of directors will have the following powers, with the ability to sub-delegate them: (i) identify the Beneficiaries among the executives of Lottomatica and/or its Italian subsidiaries, as well as among the Senior Vice Presidents, Vice Presidents, Key Directors and Managers of its foreign subsidiaries, and set the number of Shares to be so allocated to each such participant; (ii) to set the results-based conditions and/or the performance measures to which allocation of the Shares will be subject; (iii) to establish all other terms and conditions for the carrying out of the Plan; (iv) to prepare and approve the terms and conditions governing the Plan, as well as amend and/or supplement them, in accordance with the present memorandum and, if necessary, having consulted with the Company's compensation committee.
- 3.11 The Plan will be managed by the Resources and Shared Services Department of the Company, with the cooperation of the Corporate Affairs Department for the issue of the Shares or for the use of own Shares— and for the compliance with any internal dealing disclosure obligation and of entities authorized to provide investment and accessory services.
- 3.12 Apart from point 4.23 below, no procedures for changing the Plan in regards to basic objectives of the Plan are provided for.
- 3.13 The Shares to be allocated to the Beneficiaries will consist of, at the Company's discretion, Shares to be issued and assigned for free pursuant to article 2349, 1<sup>st</sup> comma, of the Italian Civil Code or of the Company's, or of own Shares to be for free transferred to the Beneficiaries.

The Company's extraordinary shareholders' meeting, called for April 28 and 29, 2011, respectively on first and second call, is expected to resolve on, inter alia, to grant to the Board of Directors, pursuant to article 2443 of the Civil Code, the authority to proceed with a paid or free share capital increase, on one or more occasions, excluding option rights pursuant to the fourth paragraph of article 2441, in tranches, for a maximum period of five years from the date of the resolution, of a maximum nominal amount of € 17,201,537, (i) to fund existing and future stock options plans for Lottomatica Group S.p.A. and/or financial instruments linked to Lottomatica Group S.p.A. shares, pursuant to article 152-sexies, paragraph 1(b) of the Issuers' Regulations, in favour of directors and/or employees of the Company and/or its subsidiaries, up to a maximum of 33% per year and with the possibility of carrying over any unused amount in any given year to subsequent years, and/or for the benefit of employees of the Company and/or its subsidiaries to be allocated pursuant to article 2349 of the Civil Code and/or (ii) to fund the acquisition of equity investments (including through mergers or de-merger transactions) or businesses or branches of businesses operating in areas of strategic importance to the Company, without any limits per year. In the event of free share capital increases by issuing shares to be allocated to employees pursuant to article 2349 of the Civil Code, the Board of Directors must increase the share capital by using the special reserve called "Plan Reserve pursuant to Article 2349 of the Civil Code", which was established by means of a resolution of the Extraordinary Meeting of 23 April 2007 equal to EUR 1,833,284 on 31 December 2010 and re-established or increased yearly as necessary, or in accordance with other procedures required by statutory provisions in force from time to time.

In the event that, once all conditions for the actual delivery of the Shares have been met, the Company was to find it did not meet the conditions provided for by law to be able to issue and deliver for free launched by Lottomatica in April 2008 the Shares necessary for the Beneficiaries pursuant to article 2349, 1<sup>st</sup> comma, of the Italian Civil Code, or to be able to transfer for free to the Beneficiaries its own Shares, the Company will be required to pay the Beneficiaries a monetary amount equal to the value of the Shares due (the "**Cash Equivalent**"), as a substitute for the allocation of the Shares. In any case, and not taking into consideration the existence or not of the abovementioned legal conditions, the Company will have the power to pay out, totally or partially, the value for the Shares using the Cash Equivalent as a substitute for delivery of the Shares.

- 3.14 As indicated in the previous point 1.1, it is noted that upon publication of this informational memorandum, it is not possible to indicate the name of the Beneficiaries who will be members of the board of directors of the Company, since the Company's shareholders' meeting, expected for April 28 and 29, 2011, respectively on first and second call, called to approve the Stock Allocation Plan, will resolve on, among the items of the agenda, also on the appointment of the

managing and control bodies of the Company for the period 2011-2013. After such appointments, therefore, it will be possible to determine the role performed by each director in determining the features of the Plan and the occurrence of any situations of conflicts of interest for the directors involved. In any case, since among the Beneficiaries of the Plan it is expected to have Marco Sala and Jaymin Patel, currently directors of Lottomatica, they have abstained from the discussion and the vote during the Board meeting which approved the Plan to be submitted to the shareholders' meeting.

- 3.15 The board of directors resolved to submit the Plan for shareholder approval at the meeting held on March, 10, 2011, upon proposal by the compensation committee which gave its opinion in relation thereto on the same date.
- 3.16 It is foreseen that the maximum number of Shares to be allocated to each Beneficiary will be set by the board of directors, in one or more times, based on the specific powers delegated to it by the shareholders (see point 3.4 above). The date on which the Board will make its decisions in relation thereto a press release will be disseminated in compliance with article 84-*bis*, 5<sup>th</sup> paragraph, letter a), of the Issuer Regulations.
- 3.17 The official price of the Shares, as appearing on the Telematic Share-trading Market [*Mercato Telematico Azionario*] organized and run by Borsa Italiana S.p.A. on March 10, 2011 was equal to euro 11.93. The official price registered on the date on which the board of directors will make its decisions pursuant to point 3.7 above will be notified in compliance with article 84-*bis*, 5<sup>th</sup> paragraph, letter a), of the Issuer Regulations.
- 3.18 In order to restrict the possibility that disclosure of Privileged Information may coincide, or in any case interfere, with the granting of Shares, the board of directors does not usually adopt the related decisions at the time of examining extraordinary corporate transactions or on occasion of facts or circumstances that may have a major impact on the price of the Shares.

In any case, any disclosure of Privileged Information at the time of granting the Shares would not have significant effects on the behavior of the Beneficiaries insofar as the Shares will have a multiannual maturity. More generally, according to the Company internal regulations, Key Managers and other Beneficiaries cannot carry out transactions on Shares in certain periods of the year, which normally coincide with the approval of Lottomatica's annual accounts and interim reports and can be established case by case by the board of directors of Lottomatica (so called "black out periods").

#### **4. Characteristics of the financial instruments to be allocated**

- 4.1 The Plan provides for the allocation for free of Shares. Initially, the board of directors will identify Beneficiaries, set the maximum number of Shares to allocate to each one, set the Plan's terms and conditions and prepare governing rules (see point 3.1 above). The actual delivery of Shares, pursuant to the procedures indicated under point 3.4 above, will be carried out once the performance goals and other pre-conditions have been met.
- 4.8 Subject to the objectives being met in the referenced financial years, actual delivery of Shares will occur after approval of the consolidated financial statements of Lottomatica for the financial year ended on December, 31, 2013. In particular, as it will be more in detail regulated, not more than 50% of the total amount of shares granted to each Beneficiary, and not voided, will be delivered to him/her after the approval of the consolidated financial statements as of December, 31, 2013, and not less than 50% after one year, taking into account the constraint to the Shares indicated in point 4.6 below .
- 4.9 The Plan will, in any case, terminate on 31 December 2015, taking into account the provision the constraint to the Shares indicated in point 4.6 below.
- 4.10 The Plan is to be made up of an aggregate maximum amount of no. 855,408 Shares. In particular, following the persons indicated by name under the preceding points 1.1 and 1.3 will be granted the maximum number of Shares: Marco Sala no. 191,599 Shares, Jaymin Patel no. 92,330 Shares, Stefano Bortoli no. 47,395 Shares and Renato Ascoli no. 61,555 Shares.

The number of Shares to be issued under the Plan must be increased, even beyond the aggregate maximum number indicated above, by a measure which corresponds (in terms of value) to the gross total dividends and reserves, as well as to the number equal to the own Shares, actually distributed by the Company to holders of Shares in the period running from the notification to the Beneficiaries of their participation to the Plan up to the actual delivery of the Shares once the pre-set objectives are met; therefore, each Beneficiary will receive a number of additional Shares (the "**Additional Shares**") which shall have an equivalent value to the gross dividends and reserves distributed and/or to the number equal to the own Shares, as if Shares had been actually delivered at the same time as at the receipt of notice of participation up the Plan.

- 4.11 In regards to procedures, execution, clauses of the Plan which are not illustrated within the present memorandum, the Plan's terms and conditions will be prepared and approved by the board of directors based on the general powers that, it is expected, will be conferred upon them by the ordinary shareholders' meeting which will be convened to approve the Plan itself.

As indicated under point 2.2 above, the actual delivery of the Shares to the Beneficiaries will be connected to and conditioned upon the Company reaching the targeted Consolidated EBITDA

during the 2011, 2012 and 2013 financial years, considered as a whole, as well as upon reaching a certain ratio between net consolidated financial indebtedness and Consolidated EBITDA at the end of the same three financial years, so as of December 31, 2013, as will be more specifically set by the board of directors when implementing the Plan.

- 4.12 The Shares actually delivered to the Beneficiaries will be freely transferable, except for those Shares owned by the Beneficiaries identified under the previous points 1.1 and 1.3, who are required to retain for three years, following to the allocation, a quota at least equal to 20% of the Shares and of the Additional Shares received, or of the Shares purchased mandatorily using the 20% of the Cash Equivalent, in case it should be paid.
- 4.13 No specific termination conditions are provided in case the Beneficiaries carry out hedging transactions that offset the prohibition to sell the assigned Shares as provided for in the previous point 4.6.
- 4.8 Without prejudice to what provided below in the event of death:
- a) if termination of the employment relationship occurs due to the disability of the Beneficiary, such as to stop the employment relationship, the Beneficiaries will have the right to the Shares and the Additional Shares due at the time of the termination of employment, i.e the Shares and the Additional Shares in relation to which the prefixed objectives have been achieved, even if not yet ascertained, pursuant to the preceding point 2.2;
  - b) except for what is provided by Law, in case of termination of the employment relationship for any other reason (different from the one in the preceding point a)), the Beneficiary will definitely lose, contemporaneously with receipt of notice of dismissal or resignation or with the mutual termination of the employment relationship, the right to receive the Shares and the Additional Shares not yet allocated, irrespective of whether the objectives set forth under the preceding point 2.2 have been achieved but not yet issued.

Movement by a Beneficiary from the Company to one of its subsidiaries and vice versa, as well as movement by the Beneficiary from one to another of the Company's subsidiaries, as long as still an employee, will not lead to forfeiture of the allocated Shares or Additional Shares.

The board of directors, if possible and in its discretionary and unquestionable judgment, may allow the Beneficiary to maintain the rights set forth in the Plan in the event that the employment relationship is terminated but, at the same time, the Beneficiary takes or maintains the office as director of the Company and/or one of its subsidiaries.

In the event that, before termination of the employment relationship for any reason, a change of control over the Company occurs, the board of directors will be able to take actions it believes appropriate and equitable to preserve the aims of the Plan and with the interest of the Beneficiaries. Such actions may include, for example, providing the Beneficiary with the right to have, partially or totally, the Shares and Additional Shares delivered to him/her, independently of whether, at the moment of the change of control, all objectives of the Plan are met or not.

In the event of the Beneficiary's death, the heirs shall have the right to receive the Shares which were due to the Beneficiary at the moment of death, i.e. the Shares and Additional Shares in relation to which the prefixed objectives under point 2.2 have been achieved, even if not yet ascertained.

The board of directors may, in its discretionary and unquestionable judgment, allocate the Shares and Additional Shares to the Beneficiary, his/her heirs and successor, in a broader manner as compared to the terms provided for here, in the term set by it, or allocate to other Beneficiaries the Shares or Additional Shares made available due to the termination of one or more employment relationships.

- 4.9 No reasons for the cancellation of the Share Allocation Plan are provided for.
- 4.25 Redemption by the Company of the Shares deriving from the Plan is not provided for.
- 4.26 Loans or other credit facilities to purchase the Shares pursuant to article 2358 of the Italian Civil Code are not provided, also because the Shares are allocated free of charge.
- 4.27 The burden on the Company is not, at this time, quantifiable.
- 4.28 The Plan's dilutive effect, calculated assuming an allocation of the maximum number of Shares, as indicated at point 4.4 above, would be equal to approximately 0.5 % of Lottomatica's current

corporate share capital. Instead, it is not currently possible to foresee the number of Additional Shares that might be delivered to the Beneficiaries.

- 4.29 No restrictions are established for the exercise of voting rights and allocation of the ownership rights attached to Shares resulting from the Plan.

No voting rights are attached to Shares granted but not yet delivered; they are usually vested with the same ownership rights as the other Shares outstanding on the Grant Date, in the form of Additional Shares where possible, provided that the conditions established by the Plan for delivery are complied with.

- 4.30 No information can be provided to help determine the proper value of the Shares, as the Shares are traded on the Telematic Share-trading Market [*Mercato Telematico Azionario*] organized and run by Borsa Italiana S.p.A.

- 4.31 No information, concerning the *"number of financial instruments underlying each option"*, as required by Form 7 of Attachment 3A to the Issuers' Regulations, are provided herein as the Plan provides for the allocation of Shares.

- 4.32 No information concerning the *"expiration date"* for the exercise of options, as required by Form 7 of Attachment 3A to the Issuers' Regulations, are provided herein, as the Plan provides for the allocation of Shares.

- 4.33 No information concerning *"exercise procedures, timescales and clauses of the options"*, as required by Form 7 of Attachment 3A to the Issuers' Regulations, are provided herein, as the Plan provides for the allocation of Shares.

- 4.34 No information concerning the *"strike price of the option and the methods and criteria for its determination"*, as required by Form 7 of Attachment 3A to the Issuers' Regulations, are provided herein, as the Plan provides for the free allocation of Shares.

- 4.35 No information concerning the *"possible divergence between the strike and the market price of the options"*, as required by Form 7 of Attachment 3A to the Issuers' Regulations, are provided, as the Plan provides herein for the free allocation of Shares.

- 4.36 No information concerning the *"criteria for the establishment of different prices between the various beneficiaries or the various categories of beneficiaries"*, as required by Form 7 of

Attachment 3A to the Issuers' Regulations, are provided, as the Plan provides herein for the free allocation of Shares.

- 4.37 No information are provided herein on the value to be attributed to financial instruments underlying the options or criteria to determine their value, in case they are not traded in regulated markets, as required by Form 7 of Attachment 3A to the Issuers' Regulations, as the Plan provides for the allocation of Shares which are traded at the Italian Stock Exchange.
- 4.38 In case of increases in share capital, splits or reverse-splits of Shares, mergers, demergers, delisting of the Company's shares from official trading on a regulated market, change of controlling entity of the Company, public tender/exchange offers relating to the Shares, legislative or regulatory provisions or other events capable of influencing the Shares, the meeting of the Company's objectives or, more generally, the Plan, the Company's board of directors may amend/supplement its terms and conditions to the extent deemed necessary and/or appropriate to maintain as much as possible the essential contents of the Plan, including the advance delivery of the Shares or Additional Shares.
- 4.39 Attached to this informational memorandum is section 1 of outline 1 of the table included in form 7 of attachment 3A of the Issuer Regulations.

Section 2 of outline 1 of the aforementioned table will be provided pursuant to article 84- *bis*, 5<sup>th</sup> paragraph, letter a), of the Issuer Regulations.