



LOTTOMATICA GROUP S.p.A.

Viale del Campo Boario, 56/d – 00154 Rome

Share capital Euro 152,286,837.00 entirely paid in

VAT Code, tax code and registration with the Companies Register of Rome no. 08028081001

Subject to direction and coordination by De Agostini S.p.A.

**ILLUSTRATIVE REPORT BY THE BOARD OF DIRECTORS
ON THE SECOND ITEM OF THE AGENDA, IN EXTRAORDINARY SESSION, AND
ON THE FIRST ITEM OF THE AGENDA, IN ORDINARY SESSION,
OF THE SHAREHOLDERS' MEETING SUMMONED FOR NOVEMBER 20 AND 23, 2009,
RESPECTIVELY ON FIRST AND SECOND CALL**

Item no. 2 on the agenda, in extraordinary session: *Proposal to amend Articles no. 13 (Board of Directors: appointment) and no. 14 (Board of Directors: function) of the By-laws; inherent and consequent resolutions*” and item no. 1 on the agenda, ordinary session: *“proposal to determine the overall amount of the compensation of all the members of the Board of Directors, pursuant to Article no. 2389, paragraph no. 3, second period, of the Italian Civil Code; inherent and consequent resolutions.*

Dear Shareholders,

We have convened you in a Shareholders’ meeting, (i) in extraordinary session to submit to your approval, the proposal to amend articles no. 13 (Board of Directors: appointment) and 14 (Board of Directors: function) of the Bylaws and, (ii) in ordinary session, to submit to your approval the maximum overall amount proposed for the compensation of all the members of the Board of Directors, including those vested with particular offices.

* * *

This illustrative report (hereinafter referred to as, the "**Report**") has been drafted by the Board of Directors pursuant to Article no. 72, first paragraph, and Annex no. 3A (form 3) to the regulations implementing the Legislative Decree no. 58 of February 24, 1998 (so called Consolidated Financial Law, hereinafter referred to as "**TUF**") concerning the governance of listed issuers, adopted by Consob’s Resolution no. 11971 of May 14, 1999, as subsequently supplemented and amended (hereinafter referred to as the "**Issuers’ Regulation**").

Pursuant to the provisions of Articles no. 72 and no. 92 of the Issuers’ Regulation, this Report was submitted to Consob, and is now being made available to the public at the Company's registered office and on its website, as well as at the headquarters of the Italian Stock Exchange at least fifteen days prior to the date scheduled for the meeting, as it will be simultaneously announced to the public.

Since the Shareholders’ meeting shall only resolve on the first item on the agenda in ordinary session, once the Shareholders’ shall have resolved on the second item on the agenda in extraordinary session, it was deemed opportune, also for ease of reading and understanding, to draft a single report concerning the two above matters on the agenda.

Please find hereinbelow a commented comparison between the current version of the concerned articles of the By-laws and the proposed marked-up version.

1. **GROUND FOR THE PROPOSED AMENDMENTS TO THE COMPANY BY-LAWS AND DETERMINATION OF THE OVERALL AMOUNT FOR THE COMPENSATION OF ALL THE MEMBERS OF THE BOARD OF DIRECTORS**

1.1 The Bylaws of the Company do not provide for the compensation of the members of the Board of Directors, that the Shareholders’ meeting had consequently determined upon appointment of the Board of Directors currently in charge.

Recently, however, some unforeseen circumstances have demanded - and most likely will continue to do so - a more burdensome undertaking than the one expected, especially from the independent directors, particularly with reference to the different commitments concerning the compliance with the necessary requirements to be met in order to hold the office as well as the vesting of other particular offices.

Reference is made, in the first place, to the complex qualification process of the directors with the so called United States “jurisdictions” in relation to the Company’s full ownership of the companies Atronic and Spielo that hold numerous licenses for gaming related activities in Northern America as well as in other areas. Such process, that comprises a number of personal interviews of the directors with the different local Authorities involved, as well as the need to provide, and constantly update, the vast information provided for the same (information also of a personal nature and extended to persons and entities connected to the same directors) was, and continues to be managed by the Company and by the parent company De Agostini S.p.A., particularly with reference to the executive directors; the latter in fact, since continuously involved in the management of the Company, unlike the independent directors, fuel a constant information flow towards both companies, that allows to timely execute the above obligations through the same companies.

On a second note, the independent directors have dynamically carried out their office, in full compliance with the recommendations of the listed companies’ self-regulatory code promoted by the Italian Stock Exchange; in particular, under the guidance of the Lead Independent Director, the independent directors have actively contributed in improving the corporate management processes and of the internal control system, as well as refine the corporate governance principles and guidelines implemented by the Company, with particular reference to the operation of the Board of Directors and to its self-evaluation. To this end, and upon request of the Board, the same have promoted meetings and initiatives of only independent directors to discuss those matters not falling under the competences of the committees to which they belong.

On a third note, the preparatory works of the expected Consob regulations on related party transactions, provide an active involvement of the independent directors in the most relevant transactions, even though the “relevance” of these shall only be exactly quantifiable upon their issuance.

The above circumstances, illustrated by mere way of example, among those already occurred or still predictable, justify, according to the Board of Directors, the introduction in the Bylaws not only of a short provision concerning the compensation of all the members of the Board in general (refer to Article no. 13.1), but also of an adequate instrument that would allow to commensurate the compensation of each director to the actual commitment dedicated and to the responsibilities undertaken, upon appreciation by the Board of Directors as a privileged observer, within the thresholds set by the Shareholders’ meeting.

To this regard, it is hereby proposed to (i) insert under the new text of article no. 13.2 of the By-laws the provision of Article no. 2389, third paragraph, first part, of the Italian Civil Code, pursuant to which “*the compensation of the directors vested with particular offices pursuant to the bylaws is determined by the board of directors, having heard the board of statutory auditors*”, and (ii) identify, on the basis of a functional criteria, under article no. 14.4, those “*particular offices*” that are additional to those currently provided by the Bylaws.

Moreover, in order to allow the Shareholders’ meeting to set a cap to the discretionary power of the Board (even though mitigated by the mandatory prior opinion by the Board of Statutory Auditors), it is hereby proposed to also incorporate, under the same article no. 13.2 of the By-laws, the provision of Article no. 2389, third paragraph, last part, of the Italian Civil Code, that allows the Shareholders’ meeting, if so expressly provided by the Bylaws, to “*determine an overall amount for the compensation of all the members of the board of directors, including those vested with particular offices*”.

1.2 Should the Shareholders’ meeting in extraordinary session favourably resolve on the above proposal to introduce in the Bylaws the power for the Shareholders’ meeting to determine an overall amount for the compensation of all the

members of the Board of Directors, including those vested with particular offices, it is hereby proposed to the Shareholders' meeting in ordinary session to exercise immediately such power, by granting Euro 1,800,000 as the overall gross annual amount for the compensation of all the directors of the Company, including those vested with particular offices, inclusive of the participation tokens for the attendance to the meetings and of all-inclusive expenses reimbursements, of which:

- an annual gross amount of Euro 50,000 to be allocated to each member of the Board of Directors, as well as a Euro 5,000 token to be paid to each member for each meeting physically attended, to be reduced to Euro 2,500 for those remotely attended, as already determined by the Shareholders' meeting on April 15, 2008, up to the gross annual overall maximum amount of Euro 1,200,000;
- an annual gross amount of Euro 10,000 to be allocated to each member of the Executive Committee, as well as a Euro 2,500 token to be paid to each member for each meeting physically attended, to be reduced to Euro 1,250 for those remotely attended, up to the gross annual overall maximum amount of Euro 200,000.

2. COMPARISON OF THE ARTICLE OF THE CURRENT BY-LAWS AND OF THE ONE PROPOSED AS AMENDED

2.1 The following is a marked-up comparison between the current text of the Bylaws and the proposed new one, with the proposed amendments underlined and highlighted in bold:

CURRENT BYLAWS	NEW AMENDED BYLAWS
<p style="text-align: center;">13. BOARD OF DIRECTORS: APPOINTMENT</p> <p>13.1 The Company is managed by a Board of Directors made up of between 7 (seven) and 15 (fifteen) members.</p> <p>The Shareholders' meeting will decide on the number of Board members, such number to remain the same until agreed differently.</p>	<p style="text-align: center;">13. BOARD OF DIRECTORS: APPOINTMENT <u>AND COMPENSATION</u></p> <p>13.1 The Company is managed by a Board of Directors made up of between 7 (seven) and 15 (fifteen) members <u>appointed by the Shareholders' meeting, that also determines the number of Directors as well as their compensation.</u></p> <p>The Shareholders' meeting will decide on the number of Board members, such number to remain the same until agreed differently.</p> <p><u>13.2 The Shareholders' meeting also determines the additional compensation, if any, of those Directors that are members of the Executive Committee.</u></p> <p><u>13.3 The additional compensation, if any, of those Directors vested with particular offices pursuant to these Bylaws, including the members of bodies and committees having consultative, proposing and controlling</u></p>

<p style="text-align: center;">...omissis...</p> <p>14. BOARD OF DIRECTORS: FUNCTION</p> <p style="text-align: center;">...omissis...</p>	<p><u>functions, is determined by the Board of Directors having heard the Board of Statutory Auditors.</u></p> <p><u>13.4 The Shareholders' meeting may determine an overall amount for the compensation of all the Directors, including those vested with particular offices.</u></p> <p style="text-align: center;">...omissis...</p> <p>14. BOARD OF DIRECTORS: FUNCTION</p> <p style="text-align: center;">...omissis...</p> <p><u>14.4 The Board of Directors may establish one or more bodies and/or committees having consultative, proposing and controlling functions, setting their relevant competences and powers, as well as grant such competences and powers to one or more Directors.</u></p> <p style="text-align: center;">...omissis...</p>
---	--

3. ASSESSMENT BY THE BOARD OF DIRECTORS AS TO THE OCCURRENCE OR NON OCCURRENCE OF THE SHAREHOLDERS' RIGHT TO WITHDRAW

The amendment proposal described here above does not fall under any of the provisions of Article no. 2437 of the Italian Civil Code; the right of withdrawal is therefore excluded.

*** **

Dear Shareholders:

Based on the foregoing, the Board of Directors hereby proposes to adopt the following resolution:

"The Extraordinary Shareholders' meeting of Lottomatica Group S.p.A.:

- having examined and discussed the Report prepared by the Board of Directors, published in accordance with the relevant provisions of law;

- having acknowledged the proposed amendments to the corporate Bylaws;

resolved

1. to approve the amendments to Articles no. 13 and no. 14 of the Bylaws in accordance with the above said Report;
2. to grant to the Chairman of the Board of Directors and to the Managing Director from time to time in charge, all the powers, each of them severally and through proxies, as to do everything necessary for purposes of executing the above said resolution and to carry out all the relevant activities, including each formality necessary to the enrolment with the register of enterprises pursuant to Section 2436 of the Civil Code and the faculty to amend the above resolution and the Directors' report in the event of any non material amendments requested by the competent Authorities or the Notary public, or if anyway deemed necessary or appropriate by the above mentioned delegates, including the filing of the updated Bylaws with the competent company register".

Moreover, for the above reasons, the Board of Directors proposes to adopt the following resolution in ordinary session:

“The Ordinary Shareholders' meeting of Lottomatica Group S.p.A:

- having examined and discussed the illustrative report by the Board of Directors, published in accordance with the relevant provisions of law;

resolved

to grant Euro 1,800,000 as the overall gross annual amount for the compensation of all the members of the Board of Directors, including those vested with particular offices, inclusive of the tokens paid for the attendance of meetings, if any, and all-inclusive expense reimbursements, of which:

- an annual gross amount of Euro 50,000 to be allocated to each member of the Board of Directors, as well as a Euro 5,000 token to be paid to each member for each meeting physically attended, to be reduced to Euro 2,500 for those remotely attended, as already determined by the Shareholders' meeting on April 15, 2008, up to the gross annual overall maximum amount of Euro 1,200,000;
- an annual gross amount of Euro 10,000 to be allocated to each member of the Executive Committee, as well as a Euro 2,500 token to be paid to each member for each meeting physically attended, to be reduced to Euro 1,250 for those remotely attended, up to the gross annual overall maximum amount of Euro 200,000.

Rome, October 14, 2009

Lottomatica Group S.p.A.
For the Board of Directors

The Chairman
Lorenzo Pellicoli