



**LOTTOMATICA GROUP S.p.A.**

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

Paid-in Capital Euro 172,015,373.00

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 FIFTH ITEM  
ON THE AGENDA OF THE SHAREHOLDERS' MEETING  
SUMMONED FOR APRIL 30, 2009**

**Item 5 on the agenda - “Proposal for the acquisition and disposal of treasury shares; connected resolutions”**

Dear Shareholders,

This report, prepared pursuant to articles 73 and 93 and to Schedule 3A, form No. 4, of the CONSOB regulation adopted by resolution No. 11971 of 14 May 1999 (as subsequently amended and supplemented), was approved by the Board of Directors in the meeting held on 3 March 2010 to submit to you for approval, pursuant to articles 2357 and 2357/3 of the Italian civil code and to article 132 of Legislative Decree No. 58 of 24 February 1998, the authorisation of a plan for the acquisition and disposal, in bulk or in several stages, on a revolving basis, of a maximum number of ordinary shares of Lottomatica Group S.p.A. (the “**Company**”) representing no more than 20 per cent. of the share capital of the Company (i.e., as at the date hereof, up to No. 34,403,074 ordinary shares having a par value equal to EUR 1.00 each).

This Report outlines the reasons underlying the authorisation request as well as the terms and procedures according to which the plan for the acquisition and disposal of treasury shares mentioned herein is expected to be implemented.

**1. Reasons for the request of authorisation to acquire and dispose of treasury shares**

The request for authorisation submitted to the Shareholders’ Meeting for the acquisition and disposal of treasury shares is due to the opportunity to provide the Company with an effective instrument enabling it to pursue the following goals:

- (i) to act, in compliance with applicable law and regulation provisions, whether directly or through authorised intermediaries, so as to stabilise the price of the security and to normalise the trend of trading and of the share price in case of distortions due to excessive volatility or to limited liquidity;
- (ii) to offer an additional instrument to the shareholders to monetise their investment;
- (iii) to acquire treasury shares to be used, if necessary, in connection with existing and future stock option plans reserved for directors and/or employees and/or associates of the Company or of subsidiaries of the latter or the parent company De Agostini S.p.A.;
- (iv) to acquire treasury shares to be used, consistently with the strategies of the Company, for capital transactions or other transactions in relation to which it may be appropriate to exchange or transfer blocks of shares, by way of exchange, contribution or another act of disposal.

The Board considers appropriate that the Company may proceed with disposals of treasury shares also acquired to benefit of the value deriving from market trends and, including carrying out trading activities.

Please note that the authorisation request concerns the Board’s power to carry out repeated and successive

acquisitions and sales (or other acts of disposal) of treasury shares on a revolving basis, including for a number of shares lower than the maximum amount authorised, so that at any time the total of the shares of the proposed acquisition and of the shares that are held by the Company does not exceed the limits provided for by the law and by the Shareholders' Meeting authorisation.

Finally, to benefit from all the opportunities provided for by the law, the Board of Directors intends to propose to the Shareholders' Meeting to authorise the exercise, in full or in part, of the pre-emption right relating to the treasury shares, according to the provisions of article 2357/3, paragraph 2, of the Italian civil code, for the duration of the plan for the acquisition and disposal of treasury shares being the subject-matter of the authorisation. Please note that, in the absence of a specific authorisation by the Shareholders Meeting, the pre-emption right relating to the treasury shares shall be allocated to the other shares proportionally, due to the prohibition to subscribe own shares referred to in article 2357/4 of the Italian civil code.

For all the reasons explained above, the Board considers appropriate to request the authorisation of the Shareholders' Meeting for the acquisition and disposal of treasury shares pursuant to articles 2357 and 2357/3 of the Italian civil code.

## **2. Maximum number, category and par value of the shares being the subject-matter of the authorisation**

As at today's date the share capital of the Company is equal to EUR 172,015,373.00 and is represented by No. 172,015,373 ordinary shares having a par value of EUR 1.00 each.

Considering that, as at today's date, the Company holds a number of treasury shares (please refer to paragraph 4 below) the Board of Directors requests the authorisation to acquire a number of treasury shares such that the Company would never hold a number of treasury shares in excess of 34,403,074 or the different number representing in the aggregate no more than the threshold of 20 per cent. of the share capital in the event of the resolution upon and execution of any capital increases and/or decreases during the validity period of the authorisation referred to under paragraph 3 below.

Without prejudice to the foregoing, in implementing the programme for the acquisition of treasury shares, following the authorisation of the Shareholders Meeting, if any, the Board of Directors shall take into account the contractual covenants in force for the Company from time to time, particularly those existing with the lending banks.

## **3. Duration for which the authorisation is requested**

The acquisition authorisation is requested for the maximum duration permitted by article 2357, paragraph 2, of the Italian civil code and, therefore, for a period of 18 months starting from the date of the authorisation granted by the Shareholders' Meeting.

The authorisation to dispose of any treasury shares that may be acquired is requested without a time limit, in

view of the absence of any legal restrictions in this respect and considering the opportunity to maximise the span of time over which to carry out the transfer.

As at the time of this Report the Board of Directors does not expect to carry out any purchases during the year 2010.

#### **4. Information on the compliance with the provisions of article 2357, paragraphs 1 and 3, of the Italian civil code**

As at today's date the Company holds No. 3,346,190 treasury shares, acquired according to the authorisation issued by the Shareholders' Meeting on 15 April 2008. Such shares may be disposed of like the other treasury shares to be acquired by the Company in compliance with this authorisation proposal. To calculate the maximum number of treasury shares that may be acquired by the Company in compliance with the limit specified under paragraph 2 above, please note that, as at the date of this report, no subsidiary holds shares in Lottomatica Group S.p.A..

Please note that, pursuant to article 2357, paragraph 1, of the Italian civil code, treasury shares may be acquired up to an amount equal to the amount of distributable profits and of the available reserves as resulting from the latest balance sheet regularly approved.

For this purpose it is deemed appropriate to refer to the draft financial statements for the fiscal year ended on 31 December 2009, assuming its approval by the Shareholders Meeting in accordance with the proposal submitted by the Board. The draft shows (i) a profit for the period equal to EUR 110,605,355.81, EUR 106,659,648.21 of which shall be for distribution and EUR 3,945,707.60 shall be added to the legal reserve, and (ii) a share premium reserve of EUR 1,400,614,821.80, net of EUR 3,637,054.78 to be distributed to the shareholders together with the profits mentioned above.

Following such supplement, the legal reserve shall be equal to EUR 34,403,074.60, equivalent to one fifth of the share capital, which is the threshold for the legal reserve provided for by law; consequently, having the legal reserve reached the threshold provided for by law, the share premium reserve will be totally distributable as per article 2431 of the Italian Civil Code.

Finally, among the items of the net asset value included in the balance sheet of Lottomatica Group S.p.A. as of 31 December 2009, a Reserve for the Acquisition of Treasury Shares is included, which was created in the context of the previous buy-back programme by the Shareholders' Meeting resolution dated 15 April 2008 and which shows an outstanding amount of EUR 382,095,891,65, net of the amount already allocated to the acquisition of treasury shares. Such reserve has become fully available following the expiry of the previous buy-back programme for which it had been established.

Please note that the Board has an obligation to check that the conditions required by article 2357, paragraphs 1 and 3, of the Italian civil code are met for the acquisition of treasury shares at the time of the performance of any authorised purchase.

In the context of the acquisition of shares or of their disposal, exchange, contribution or depreciation, the relevant accounting records shall be updated, in compliance with the provisions of law and with the applicable accounting principles. In the event of a disposal, exchange, contribution or depreciation, the corresponding amount may be applied for further acquisitions, until the expiry of the Shareholders' Meeting's authorisation, subject to the quantity and expenditure restrictions and to the conditions resolved upon by the Shareholders' Meeting and the above-mentioned contractual covenants with the lending banks.

## **5. Minimum consideration and maximum consideration**

The Board of Directors proposes that the unit consideration for the acquisition of the shares be determined on a case-by-case basis for each transaction, it being understood that such consideration may not be more than 20 per cent. higher or lower of the reference price recorded by the share in the trading session preceding each acquisition transaction.

With reference to the consideration for the disposal of acquired treasury shares (also to apply to the treasury shares already held by the Company), the Board of Directors proposes that the Shareholders' Meeting shall only resolve upon the minimum consideration and grant the Board the power to determine any further condition, procedure and term of the act of disposal, from time to time.

Such minimum consideration may not be more than 20 per cent. lower of the reference price recorded by the share in the trading session preceding each act of disposal. Such consideration threshold shall not apply in the event of transfer in favour of directors, employees and/or associates of the Company and/or of subsidiaries of the latter and/or of the parent company De Agostini S.p.A., in the context of stock option plans, or in the event of performance of transactions in relation to which it is appropriate to exchange or transfer blocks of shares, including by way of exchange or contribution, or, finally, in the event of capital transactions involving the allocation or disposal of treasury shares (such as, without limitation, mergers, demergers, issues of convertible bonds or of warrants linked to treasury shares). Disposals in the context of stock option plans may be performed also as no consideration transfers if the corporate bodies convened to approve the relevant stock option plans deem it appropriate.

## **6. Procedures for the performance of acquisitions and disposals**

The acquisition of treasury shares shall start and end at the times set out by the Board of Directors following the authorisation, if any, of the Shareholders' Meeting.

In view of the various goals that may be targeted by transactions involving treasury shares, the Board proposes that the authorisation be granted for the acquisition of treasury shares according to any of the procedures permitted by the applicable law and regulation provisions, with the only exception of tender offers and exchange offers, which shall be identified from time to time in the Board's discretion, and therefore, to date:

- (i) by purchases in regulated markets, in accordance with the terms and conditions provided for by Borsa Italiana S.p.A., not allowing for the direct matching of proposed bid prices with pre-

determined proposed ask prices;

- (ii) by the purchase and sale of derivatives traded in regulated markets that provide for the physical delivery of the underlying securities and in accordance with the conditions provided for by Borsa Italiana S.p.A.;
- (iii) by the proportionate allocation of put options to the shareholders.

With reference to disposals, the Board proposes for the authorisation to cover any disposal procedures deemed appropriate in connection with the goals targeted, including off-market transactions or block trades. As mentioned above, the Board proposes to be authorised also to perform series of purchases and disposals in the context of trading activities.

Finally, please note that pursuant to the exemption referred to in article 132, paragraph 3, of Legislative Decree No. 58 of 24 February 1998 the procedures referred to above do not apply in the event of acquisition of treasury shares from employees of the Company, of subsidiaries or of the parent company that are allocated to them in the context of a stock option plan.

#### **7. Further information, where the acquisition is instrumental in decreasing the share capital by cancellation of the acquired treasury shares**

We hereby confirm that the acquisition of treasury shares is not instrumental in the decrease of the Company's share capital, without prejudice for the Company's right to complete a capital decrease by the cancellation of the treasury shares held, in the event that the Shareholders' Meeting approves a capital decrease in the future.

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Dear Shareholders

For the reasons explained above, the Board of Directors proposes to you to resolve as follows:

*“the Ordinary Shareholders' Meeting of Lottomatica Group S.p.A.:*

- *after reviewing the report of the Board of Directors prepared pursuant to articles 73 and 93 and to Schedule 3A, form No. 4, of the regulation adopted by CONSOB resolution No. 11971 of 14 May 1999 (as subsequently amended and supplemented);*
- *after acknowledging that, as at the date hereof, Lottomatica Group S.p.A. holds No. 3,346,190 treasury shares, which were acquired in compliance with the authorisation issued by the Shareholders' Meeting of 15 April 2008 and none of its subsidiaries holds any shares in Lottomatica Group S.p.A.;*
- *after identifying the opportunity to authorise the acquisition and disposal of treasury shares enabling the Company to acquire and dispose of treasury shares for the purposes and at the terms and conditions specified in the report of the Board of Directors;*

#### ***resolves***

1. *to authorise, pursuant to article 2357 of the Italian civil code, the acquisition, in bulk or in several stages, on a revolving*

*basis (i.e. taking into account the total number of treasury shares held from time to time), of a maximum number of ordinary shares equal to 34,403,074 or the different number representing 20 per cent. of the share capital in the event of resolution and execution of any capital increases and/or decreases during the validity period of the authorisation, also considering the shares already held by the Company and that may be held by the Company's subsidiaries from time to time and in any case in compliance with the restrictions provided for by the law, to reach the goals referred to in the report of the Board of Directors and according to the following terms and conditions:*

- the shares may be acquired until the expiry of the eighteenth month following the date of this resolution;*
- the acquisition may be performed by way of one of the procedures provided for in the provisions of article 132 of Legislative Decree No. 58 of 24 February 1998 and of article 144/2 of CONSOB resolution No. 11971 of 14 May 1999, with the only exception of tender offers and exchange offers, considering the specific exemption provided for at paragraph 3 of article 132 of Legislative Decree No. 58 of 24 February 1998 and, in any case, in any other manner permitted by the law and regulation provisions applicable in this respect;*
- the unit consideration for the purchase of the shares may not be more than 20 per cent. higher or lower of the reference price recorded by the share in the trading session preceding each purchase;*

2. *to authorise, pursuant to article 2357/3 of the Italian civil code, the disposal, in bulk or in several stages, of the treasury shares acquired and of the treasury shares already held by the Company, in compliance with the provisions of law and with the regulatory provisions in force from time to time, to reach the goals referred to in the report of the Board of Directors and according to the following terms and conditions:*

- the shares may be disposed of or otherwise transferred at any time with no time limits;*
- the disposals may be carried out also before the completion of the acquisitions and may be performed in bulk or in several stages by a sale to be made on the market, also for trading purposes, or by block trades and/or by a transfer in favour of directors, employees and/or associates of the Company and/or of subsidiaries of the latter and/or of the parent company De Agostini S.p.A. in the context of stock option plans and/or by another act of disposal, in the context of transactions in relation to which it may be appropriate to exchange or transfer blocks of shares, including by way of exchange or contribution, or, finally, in the event of capital transactions involving the allocation or disposal of treasury shares (such as, without limitation, mergers, demergers, issues of convertible bonds or of warrants linked to treasury shares);*
- the unit consideration for the disposal of the shares may not be more than 20 per cent. lower of the reference price recorded by the share in the trading session preceding each act of disposal. Such consideration threshold shall not apply in the event of transfer in favour of directors, employees and/or associates of the Company and/or of subsidiaries of the latter and/or of the parent company De Agostini S.p.A., in the context of stock option plans, or in the event of disposals other than sales, like exchanges or contributions, or, finally, in the context of capital transactions involving the allocation or disposal of treasury shares (such as, without limitation, mergers, demergers,*

*issues of convertible bonds or of warrants linked to treasury shares);*

3. *to authorise, pursuant to article 2357/3, paragraph 2 of the Italian civil code, the exercise, in full or in part, of the pre-emption right relating to the treasury shares, according to the provisions of article 2357/3, paragraph 2, of the Italian civil code, in compliance with the conditions specified in article 2357, paragraph 2, of the Italian civil code, until the expiry of the eighteenth month following the date of this resolution;*
4. *to grant the Board of Directors the broadest powers that are necessary or appropriate for the execution of this resolution, including by approving any provision for the performance of the relevant purchase plan, with the power to delegate such powers to third parties.”*

Rome, 3 March 2010

For the Board of Directors

The Chairman

Lorenzo Pelliccioli