

Sisal Social Report 2010



Rain. Comme une pluie dans tes yeux

Production: Cirque Éloize, Canada

Piccolo Teatro of Milan—Teatro d'Europa

In many languages, the Italian verb **giocare** ('to play') also means 'to play a role' and 'to put on a show'. In English, all of these meanings are contained in

to play,

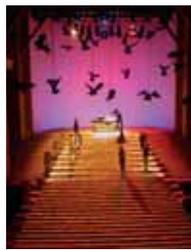
like **spielen** in German, **jouer** in French, **משחק** in Hebrew and **igrat'** in Russian. In Spanish, **jugar**, in addition to meaning 'play', also means 'to take part', 'to intervene' (**juego** also means to amaze the public with puns). From the Portuguese verb **jogar**, which means 'to play' and 'to jest', comes the noun **jogo**, which has a theatrical value: **jogo cénico**.

In most languages, 'play' means both to have fun and to perform. Only in Italian do we use two distinct terms. For Sisal, 'to play' also means to raise hopes and dreams, and sometimes to make wishes come true, with a healthy, conscientious form of entertainment.

For this reason, the 2010 Social Report incorporates pictures from famous plays performed at the Piccolo Teatro of Milan. Sisal is proud to support this great Italian institution of excellence, of which we have been Special Partner since 2009.

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Our Renewed Commitment to Social Responsibility

The year 2010 marked the first three years of operation for the new management which led the Group towards a vigorous transformation driven by innovation, competitiveness, and sustainability. It was an important year for Sisal, both in terms of results and policy choices. The 2010 Social Report is also evidence of a new vision particularly attentive to the 'sensitive' aspects of the Group's actions, which has inspired the whole Sisal Social Responsibility Action Plan.

Sisal's social responsibility is today a model of the Company's strategic management that foresees constant dialogue with all stakeholders. This affirms our concept of corporate social responsibility based on the awareness of a growing interdependence between economic results and social benefits.

It is within this scenario that Sisal has developed its own strategy focused on client/consumer needs. It is a strategy that offers current and future Sisal customers a better understanding of the products, conscious choices and healthy, balanced entertainment. This course was supported by the intense promotion of responsible actions both inside the Company and in the community as a whole.

The model proposed by Sisal is a mix of entertainment and gaming, based on the development of a wider range of gaming that is both fun and safe, within quality social contexts that anticipate the client/consumer's needs, directions and changes underway.

Ever since its first Social Report, Sisal has been heavily involved in supporting a distinctive Social Responsibility Action Plan focused on responsible gaming – a central element in the Company's development strategies and its new business approach. This commitment has now been confirmed by the certification awarded to Sisal by European Lotteries for complying with responsible gaming standards.

From the outset, Sisal chose a path for its Social Responsibility Action Plan that was both original and of great social utility, providing assistance to the community and in particular to young people at various stages of their lives. The main lines of activity are: Sisal Junior Stars, Sisal Academy, Sisal for Sports, Sisal for the Arts, and Sisal for Research.

Nevertheless, acting responsibly would not be credible if it did not result in or translate into internal dialogue with and between the Company employees, with the aim of increasingly making social responsibility a shared and perceived way of life by all of those who participate every day in the Company's growth.

Lastly, Sisal's involvement in terms of Corporate Social Responsibility is also reflected in a commitment made to the community to report the activities carried out based on indicators that affect the entire value-generating chain. All of this has been carried out with the awareness that the value of any action taken must be not only economic, but also social, and sustain development for the entire community, both nationally and internationally.

Emilio Petrone
CEO, Sisal S.p.A.



Methodological Note

The Sisal Social Report, now in its second edition, is a tool for reporting and communicating responsible corporate governance and social responsibility. It is, therefore, a final statement of corporate social responsibility activities addressed to all Sisal stakeholders that shows, with absolute transparency, all of the activities already carried out and the program guidelines for the future, thereby forming a monitoring and planning tool to improve the Company's performance.

Compared to the previous edition, some significant changes have been made. Among these are: a larger, more structured reporting system; the identification of international standards, with particular reference to Global Reporting Initiatives (GRI) that have guided the process of reporting and defining the contents, and finally, greater involvement of Sisal stakeholders, as evidenced by the statements made that highlight both their expectations and the nature of their relationship with the Sisal world.

The objectives of the Sisal 2010 Social Report are to:

- Disseminate information on the Company's identity and value system, as well as management dealings and the results actually achieved.
- Provide an overall picture of the Company's performance.
- Highlight the added value produced and its distribution.
- Provide information on the quality of the activities undertaken to enable Sisal stakeholders to gain a better awareness and to more effectively assess the ethical-social dimension of the Company.
- Present improvement goals and provide guidance on the reporting system and the Company's contribution towards the reference community.

Recipients of this document are the stakeholders, that is, all those individuals and entities that Sisal deals with. Sisal stakeholders (see Chapter 4 of this Report for a more in-depth picture) are a composite of different internal and external participants: the public regulator – in particular, the Italy's gaming authority (AAMS) – which is the authority in Italy that controls and disciplines the gaming industry; shareholders and investors; human resources; the distribution network; business partners; consumers; the environment; and the community at large.

The reporting process used to prepare this Report involved the collaboration of all Company departments. To define the contents, consideration was first given to issues that are important and

sensitive to the gaming industry, as well as the strategic directives of the Corporate Social Responsibility (CSR) Leadership Team.

The frame of reference of the Report mirrors the contents of the consolidated financial statement; the figures refer to the financial year ending December 31, 2010. Also provided is significant information relating to events after the closure of the balance sheet, such as the achievement of certification for responsible gaming, received in February 2011 from European Lotteries. For comparative purposes, performance data for activities conducted with stakeholders is represented for the years 2009 and 2010.

The following companies are part of the consolidated financial statement: Sisal Holding Finanziaria S.p.A., Sisal S.p.A., Sisal Slot S.p.A., Sisal Match Point S.p.A., Sisal Bingo S.p.A., Sisal Point S.p.A., Sisal Media S.p.A. (under liquidation), Thomas Morden Course Ltd, Consortium Promoippica (under liquidation). The consolidated financial statement as of December 31, 2010 was prepared in accordance with international financial reporting standards.

'Sisal' refers to the Sisal Holding Finanziaria Group S.p.A., while companies of the Group are indicated by their individual names.

The data contained in the Social Report is a useful management element and comes from sources within the Sisal Group and sources available to the public: independent research, as well as information provided by AAMS and by international entities.

The Social Report is structured in six sections:

- I. The Sisal Group Today
- II. Sisal Corporate Governance and Organisational Model
- III. Responsible Gaming
- IV. Stakeholder Engagement
- V. The Community: Sisal's Commitment to Social Needs, Culture, and Sport
- VI. Added Value

The Sisal 2010 Social Report can be viewed in the Corporate Social Responsibility section of the website www.sisal.net.

Love's Labour's Lost

Author: William Shakespeare

Director: Lev Dodin

Production: Maly Theatre St. Petersburg

Piccolo Teatro of Milan—Teatro d'Europa







Richard III

Author: William Shakespeare

Director: Arpad Schilling

Piccolo Teatro of Milan—Teatro d'Europa

1.

The Sisal Group Today

S T R A T E G Y i d e n t i t y I N N O V A T I O N M I S S I O N values VISION

Group Profile

Sisal is a long-established player in the contemporary gaming market: in sixty-five years of activity, it has built a relationship of real trust and credibility with over 20 million Italian consumers by designing and managing games with expertise, high levels of integrity, transparency, and security. These are all essential features in a field that is traditionally regulated and strictly controlled by the government.

To describe the Sisal profile means recounting an Italian entrepreneurial story with a long tradition in the gaming market. Over time, Sisal has invented many successful products of high quality, including the legendary Totocalcio and Totip and more recently, SuperEnalotto and Vinci per la vita—Win for Life.

The success of the ‘Sisal idea’ is at the center of the Company’s economic results and its reputation: thanks to the steady growth achieved in the last three years, Sisal, with over €11 billion managed in 2010 (the best economic result in its long history), has become a part of the top 10 companies worldwide in the lottery and gaming field, and is an example of high-level ‘made in Italy’ quality.

Furthermore, today Sisal is a structured group that has diversified its activities and operates not only in the gaming market but also in the market for services to businesses and the public.

The Group currently supports over 1,200 employees.

The position is – and remains – one of Italian excellence: the Company has always distinguished itself for its high level of innovation. This innovation is based on the ability to anticipate and perceive changes in the desires and lifestyles of Italians, and then translate them into winning

solutions, always with great attention to quality, responsibility, security, and transparency.

Despite having reached international size and credibility, Sisal operates mainly in Italy and occupies a historic position of leadership in the market as one of the most important in the world both for its overall business figures (around €61 billion in 2010), as well as for the complete portfolio offered to consumers and the strict regulations that distinguish it.

The 'Italian model' for managing games is one that many foreign systems are studying closely. It is highly appreciated at an international level for the ability to have both management models, characterised by exclusive licences and open competition, co-exist. The model also guarantees high standards of safety, control and management transparency, which are always in the interest of the consumer.

Operating in the gaming sector means, first of all, being a reliable partner of the state and to perform the role of concessionaire to the best of our ability. Sisal is therefore present in every sector of the Italian gaming market:

- For the exclusive management of popular products that belong to the segment of national totalisator number games and lotteries (with SuperEnalotto and Vinci per la vita—Win for Life).
- Horse race and sports betting with its own brand, Match Point.
- In the amusement with prize (AWP) machines sector and video lotteries with Sisal Slot and the network of Sisal Wincity gaming halls.
- In the emerging segment of online gaming through the sale of online versions of traditional games and management, as in the case of poker and skill games, with specially designed models.

It is thanks to the ongoing collaboration of the concessionaires with the Government and the authority that oversees gaming activities in Italy, the Autonomous Administration of State Monopolies (AAMS), that it was made possible for a large section of the market, which has long been considered illegal or irregular (e.g. amusement with prize machines and online gaming), to emerge and transform itself into a transparent and important section of the market within the rules of an open, competitive, and safe forum.

Just as constant in Sisal's history is the attention to social and socially responsible gaming: from the support to reconstruct Italian soccer stadiums destroyed during the Second World War (through the proceeds of the

legendary **Totocalcio** play slip), to the most recent examples, including **Vinci per la vita—Win for Life**, one of the major successes of socially responsible gaming, and the launch of new formats, like the **Wincity** gaming halls, which integrate entertainment, socialisation, and gaming.

Sisal is also present when new frontiers open up in lifestyles and social relations: an example is the creation of one of the largest 'social media' in its sector, a virtual piazza where every day **SuperEnalotto** fans meet to exchange ideas and experiences, and to be immediately and openly informed about games. In the second half of 2010, the **Facebook** page for SuperEnalotto exceeded 500,000 fans, making it one of the top Italian brands by number of subscribers and the biggest lottery community in the world.

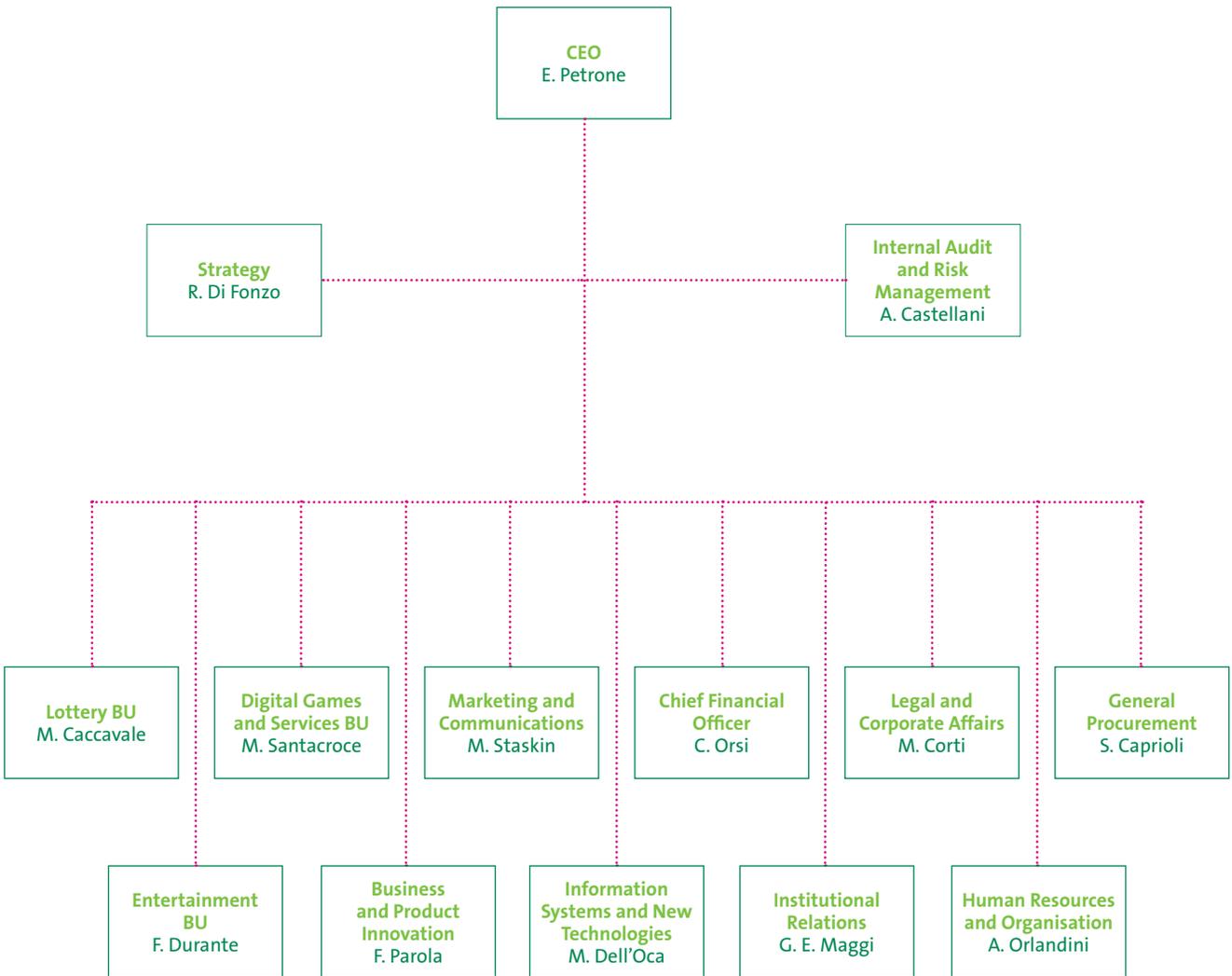
Recent market changes have made it necessary for Sisal to set up a reliable and efficient business organisation, in line with the referenced framework and with the nature of the products managed, through strongly focused, quickly operational, and highly professional facilities. In 2010, this need gave way to a new organisational model based on business units (BU) that perform all operations and make constant use of the support provided by nine central directorates. There are three business units: Lottery, Entertainment, and Digital Games and Services.

Lottery Business Unit: The Lottery Business Unit has the task of developing the potential of an exclusive licence for national totalisator number games (NTNG), of which the most important product is SuperEnalotto, which Sisal, as concessionaire, is tasked to manage until 2018. This concession was awarded in 2009.

These games are managed through their own distribution network, which is made up of approximately 40,000 points of sale, evenly distributed throughout the country, and about 40 points for the online gaming. In this way, the games are accessible in full compliance with the relevant regulations, including the use of new technologies, to the complete benefit of the consumer.

Entertainment Business Unit: The Entertainment Business Unit is dedicated to fun and skill games, such as horse betting – another traditional sector overseen by the Company and very popular in Italy – sports betting, and amusement with prize machines, as well as historical products loved by players, such as Totocalcio and Tris. Distribution is effected through a network of generic points of sale and through dedicated and professionally specialised retail networks (such as the Match Point agencies and the Wincity gaming halls), to better address the challenges of an increasingly competitive environment.

Sisal Group Organisational Chart



Digital Games and Services Business Unit:

reflects the more current trends and lifestyles – in a highly competitive environment driven by digital and new technologies – in a series of product innovations capable of developing a considerable part of the gaming market and services, in line with changes in our lifestyle.

In 2010, to complement the organisational model and in line with the long tradition of success that characterises it, Sisal established a department completely dedicated to innovation, one of the few in the gaming world. This department distinguishes itself for its competence, reputation, and creativity. To create it, Sisal made use of contributions from young people, resources within the Company, and collaborations with leading national and international scientific institutions and universities. The aim was to create an excellent model of ‘open innovation’, equipped with cutting-edge tools and open to young Italian talents, to produce **responsible innovation**.

For this reason, Sisal is in constant dialogue with numerous consumer associations, with the major foreign operators in this sector, and with related international associations. Sisal is a member of the Executive Committee of European Lotteries (EL) and the World Lottery Association (WLA). In May 2011, Sisal hosted the worldwide Seminar on Sports Betting in Milan.

The history, achievements, collaboration with the regulator and the state, flexibility of the organisation, and its responsible innovation are therefore the key elements that have led to the success of Sisal and that mark the Company’s current and future strategy. We continue to offer healthy, safe, and responsible entertainment.

Values, Vision, and Mission

The mission and values that Sisal has chosen to subscribe to are what guide its ethical behaviour, both in business and in its relationship with stakeholders – particularly in relation to institutions, players, and its own employees.

Sisal’s new **mission** was identified in 2008, during a phase that saw changes in the target market, in the management and organisation of the Company. Today, almost three years after that mission was adopted, it is possible to confirm that those recommendations were followed and that they are still practical and relevant.

Missions, usually written with great care, are often read quickly, capturing the general spirit, but losing the depth and essence of the contents contained therein. For the 2010 Social Report, it was decided to reread

Sisal's mission, dividing it into its individual components and analysing the concepts in order to better understand how important these ideas are in corporate behaviour and how in line they actually are with market changes and Sisal's values.

Sisal's mission, written in 2008, is:

“To be a leader in managing responsible gaming, entertaining players wherever they are with safe and innovative games that help them realise their hopes and dreams.”

The concepts are different and all of them are important:

To be a leader... Being a leader means driving trends, directing others, being the most innovative, being the best. With over sixty years in the Italian gaming market, Sisal has a long tradition as a leading Company, thanks to its know-how, skills, technological and product innovation, and reliability. Sisal's current strategy is to grow while maintaining its values. The figures from the last three years are evidence of the great growth of the Group and its ability to expand into new and more competitive sectors, placing its skills, which are an indispensable and inalienable prerequisite, at the service of its growth.

In the mission charter, there is an immediate important clarification that denotes the quality of leadership to which Sisal aspires: **in managing responsible gaming...** This means to exercise leadership under one condition that cannot be neglected: to focus its mission on building and promoting a model of responsible gaming that is balanced, legal, and centred entertainment, in addition to the protection of its players. This objective has been the object of great attention by the Company through advertising campaigns devoted to 'Gioca il Giusto' ('Play Right'), a constant effort focused on clear and transparent management of products, and strict trade and communications policies.

In 2011 Sisal was certified for compliance with the Responsible Gaming Standards sponsored by European Lotteries. Sisal therefore not only believes in the words of its mission, but also applies the concepts and values expressed in it with all of the resources available.

The next phrase, **entertaining players wherever they are**, encompasses both the concept of ‘entertainment’ and ‘customer service’ – in fact, a business entertainment unit was established. For Sisal, entertainment means having its consumers enjoy themselves inside more pleasant and safe gaming environments (the new Wincity and Match Point gaming halls) where gaming is a form of entertainment subject to precise control regulations.

Furthermore, **wherever they are** means providing a comprehensive and transparent service that allows players to easily enjoy themselves anywhere: Sisal’s retail network has around 44,000 points of sale, and online gaming reaches the homes of all consumers with an increasing number of games that are fun but also safe and secure.

The focus of the mission then moves to the quality of products, which for Sisal must be **safe and innovative games**, in the wake of a great tradition that continues to provide enjoyment while ensuring the protection of players. Totocalcio, Totip, SuperEnalotto, and SuperStar are synonymous with innovation and safety, like the most recent Sisal product, Vinci per la vita–Win for Life, which has had enormous success while ensuring safety in the management of the winnings. It was the first in Italy to open the road to games with an annuity.

The key words ‘innovation’ and ‘safety’ have given birth within the Company to the Business and Product Innovation Department, with the goal of becoming an international center of excellence, working in collaboration with the most prestigious Italian universities.

And finally, **that help them realise their hopes and dreams**. For Sisal, to contribute to making the dreams of Italians come true means that gaming is a form of entertainment and should not be a shortcut to success that may destabilise and replace the daily activities of individuals.

Gaming helps to realise, and perhaps even inspire, hopes and dreams. It is entertainment that can sometimes make a lifelong dream come true. Every year, Sisal helps millions of Italians to dream and thousands of them see their dreams come true by winning according to ‘Sisal style’.

The values

Rereading the values, in light of the analysis just made, the consistency between the Sisal mission and values is evident:

- > **Reliability**
- > **Competence**
- > **Experience**
- > **Innovation**
- > **Responsibility**

Each of these values combines with Sisal's mission and inspires its employees and collaborators, as well as its retailers and suppliers.

A company that wants to be a 'leader in managing responsible gaming' has a duty to tailor its conduct to these values, which constitute the ethical foundation of all stakeholders.

The Worldwide Games Market and the Competitive Scene

Although the world gaming market has entered a phase of slower economic growth, reflecting the economic situation, the reality of the last twenty years has been characterised by a constant trend in development and dynamism, thanks mainly to three factors:

- The enormous contribution made by technology with regards to security, speed, and transparency.
- The expansion of the retail networks, which provide the consumer with easy access, both physical and virtual, to commercial proposals.
- The high range of products that guarantee increasingly sophisticated offers in line with consumer needs.

The key driver of this growth process, in addition to the structural issues mentioned above, was the role played by international institutions which, in collaboration with governments and national regulators, have allowed the development of strategies aimed at disclosing illegal or irregular gaming, turning it into safe, legal, and controlled gaming. This is entrusted to concessionaires identified through tenders and public procedures. The fight against illegal gaming, in fact, has largely contributed to the growth of this sector, with the consequent emergence of significant resources for the state.

From a political point of view, the state monopoly in the gaming industry is constantly substantiated and confirmed within the European Union (EU), precisely to ensure a high level of control and protection for consumers, provided that the member state can guarantee the achievement of that goal through an appropriate legislative framework.

The market lag, that connection with a cyclic negativity and a constriction in profits (which correspond to an equal or greater decline in revenue), is addressed at an international level, just like in other sectors, by enhancing system innovation, whether it be legislation, product, retail network, or technology, and adapting it to the overall scenario.

At the system level, the potential for growth in the industry, always controlled to prevent irresponsible behaviour, is encouraged, first, by the willingness of some governments to establish and develop their own market environment by, for example, regulating entire sectors (such as online gaming) or transferring activities previously managed by the state to private partners with proven professionalism, through tenders, a step that many American states are currently taking.

Secondly, today, in the light of recent rulings issued by the Court of Justice, many European governments are following a policy of 'controlled expansion', needed to provide operators with an attractive portfolio of licensed games compared to illegal operators. This strategy ensures the continued improvement of products and a more gradual return to players of a share of the profits (the 'payout' in Italy has increased by 5 percentage points over the last three years), makes it possible to decrease illegal gaming, and maintains appreciable growth rates at the same time, even in the current phase of economic stagnation.

Thirdly, the growing dynamics of online gaming, in conjunction with the diffusion of a lifestyle characterised by marked digitisation, has fostered the rise of emerging sectors, which today are spread via internet and mobile communications in their various forms. This growth will certainly continue.

The Games Market in Italy

If at the international level there exists a basis for future development in spite of the economic situation, at a national level it is important to note that Sisal is already operating in a market that it has helped to build, characterised by a growth that has risen from €14 billion in 2001 to €60.9 billion in 2010, a virtually unique result in the varied landscape of the worldwide games industry and one that does not seem to have exhausted its growth potential.

The reason for this success, born under the strategic leadership of the Italy's gaming authority (AAMS), which has been operating since 2002, lies in the confluence between careful and innovative legislation, the constant development of technology (which has resulted in positive effects in terms of safety and controllable activity), the identification of new products through stringent research, ongoing dialogue with consumers, the opening of new game areas, and, finally, increased access to the distribution network.

As often happens in markets with millions of daily consumers, these dynamic trends have life cycles and trends of their own that differ from product to product. These can be summarised as follows:

1. There is confirmation of games with a definite 'benefit', such as the simple enjoyment of putting skills to the test with a bet or a game of poker, the dream of winning big on the SuperEnalotto, the responsible annuity of Vinci per la vita–Win for Life, or the suspense of scratching a lottery ticket.
2. Appreciation is shown for games that, through an appropriate balance between large and small winnings, make it possible to increase the fun without overdoing it, thus making it a positive experience.
3. There is an increased appreciation for 'fast' games, where the time between purchase and outcome is reduced – a factor that must be carefully monitored in terms of game addiction and responsible gaming, especially when it comes to almost immediate scanning.
4. Privileged games are those such as amusement with prize machines, which offer attractive graphical formats and solutions that entertain the player.
5. Preference is given to 'modern' games, as available both in traditional stores and through new technologies.
6. Consequently, there is a decreased interest in certain games (first among the Totocalcio and horse race betting) that have lost their sense of ritual, uniqueness, and immediacy, games with low winnings compared to the cost, games with obsolete methods and functions, or games that simply no longer meet the consumer's tastes.

The trends from 2007-2010

Recent trends have been analysed at a quantitative level, as can be seen from the table below, which shows the evolution of the market between 2007 and 2010. Income has grown significantly: €41.4 billion in 2007 and €60.9 billion in 2010, with an annual growth rate value (CAGR/Compound Annual Growth Rate) between 2007 and 2010 of 13.8%.

	2007	2008	2009	2010	CAGR 2007/2010
Lotto	6,150	5,852	5,663	5,231	-5.3%
SuperEnalotto/NTNG	1,940	2,509	3,777	3,524	22.0%
Instant and deferred lotteries	7,951	9,274	9,435	9,367	5.6%
Sports betting	2,825	4,085	4,170	4,499	16.8%
Horse race betting	2,727	2,272	1,981	1,730	-14.1%
Bingo	1,753	1,636	1,512	1,954	3.7%
Slot*	18,072	21,685	25,234	30,674	19.3%
VLT*	-	-	-	860	Na
Skill and card games	-	242	2,348	3,146	Na
Total income	41,420	47,555	54,120	60,985**	13.8%

* Slot + VLT = AWP

Figures in million €

Source: Internal processing based on AAMS figures

** Figure calculated on the net of the amusement with prize machines excluding cash prizes

In the trends of the individual segments, it can be noted that the market has registered very different growths (or decreases). In fact, compared to the total value, the product with the best CAGR has been SuperEnalotto/Vinci per la vita–Win for Life, with an increase of 22% from 2007 to 2010. This is a result of the attention given to the product, a mix of communications and marketing, a strategy accompanied by a precise communications campaign on responsible gaming ('Gioca il Giusto'). Thanks to the expansion of the retail network, it was also possible to revitalise this most cherished product.

The second-best products, in terms of growth, but the first for overall values, were the amusement with prize (AWP) machines, with an increase of 19.3%. This result was achieved thanks to the process of legalisation and the emergence of illegal and irregular gaming, which was started in 2004 by the Italy's gaming authority (AAMS) in collaboration with the concessionaires, and thanks to the certified products that offered that appeal to players.

A special case is represented by online gaming which, in just three years, with the introduction and the legalisation of online poker, has achieved significant income. On the other hand, in the same period of 2007-2010, the sectors that go against the trend are the lotto (-5.3%), and horse race betting (-14.1%). This reflects the discrepancy between what is offered and what consumer demand is.

In terms of in-depth analysis, as shown in the following table representing the main elements of the so-called chain of values, it can be noted that the payout (that is, how much is returned to players in the form of winnings) goes from €28.1 billion in 2007 to €44.0 billion in 2010, a marked growth in percentage. The value of the payout compared to the total went from 67.9% in 2007 to 72% in favour of consumers in 2010. In fact, if the public expenditure increases from €13.3 billion to nearly €17 billion, an increase of 27.6%, the payout ratio nearly doubles: 56%.

	2007	2008	2009	2010
Total income	41,420	47,555	54,120	60,985
Total payout	28,113	32,661	37,785	44,000
Total net expenditures	13,307	14,894	16,335	16,985
Payout value	67.9%	68.7%	69.9%	72.0%

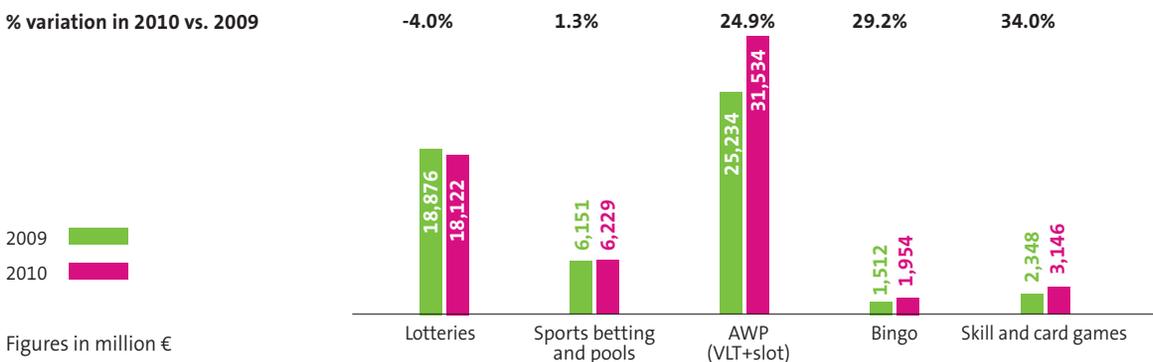
Figures in million €

Source: Internal processing based on AAMS figures

The market in 2010

Income from the gaming market in 2010 increased by 12.7% compared to 2009 reaching, as already mentioned, €61 billion. When analysing individual sectors, it is noted that only the lotteries segment has a negative value compared with the previous year (-4.0%), while all other segments have positive values.

% variation in 2010 vs. 2009

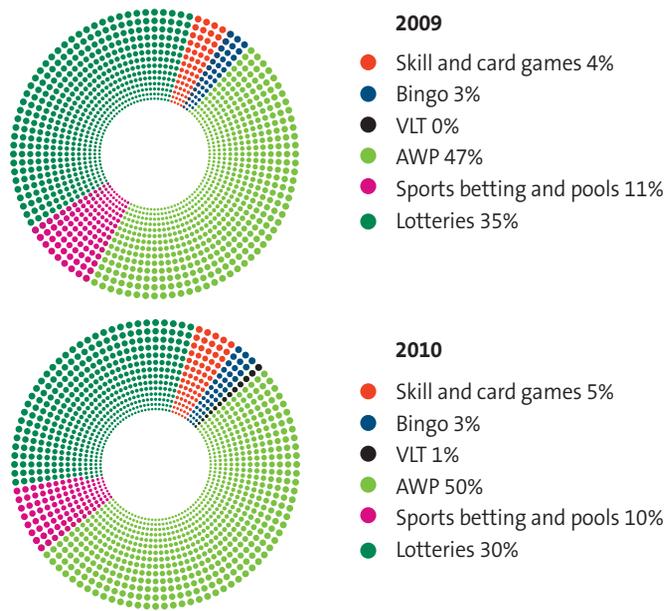


Figures in million €

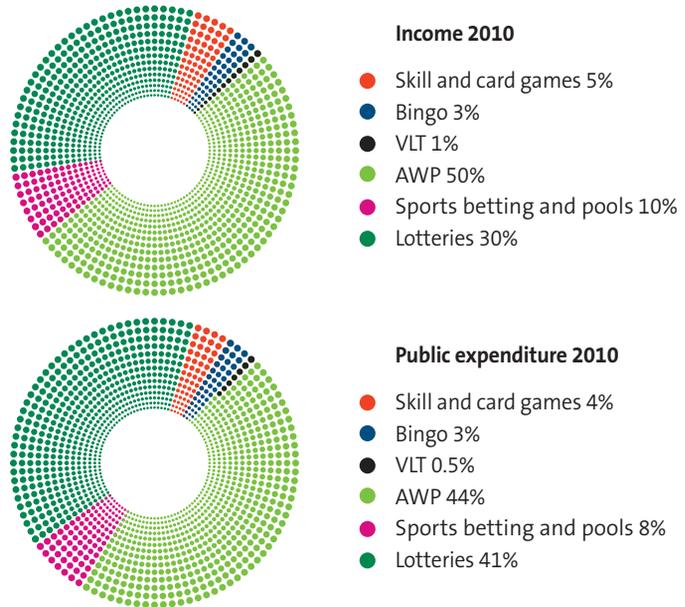
AWP (VLT + slot) machines represent the primary market, with over €31 billion collected and a growth rate of 25% compared to that of 2009. It is important to note the growth of skill and card games that had an income of over €3.1 billion, and a growth rate of 34%.

Bingo also presents a positive value, with an income of almost €2 billion and an increase of 29.2%, driven by online sales. In 2010, the betting sector was the same for that of 2009, with an overall income of €6.2 billion and a growth rate of 1.3%. When analysing the market in terms of the value of individual sectors, the numbers indicate that the

relative strengths of the products have changed significantly over the past two years. Looking at the charts below, you will note that while AWP machines have increased their total value up to 50% of the total market, traditional games, such as lotteries, have significantly reduced their value from 35% in 2009 to 30% in 2010.



When comparing income and public expenditure in 2010, the following charts offer a clearer reading of both the phenomenon and the spending preferences of Italians.

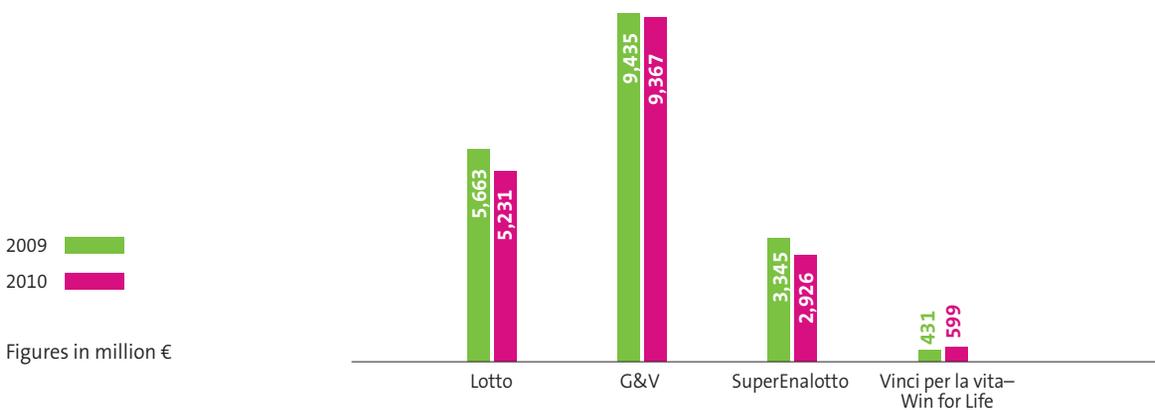


It can be noted that lotteries have increased their value from 30% to 41%, while AWP machines have reduced their value from 50% to 44%. This indicates that the products with the highest payout (AWP at 75%) require less public expenditure (hence their lower value), while products with the lowest payout (e.g., SuperEnalotto) have a higher value if they are calculated in terms of public expenditure.

These findings confirm, despite the decline in terms of total income, the strong preference of Italian players for these types of games.

2010 for lotteries

In 2010, the lotteries market was the only segment with a negative value when compared with the previous year. In particular, the lotto registered a loss of 7.6 percentage points compared to 2009, despite the phenomenon of 10eLOTTO and Gratta e Vinci–Scratch and Win (G&V) recording a value equal to what was recorded in 2009. This was even after the launch of two new play slips, ‘Turista per Sempre–Tourist Forever’ and ‘Vivere alla grande–Living the good life’ (both in the annuities segment), and the introduction of tickets at a cost of €20.



In this strongly competitive context, the sector of national totalisator number games, managed by Sisal, recorded the second-best results ever, with €3.5 billion in overall income in 2010, strengthening the record numbers of 2009.

2010 for sports and horse race betting

These games (which consist mainly of betting) show various trends, depending on the product analysed. In 2010, sports betting increased by 9.5 percentage points, reaching €4.4 billion. The growth is due both to the impact of the World Cup in South Africa, and to the very high payout that accompanied the entire second half of 2010 (81.07%). Analysing the market in terms of public expenditure, it’s clear that in these two last years, 2009 and 2010, the actual expenditure (income – payout) has actually remained stable, around €830 million.

Horse race betting records new negative data, with income that stopped at €1.2 billion, and a loss of 11.6 percentage points. The traditional retail network games (Totocalcio, Totogol, etc.) see their income reduced by over a third, not even reaching €100 million. Tris also records a negative value, with a loss of 15 points compared to 2009 and an income of approximately €5.3 billion.

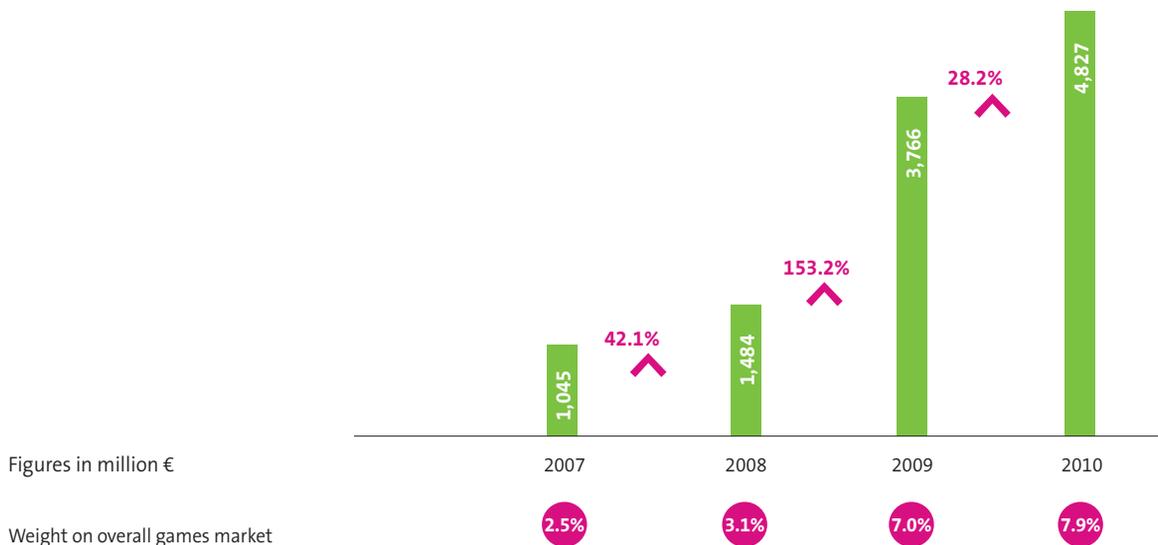
AWP (VLT + slot) in 2010

AWP machines represent 50% of the total gaming market in Italy with a profit of €31.5 billion and a growth rate of 25%. It is estimated that there are over 350,000 machines, increasingly utilised by Italians, at 114,000 points of sale. The total takings of slot machines in 2010 amounted to over €30.6 billion, with an increase of 21.6 percentage points compared to 2009.

In August 2010, on completion of a bid, new VLT – a new generation of amusement with prize machines – were launched with an average payout of 90%, which should represent an important segment of the market in 2011 and a new opportunity for entertainment.

Online gaming in 2010

During the period of 2007-2010, the online market reached a CAGR of 66.5% and the value on the total gaming market went from 2.5% in 2007 to 7.9% in 2010. A comparison with the 2009 vs. 2010 results shows a growth rate of 28.2%.

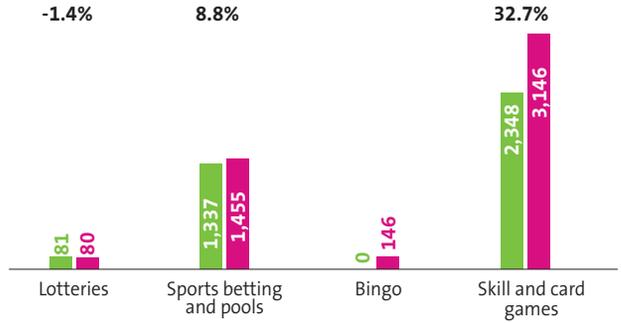


Analysing the market in terms of segments, we see that the online market essentially consists of two products: betting and skill and card games (online poker). The graph shows a growth of 32.7% in the skill and card segment, compared to a growth of 8.8% in the betting segment.

% variation in 2010 vs. 2009

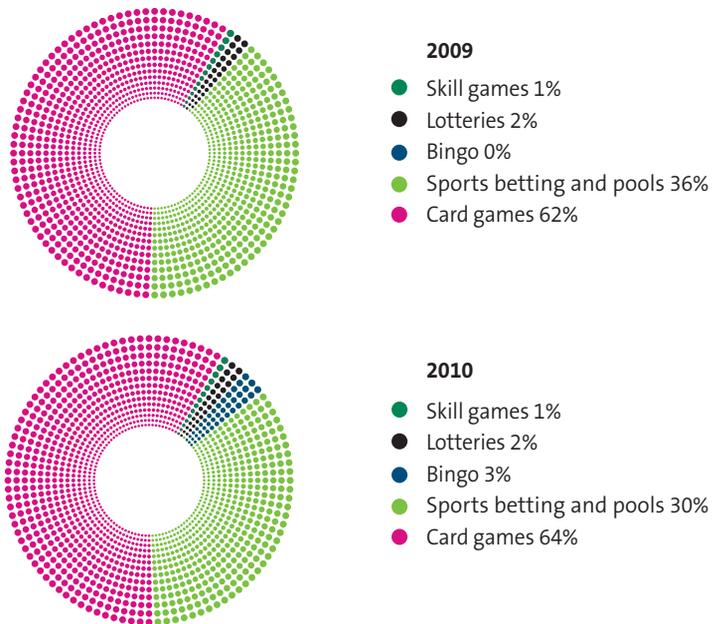
2009 ■
2010 ■

Figures in million €



In 2010, online bingo, which was launched in December 2009, produced an income of around €146 million and it was one of the products with the highest growth. It is interesting to point out that income has grown throughout 2010 – a demonstration of the growing appreciation by the public both for the payout, which has reached 70%, and the possibility of creating virtual communities that share a passion for the game of bingo. On the other hand, online lotteries represent a residual game compared to the entire online gaming market, which had an income of €80 million – slightly less (-1.4%) than in 2009.

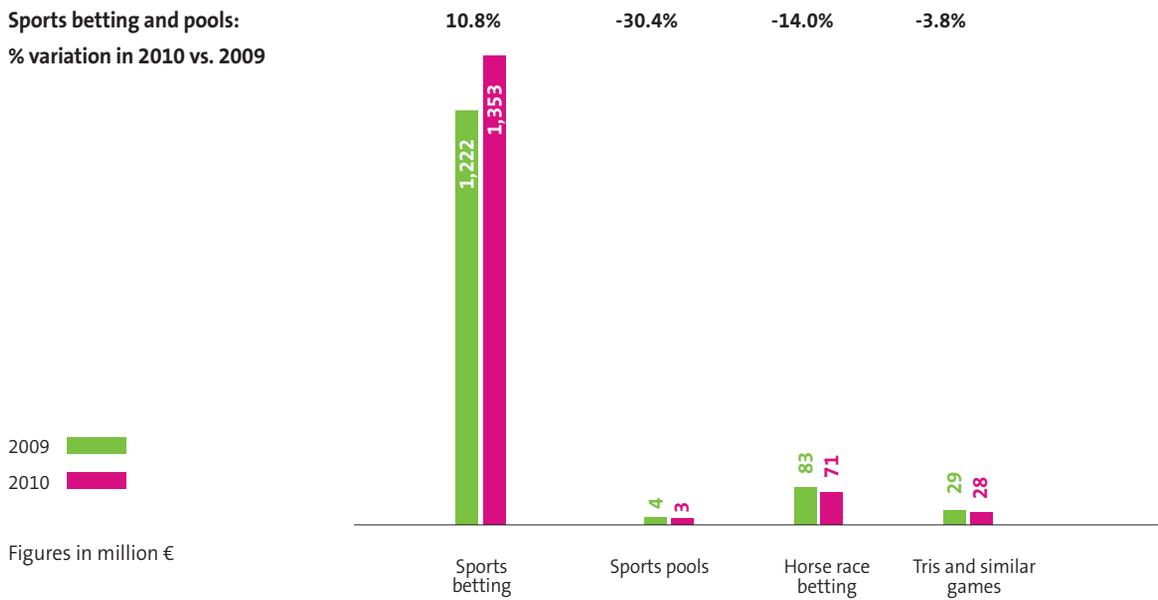
Percentage of each gaming market sector on the overall online market



As is the case for the market as a whole, the sports and horse race online betting sector is driven by sports betting. In fact, in the last two years (2009 and 2010), sports betting has recorded a growing profit, whereas all the other products show negative values.

Apart from the fact they had a negative performance, sports pools (led by Totocalcio), Tris, and horse race betting did not win particular favour with the public in terms of overall income.

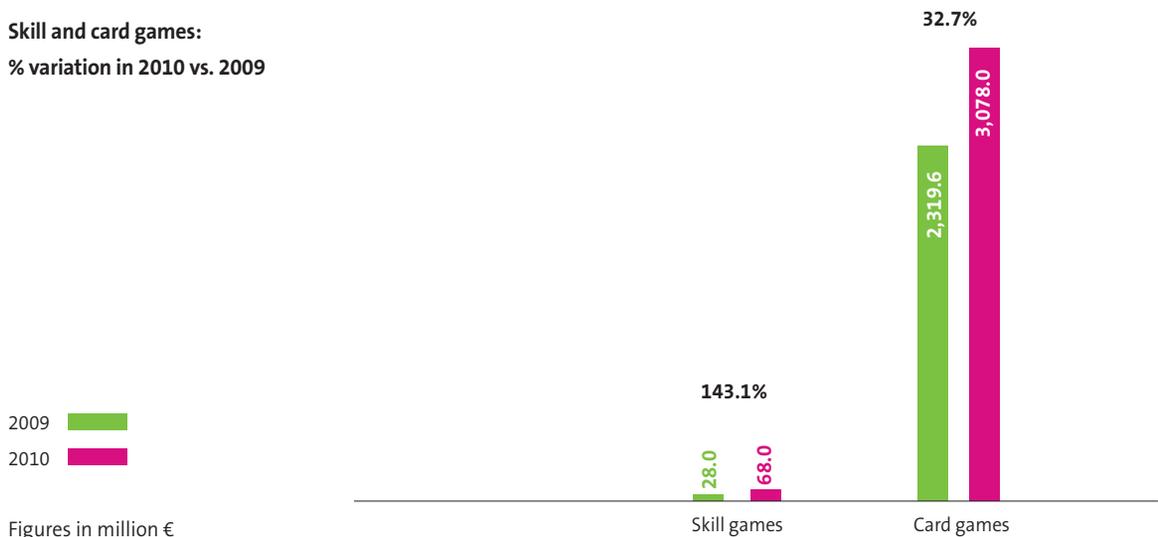
**Sports betting and pools:
% variation in 2010 vs. 2009**



Figures in million €

The following graph shows the skill and card games segment. Almost all of the income here derives from poker tournaments (card games), a significant increase compared to 2009 (+32.7%). The skill segment, by contrast, has an income of €68 million (equal to 2% of the total income of skill and card games), an increase of 143.1% compared to 2009.

**Skill and card games:
% variation in 2010 vs. 2009**



Figures in million €

The Market of Services to Businesses and the Public

Since 2002, Sisal has also become part of a second rapidly growing market, represented by services to businesses and the public.

Thanks to secure technical solutions and a distribution network spread throughout the country, the Company offers this market as a fast and simple way for carrying out daily transactions, from paying utility bills to re-charging cell phones, and from ticketing to financial services, with a highly professional and innovative profile that has always been our hallmark.

The strategy that has guided the Company in this business area is based on Sisal's distinguishing factors, which have made it possible to achieve an important market position in a short time:

- The geographical capability of the distribution network
- The full availability and accessibility of the Sisal distribution network, enabling the public to use a service that is open 7 days a week
- The simplicity and safety of operations that do not require special knowledge and have a minimum running time
- The competitive cost of the service
- The large number of services offered that meet everyone's needs
- Sisal's experience in processing a large number of transactions

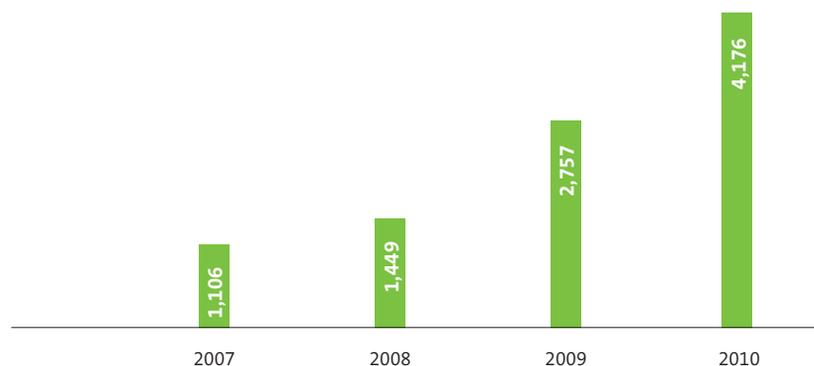
These precise features have ensured Sisal a solid relationship with 66 partners and the possibility of offering the community more than 360 different services available at around 40,000 Sisal points of sale.

In this second area of activity, Sisal has been able to build a relationship of trust with consumers that has allowed it to have reached and exceeded a profit of over €4 billion for 2010.

Sisal's profit in the services sector has shown an exponential growth over the last three years (+272%). The increase is due primarily to the growth in the distribution network (+87% in three years) and the development and expansion of the services portfolio.

Sisal's earnings in services (2007-2010)

Figures in million €



The bulk of the income from services comes from the reloading of phone cards for all operators in the sector, the reloading of prepaid cards (including Postepay), and the payment of main utilities.

In September 2010, Sisal signed a memorandum of understanding with the Ministry for Public Administration and Innovation for the project 'Friendly Networks', a partnership with the government to increase the points of contact between the public and organisations.

In developing the project, Sisal has taken a series of steps: first, it initiated the licensing process to become a payment institute in order to process all payment and collection services on behalf of the public administration; secondly, it integrated the communications tools found in its stores (SisalTV and customer display for gaming terminals) to promote awareness of 'Friendly Networks' and spread public administration campaigns; finally, it promoted, in collaboration with the Polytechnic of Milan, scholarship on the topic of Innovative Payment Solutions and Technologies.

In 2010, Sisal managed €24 million of income and payment transactions on behalf of private companies and public administrations.

Strategy and Market Approach

The priorities of Sisal's strategy are: continuous attention to the consumer, constant dialogue with the community in which Sisal operates and with its retail network, increasing funds towards research and development, and strengthening the model of 'responsible innovation' to meet the needs of a changing world.

That said, Sisal's strategy is to consolidate and further develop the successful position it has achieved, especially over the last few years, bearing in mind the peculiar characteristics of the gaming market (balanced revenue, social responsibility, strong regulation) and the services market (quality of offers and changes in lifestyle scenarios). In addition, Sisal's first priority is to confirm the agreement of trust made with consumers, based on credibility, security, and transparency.

A further strategic objective of Sisal is to seize the opportunities offered by the gradual opening of international markets to transfer its own values and model of working.

To successfully develop these activities, Sisal pays great attention to the need for exclusive licences (like the lotteries) and business areas characterised by increased competition (sports betting, amusement with prize machines, online gaming) to coexist in its operations with-

out losing sight of market trends and by enhancing its segments with the highest potential.

In terms of individual businesses, Sisal's lottery area focuses on developing the licence for national totalisator number games following three guidelines:

- Consolidate the results of the SuperEnalotto by innovating the game formula.
- Relaunch Vinci per la vita—Win for Life.
- Launch innovative game concepts that belong to key licences.

For the entertainment area, the objectives are:

- Consolidate the success of all generations of amusement with prize machines and to develop its brand Wincity with new games and new gaming experiences.
- Expand the target users of sports betting.
- Relaunch the gaming sector of horse racing and Totocalcio.

For the digital games and services area, the objectives are:

- Implement a decisive strategy to develop solutions related to mobile communications.
- Launch new gaming formats related to poker and skill games.
- Create new services and new ways of using them.

Sisal's History



1946

Sisal is founded.
The acronym Sisal stands for 'Sport Italia società a responsabilità limitata' ('Sport Italy limited liability company').

Launch of the 'Schedina Sisal' ('Sisal Play slip'), first national game with collective participation of the public.

1948

Launch of Totip (the acronym Totip stands for 'Totalizzatore Ippico') dedicated to horse racing.

Sisal reaches 12,000 points of sale nationwide.

1977

Sponsor of the Sanremo Festival with the brand Totip.

1991

Introduction of Tris, simple betting on horse races.

1996

Government concession for the management of Enalotto.

1997

Launch of SuperEnalotto.

Development of SisalTV, satellite channel aimed exclusively at the retail network.

1998

Introduction of the Extrema gaming terminal.

2002

Services enter the retail network: Sisal distribution network provides collection and payment services for the public.

2003

Signing of the Code of Ethics ("Code of Practice") promoted by European Lotteries.



2004

Acquisition of 96 Match Point sports betting agencies.

2005

Launch of Sisal Slot S.p.A: business activity diversified with the amusement with prize (AWP) machines.

2007

Signing of 'Responsible Gaming Framework' program promoted by the World Lottery Association.

2008

Launch of Sisal Bingo.

Introduction of the Leonardo gaming terminal.



2009

Government concession for the national totalisator number games (NTNG).

Development of SuperEnalotto online.

Launch of Sisal Poker online and Vinci per la vita—Win for Life.

Introduction of self-limiting gaming system.

Signing of the European Lotteries Code of Conduct on Sports Betting.

2010

Launch of Sisal Wincity gaming halls.

Adoption of the Code of Marketing Communications Self-Regulation issued by the Advertising and Marketing Communications Self-Regulation Institute.



Canto la storia dell'astuto Ulisse
Author and Director: Flavio Albanese
Piccolo Teatro of Milan—Teatro d'Europa

2.

Sisal Corporate
Governance
and Organisational
Model

GOVERNANCE Code of Ethics Internal Control RISK MANAGEMENT Organisational Model

The Principles of Sisal Corporate Governance

For Sisal S.p.A., as well as other joint-stock companies of the Group, there are no legal requirements that impose the adoption of specific rules of corporate governance other than those established by the Corporation's Civil Code. However, the Company has always paid close attention to this aspect in view of the need to guarantee the highest reliability, given the special nature of its core business. The corporate governance system has been developed over the years by the Company and its subsidiaries, and has been consistent in meeting this need, following and, at times, anticipating trends.

The Governing Bodies

With regards to the current structure of Sisal S.p.A., care has been taken to balance the demands for flexibility and rapid decision-making with the need for control. The Company is governed by a Board of Directors composed of the following members:

- Augusto Fantozzi, Chairman
- Emilio Petrone, Chief Executive Officer
- Giancarlo Aliberti, Director
- Roberto Biondi, Director
- Amedeo Carassai, Director
- Gabriele Cipparrone, Director
- Mario Gian Battista Corti, Director
- Simone Cucchetti, Director
- Roberto Gavazzi, Director (Independent)
- Alessandro Grimaldi, Director
- Alexis Lautenberg, Director (Independent)
- Alessandro Papetti, Director
- Nicola Volpi, Director
- Roberto Zanchi, Director (Independent)

BOARD OF AUDITORS

Angelo Miglietta, President
Massimo Bellavigna, Auditor
Francesco Tabone, Auditor
Piero Alonzo, Deputy Auditor
Giuseppe Farchione, Deputy Auditor

NOMINATION AND COMPENSATION COMMITTEE

Roberto Gavazzi, Coordinator
Amedeo Carassai
Roberto Zanchi

LEAD INDEPENDENT DIRECTOR

Roberto Gavazzi

INTERNAL AUDIT COMMITTEE

Roberto Gavazzi, Coordinator
Amedeo Carassai
Roberto Zanchi

EXECUTIVE DIRECTOR FOR INTERNAL CONTROL

Emilio Petrone

RISK COMMITTEE

Emilio Petrone
Marco Caccavale
Andrea Castellani
Mario Corti
Maurizio Dell'Oca
Francesco Durante
Giovanni Emilio Maggi
Andrea Orlandini
Corrado Orsi
Maurizio Santacroce

HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT, RISK OFFICER

Andrea Castellani

SUPERVISORY BOARD (*pursuant to the Legislative Decree 231/01*)

Fabio Giarda
Andrea Castellani
Alfredo Spizzico

According to the statement submitted to the European Commission, Directorate General for Competition, Sisal is subject to joint control of Apax, Permira, and Clessidra funds.

A large delegation has been allocated to the CEO, who is responsible for defining corporate strategies and ensuring that economic goals are achieved, in addition to fully representing the Institutions. The Board of Directors will be presented with development plans relating to social corporate responsibility initiatives that are to be planned each year.

The structure outlined above is consistent with corporate objectives and in line with the requirements for transparency and accountability dictated by the particular nature of the activities carried out.

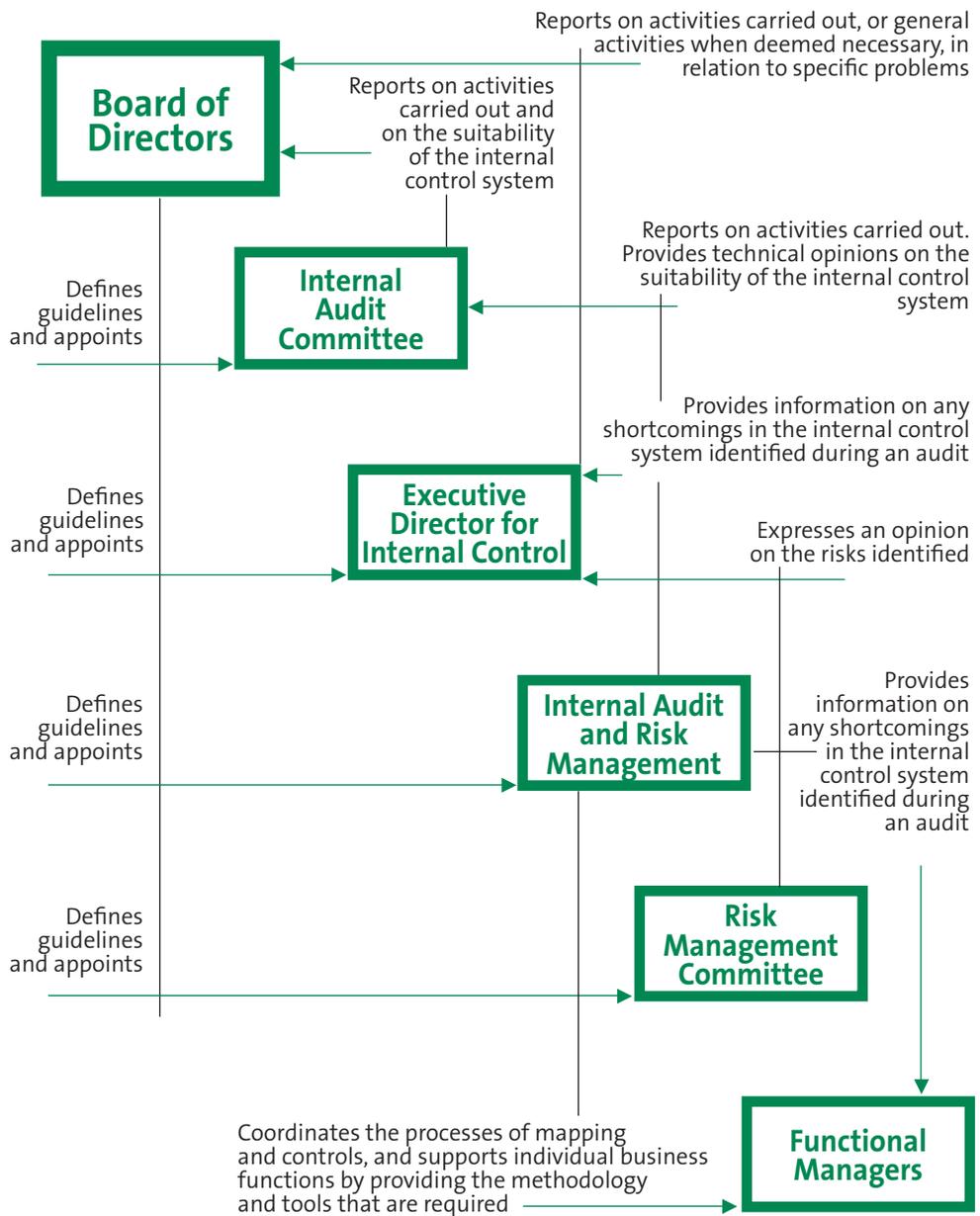
Internal Control and Risk Management System

The internal control system is a set of rules, procedures and organisational structures that, through an appropriate process of identification, measure, manage, and monitor major risks soundly and in line with the Company's established objectives.

Sisal considers a 'risk' to be any event that may affect the achievement of a goal, whether strategic, operational, reporting, or regarding compliance. To reduce the possibility of such an event occurring, Sisal S.p.A. has defined and implemented an internal control system that consists of various functions and organisations that allow the Company to identify, analyse, and assess the risks associated with Company objectives, establish suitable countermeasures to manage these risks and constantly monitor ongoing activities.

Responsibility for the internal control system lies with the Board of Directors, which establishes the guidelines and monitors the actual and exact operation.

The activities and relationship between the internal control system operators are in accordance with the following:



Risk Management

The Sisal internal control system ensures constant updating and therefore an effective and efficient integration between all control units. In this regard, the Internal Audit Committee met on four occasions during 2010, with the attendance of members from the Board of Auditors, the Supervisory Board, and the Internal Audit and Risk Management Department.

Enterprise Risk Management Framework: classification and prioritisation of Company risks



On April 30, 2009, the Board of Directors, in addition to defining the provisions of the Code of Conduct, appointed a Risk Management Committee tasked with analysing key Company risks and providing the CEO with their opinions.

The Risk Management Committee meets every six months, and consists of the Executive Director for Internal Control, the Director of Legal and Corporate Affairs, the Director of Information Systems and New Technologies, the Director of Human Resources and Organisation, the Chief Financial Officer, the Director of Institutional Relations, the Director of the Lottery BU, the Director of Digital Games and Services BU, the Director of Entertainment BU, and the Risk Officer.

In 2010 the Board of Directors expanded the members of the Risk Management Committee from 6 to 8 (this number was increased to 10 in the first quarter of 2011), thus extending the professional skills available.

Organisational Model *pursuant to the Legislative Decree 231/01*

Following the implementation of Legislative Decree No. 231/2001 (hereinafter the 'Decree'), a company can be held directly responsible, and therefore subject to penalties, if a person related to the organisation commits certain offences in the interest of benefiting the Company itself.

Since 2006, Sisal has developed and adopted its risk management system: a model designed to reduce the risk of crimes foreseen by the Decree. This model consists of the following fundamental and interdependent elements:

- Code of Ethics
- System of internal protocols' procedures and countermeasures for preventing the risk of crime
- Internal Supervisory Board tasked with monitoring the suitability and effective implementation of the model
- Map of powers conferred
- Penalty system

To guarantee the autonomy and independence of the Supervisory Board, which is indispensable for its precise operation, the members are chosen from candidates with outstanding professionalism and with complementary skills. The body reports directly to the Board of Directors, so as not to be biased towards any one corporate section.

Sisal has informed all recipients of the existence and contents of the model, both through publication in the corporate Intranet, and through training, organised on the basis of the capacity of recipients and the level of risk in the areas in which they operate. All employees and persons involved are required to provide the Supervisory Board with the utmost collaboration. Any information or news regarding suspected crimes relevant to the Decree shall be notified without delay, any faults reported, and any ineffectiveness of the model appropriately highlighted.

Sisal has adopted a dynamic model that foresees constant updating. The model was drawn up in line with the most recent legal cases, with the support of an expert and independent law firm that carefully checked out the Company's activities, identifying those most exposed to risks: the so-called sensitive areas.

The Code of Self- Regulation

The Company is committed to adapting and modifying the model to accommodate changes that may affect the Company at a business and organisational level in its various forms. To that end, on March 30, 2010, the Board of Directors of the Company approved an update of the model.

All Sisal employees and associates are assured adequate information and training to ensure full and timely compliance with the standards and internal procedures. The Company Supervisory Board has developed a training program, directed in particular to newly hired managers, with the aim of verifying the level of awareness of the principles and contents of the organisational model and the risks that exist. In 2010, individual meetings were held with twenty-two newly recruited or appointment managers, for whom a training session was arranged on the internal control system and, in particular, the organisational model.

Based on the process implemented by the Company to bring its activity and organisation in line with the most advanced principles of efficiency, Sisal S.p.A. has adopted a plan to implement the Code of Self-Regulation issued by the Corporate Governance Committee of Borsa Italiana S.p.A. The Company found that this tool was essential for responding in a more effective manner to the need to ensure the highest level of transparency, and is a key requirement in view of the nature of its shareholders and especially its role as concessionaire for public services.

The Board of Directors of Sisal S.p.A. has established and realised an implementation plan to align the Company organisation with the application principles and criteria provided by the Code of Self-Regulation, by putting the following provisions into effect:

- The establishment of a Lead Independent Director position on the Board of Directors.
- The establishment of committees inside the Board of Directors for the appointment and remuneration of directors and for the internal control system.
- The appointment of directors, with the involvement of the specific committee, in compliance with procedures and criteria provided for by the Code of Self-Regulation.

- The establishment of an Internal Audit Committee and the appointment of an executive tasked with overseeing the efficiency of the internal control system.
- Presentation of an annual report on corporate governance, discussed and approved by the Board of Directors.
- The establishment of an internal control system based on the following structures: Board of Directors; Internal Audit Committee; an Executive Director for Internal Control responsible for supervising the operation of the system itself; an Internal Audit and Risk Management function, in which a Risk Officer is appointed to coordinate the risk management process, and a Risk Management Committee.
- Reporting between structures of the internal control system.

The Code of Ethics and Conduct

Sisal operates in an institutional, economic, political, social, and cultural context that is in constant and rapid evolution. In order to successfully deal with the complexity of the situations in which it operates, it is important to clearly define the values that need to be met and that inspire the Company.

For these reasons Sisal has prepared and adopted a Code of Ethics and Conduct (hereinafter the 'Code'), an integral part of the organisational model, which defines the principles of conduct to be adhered to by employees, directors, auditors, and business partners in their daily activities. All areas of activity, business or otherwise, and the geographies in which Sisal operates are subject to the principles and rules defined in the Code and the model. All of the counterparts with which Sisal collaborates to manage its activities have contractually accepted the Code of Ethics and have committed themselves to observe it.

Compliance with the Code by directors, statutory auditors, and employees, as well as, when applicable, third parties with whom Sisal has business relationships, is of fundamental importance for the Company's proper operation and reliability, as well as to protect its prestige, image, and knowledge base. These factors constitute an essential asset for Sisal's success.

In addition to meeting the general duties of loyalty, fairness' and compliance with the work contract, the recipients of the Code – partners and employees of each grade and level – must refrain from carrying out activities in competition with the Company, and must also

comply with Company rules and business procedures and adhere to the principles of the Code.

Each recipient or third party is required to know and follow the Code, to contribute actively to its implementation and report any shortcomings. Any behaviour contrary to the letter and spirit of the Code may be punished in accordance with the provisions of the model itself, the laws, and applicable collective agreement. The principles expressed in the Code are also a source of inspiration for the Board of Directors, which is responsible for defining corporate objectives. Projects, activities, and investments must be designed and carried out in full compliance with the Code.

The Code addresses the issues relating to personnel relations, behaviour during the course of their professional activities, transparency in accounting, health, safety, and environmental safety.

In particular, it highlights some key principles, such as the criteria for fair and non-discriminating treatment for all employees and the opportunity for professional growth based on a merit system.

In the same light of transparency and fairness, employees may not directly or indirectly pay for or offer gifts, material benefits, payments or other benefits of any kind to third parties, public officials or private individuals. Simple acts of kindness, such as small gifts or forms of hospitality, are admissible if they are modest or if they do not compromise the image or reputation of either party, and cannot be interpreted as a means to gain undue advantages. Senior management must always approve these expenses.

In the same manner, any employee who receives gifts, special favours, or other forms of donations that cannot be justified as a normal exchange of courtesy must notify his/her supervisor and senior management.

Because of the particular business sector in which Sisal operates, the Company maintains close working relationships with public institutions, their officials, and employees and representatives of the public service. In these relationships, it is critical that employees maintain conduct characterised by extreme fairness, transparency, and efficiency. Any practices contrary to these principles are strictly prohibited.

The Company Code is published on the website, www.sisal.net, and the model is published on the corporate intranet.

A copy of the Code is provided to each newly hired employee, who formally undertakes to observe the contents. Moreover, all business contracts include an acceptance clause for the Code. Knowledge, acceptance, and

compliance with the Code are required from anyone who cooperates with the Company.

The Board of Directors, through the revisions to the Code on March 30, 2010, also wanted to stress Sisal's sensitivity towards protecting minors when managing games with cash prizes. Minors, who are often on the lookout for new sensations, are most at risk of unhealthy gaming behaviour. For this reason, the Company has instructed the recipients of the model, in particular its retail network, that under no circumstances are they to accept gaming from minors. Furthermore, the Company has implemented control tools as a secondary preventive measure to reduce the risk of gaming by minors.

Surveillance by the Bank of Italy

The parent company Sisal Holding Finanziaria S.p.A., anticipating the implementation of Legislative Decree No. 11 of January 27, 2010 (replacing the European Directive known as PSD), has taken steps to implement the requirements as anticipated, including those on transparency towards final customers as required by subject legislation.

Therefore, in April 2010, all points of sale that offer services upon payment received a letter along with informative material on the transparency that they are required to display and/or make available to customers. The documents are published on the website www.sisal.net.

In January 2011, the company Sisal Holding Finanziaria S.p.A. filed a request with the Bank of Italy in order to operate as a Payment Institute.

Quality Organisation

Since 2002, Sisal S.p.A. has certified its information systems and new technologies management in accordance with the regulation UNI EN ISO 9001. The management, which is in charge of Company production processes, is constantly monitoring market trends and emerging technologies and looking for more innovative solutions, with the aim of supporting and developing the core business, further strengthening Sisal's market position, and defending its competitive advantage.

The areas that deal with electronic collection, the operational management of games information, network services, and software design and development work in accordance with the requirements of quality management systems.

Since 2008, the Company has extended the certification to the distribution of materials and equipment to points of sale and, since 2007, Sisal

Sisal S.p.A. has also certified the operational management activities of the retail network for the electronic management of legal gaming (gaming devices).

Sisal has established its quality policy based on sustainability, compared to the reference institutional and competitive scenario, with a general balanced view between market and creating value for shareholders and institutional and commercial partners.

Certification is a guarantee of continued commitment towards achieving objectives and pursuing mutual satisfaction in relationships with customers and suppliers.

The responsibility of quality at Sisal is entrusted to a team consisting of a quality manager, a group of senior auditors, and facilitators present in each Company sector who, in close collaboration with the Executive Board and through the management representative, work towards constant development and improvement of the system and for its continuous evolution by closely monitoring system indicators, chosen to measure customer satisfaction, internal processes, and products.

CSR Governance

Sisal has developed a system for controlling its strategy of corporate social responsibility (CSR) in conjunction with the launch of the new CSR Action Plan in 2009. The Company's CSR governance is based on the following bodies:

- **CSR Leadership Team:** focuses on the development of CSR in the Company and implementation of the CSR Action Plan, which spells out the goals that engage Sisal stakeholders. The CSR leadership team is comprised of the CEO, the Director of Marketing and Communications, the Director of Human Resources and Organisation, the Director of Institutional Relations, the Head of Internal Audit and Risk Management, the Chief Financial Officer, the Director of Legal and Corporate Affairs, and the Head of Administration and Finance. The leadership team meets every six months to evaluate the strategy and the annual CSR Action Plan and subsequently assess the achievement of objectives.
- **CSR Unit:** created by Sisal in 2010 with the mandate of spreading the CSR culture within the Company and especially inside each function. The unit identifies 'sensitive' CSR aspects in different areas, and identifies the most effective ways to involve internal stakeholders.

- **CSR Newsletter:** created in 2010 to spread strategy, specific projects, and partnerships within the Company in the context of CSR. The contents of the newsletter also gather input and suggestions from employees.
- **CSR Coordinator:** has the role of coordinating the different levels of CSR activities within the Company and in relation to internal and external stakeholders.



Life Is a Dream

Author: Pedro Calderón de la Barca

Director: Luca Ronconi

Piccolo Teatro of Milan—Teatro d'Europa

3.

Responsible Gaming

Gioca il Giusto Legal moderate SELF-REGULATION COMMUNICATION S A F E T Y Game Design

The Role of Responsible Gaming in Sisal's Social Responsibility Action Plan

Sisal is aware of working in a socioeconomic sector in which healthy and responsible business growth, focused on the creation of well-being and value both in the short and long run, must be integrated with the maintenance of high standards of ethical conduct. This is possible with the protection of the community in which Sisal acts and with a constructive dialogue with all stakeholders.

In carrying out its role as a concessionaire for the Italy's gaming authority (AAMS) for a growing number of games, Sisal has adopted the values, basic principles, and guidelines of AAMS. The main objective of the Company is to build, together with the public regulator, a model of responsible gaming that is balanced, legal, and centred on fun and, for this purpose, to guarantee a form of entertainment subject to constant scrutiny, with clear rules and high innovative standards that ensure maximum transparency and security, in contrast to clandestine and illegal gaming.

To achieve this goal, namely to ensure and consolidate a model of responsible gaming, Sisal has now internally defined and shared at all levels some general principles and rules of conduct that inform, guide, and empower all staff and operators.

The responsible gaming model adopted by Sisal translates into a policy and a program in line with the most recent and authoritative international standards established by the European Lotteries (EL), from which, on February 14, 2011, Sisal was among the first European operators to obtain an important recognition: certification for complying with the EL Responsible Gaming Standards. Sisal launched the certification process





RESPONSIBLE GAMING CERTIFICATE OF ALIGNMENT

**Sisal SpA
Italy**

has achieved alignment with

THE EUROPEAN LOTTERIES RESPONSIBLE GAMING STANDARDS

in accordance with the criteria set in the
European Lotteries' Responsible Gaming Certification Framework

CERTIFICATION DATE:

February 2011

THIS CERTIFICATE IS VALID UNTIL:

February 2014

DIANNE THOMPSON CBE
CHAIR OF THE RESPONSIBLE
GAMING COMMITTEE

FRIEDRICH STICKLER
PRESIDENT

BERNADETTE LOBJOIS
SECRETARY GENERAL

in 2010 through a third party that tested the Company's commitment to planning, development, and implementation of a Responsible Gaming program aimed at protecting players and in compliance with EL standards. The program and the responsible gaming activity are developed and updated continually and are subject to annual monitoring and evaluation by a third-party certifying authority that verifies compliance with the commitments undertaken.

1.
Research

2.
Employee
Training

10.
Reporting,
Measurement
and Certification

9.
Stakeholder
Engagement



3.
Sales Agents'
Programs

8.
Player
Education

4.
Game Design

7.
Treatment
Referral

6.
Advertising
and Marketing

5.
Remote Gaming
Channels

Responsible Gaming Programme

The Sisal Responsible Gaming program is structured around ten main areas of intervention that include:

1. Research
2. Employee Training
3. Sales Agents' Programs
4. Game Design
5. Remote Gaming Channels
6. Advertising and Marketing
7. Treatment Referral
8. Player Education
9. Stakeholder Engagement
10. Reporting, Measurement and Certification

For each of these areas, Sisal has established strategic goals and guidelines for implementing the activities carried out in 2010, and has made specific commitments for development in 2011.

1. Research

ISPO

In 2010 Sisal commissioned the Institute for Studies on Public Opinion (ISPO), headed by Professor Renato Mannheimer, to produce an independent quantitative study on gaming addiction, without imposing any constraint on the issue.

The study was conducted on a representative sample of the population, ensuring ISPO complete freedom with regards to performance criteria. The interesting and useful conclusion achieved by Professor Mannheimer explains that it is not accurate to compare games in which players face a high risk of losing control (such as online poker and/or slot machines) with lower risk games (such as SuperEnalotto, Lotto, etc.)

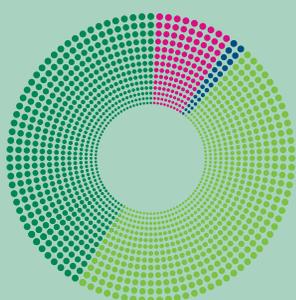
Furthermore, as is clear from the interviews, the highest percentage of the sample believes that most of the players are responsible and play reasonably. Consequently, respondents consider the problem of gaming addiction to be a limited phenomenon. For 24% of the respondents, gaming addiction has a predominantly psychological matrix. The advertising campaigns that present gaming as a form of entertainment and discourage excesses were noted, appreciated, and considered to be effective in helping to strengthen the sense of responsibility in respondents.

ISPO Research

Sisal, as a sign of both attention and sensitivity to the social effects of gaming, commissioned ISPO for a major study on the risks of gaming habits. The Company asked itself to what extent citizens were at risk of dependence, what the chances are that the gaming experience will transform itself into a form of slavery, and to what extent people are sensitive about and attentive to this issue. We wanted an up-to-date analysis on the possible risks and negative aspects of gaming.

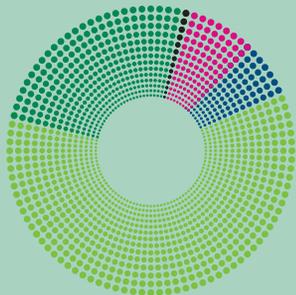
With these objectives, in the months of April/May 2010, ISPO conducted a study via CATI (computer-aided telephone interview) on a very large but strictly representative sample of the Italian adult population composed of over 1,500 citizens of age. Many interesting ideas emerged from the study, the results of which are summarised below:

Can gaming become an addiction?



- Slight 10%
- None 2%
- High 48%
- Some 40%

The responsibility of players in gaming addiction



- Slightly responsible 8%
- Not responsible 3%
- Highly responsible 62%
- Somewhat responsible 26%
- Do not know 1%

- A strong collective sensitivity. Gaming is socially appreciated, but at the same time, perceived as a form of entertainment that requires caution. This perception makes players approach football play slips, game machines, scratch cards, and so on in a careful manner, so as 'not to get carried away'. There is, therefore, public sensitivity to the problem-gaming risk, which is in itself a good basis for prevention.
- A strong sense of responsibility. Contrary to what one may think, the gaming world is characterised by a strong sense of responsibility attributed to the players themselves. The 'source of temptation' is not so much the game itself, the concessionaires or retailers, or the institutions, but the individuals themselves who, according to most opinions, at times risk becoming too involved. According to respondents, the warning signs, in fact, are not how often one plays, nor how much is spent. The real dependency is rather related to the psychological influence. One becomes addicted when the game becomes a 'fixed idea', when 'you lose control', when you are unable to stop (i.e., 'when you wake up in the morning and all you can think of is playing that €5', 'when you can't do without it', 'when all you do is talk about gaming, the strategies, and that's all you think about', 'when you can't stop and you become obstinate', 'when you start telling lies and playing on the sly'). In short, public opinion does not in any way justify those who let themselves be drawn too much: the game itself is presumed innocent and anyone who becomes addicted expresses a certain discomfort and weakness, regardless of the environment involved.

- A minimum social penetration of dependency. The questionnaire, based on the specific techniques of social research, presented respondents with a series of behaviours related to the habits of gaming, mixing a harmless practice with those identified by experts as possible risk indicators, such as repetition, fixed ideas, attempts to predict results, a tendency to borrow money or keep silent over any losses. These and other experiences have been studied and proposed to the respondents as commonplace (along with others, such as gaming in company). It was found that the vast majority of players (86%) say they usually do not experience any of those phenomena, and that the percentage of those who experience them all is around 0.3%. Even if the risk threshold is extended to include not only those with all 8 of the indicators tested, but also those who have 6 to 8, the percentage rises to 0.6%, thereby confirming the impression that the phenomenon is of limited social significance.

Frequent indicators of risk behaviour



Of course, the problem does exist, and this important study shows how Sisal is attentive and sensitive to potential risk factors for gaming addiction and how the Company's social responsibility entails an undeniably accurate observation of the phenomenon. But what this survey shows is how, at least in the collective perception, gaming is viewed as a possible situation that produces hardship and not as an instrument that, due to its characteristics, the way it presents itself and what it offers, tends to create addiction. It would be interesting and useful to know the opinion of experts – those who work daily on the issue of addiction and who, with their analysis, can complete the picture drawn by the study. This is the next stage, which has already been initiated, of the major process of social responsibility undertaken by Sisal.

Renato Mannheimer
ISPO Ricerche S.r.l.



Osservatorio Nazionale
sulla salute della Donna



O.N.Da

Sisal has provided, through the National Observatory on Women's Health (O.N.Da), a scholarship to a young researcher from the Department of Neuroscience–Psychosocial Center 3 of the Fatebenefratelli and Ophthalmic Hospital in Milan, who graduated in Clinical and Community Psychology at the University of Turin and was selected among researchers from the psychology faculties of some of the main Italian universities, with a competitive notice issued in September 2010. The theme of the study involved identifying processes and preventive measures to combat excessive gaming behaviours, which operators, communities, and families can implement to prevent problems related to the onset of addiction in people at risk. A further objective of the study was to identify risk factors and specific protections and to identify some areas of intervention useful for prevention.

The 'O.N.Da – Gioca il Giusto' scholarship was presented in Rome in January 2011, with a ceremony held at the Senate of the Italian Republic. The study will be concluded by December 2011 and the results will be published in the section dedicated to social responsibility on the Sisal websites and on the O.N.Da website at www.ondaosservatorio.it/borsedistudio.

European Lotteries Working Group

In 2010, Sisal consolidated its commitment as an active member of the European Lotteries Association and participated in work groups and training groups on the issue of responsible gaming.

The results of the studies and research undertaken contribute to identifying possible risk areas and defining the priorities for Sisal in terms of actions aimed at preventing excessive gaming behaviours and promoting balanced and moderate gaming behaviour.

Commitments 2011 – Study Area

- O.N.Da Research – Scholarship to a young psychologist from the Fatebenefratelli Hospital
- ISPO Study

Publication of the topics of interest and study results

Further research through testimonials collected among the most influential opinion leaders



2. Employee Training

Sisal has trained its employees on the issues of responsible gaming through the dissemination of the Social Report 2009 and the presentation by the CEO who, at the company meeting held at Christmas 2009, outlined the activities carried out by the Company during that year, together

with the results achieved and the objectives to be achieved in the future, with reference to the Social Report and the criteria of ethics and honesty which have always been pursued by the Company. Furthermore, training sessions were also organised for staff employed in the internal call center. Lastly, a CSR Unit was established, with the scope and activities described in this Social Report under the heading 'CSR Governance', which concludes the chapter on Corporate Governance.

3. Sales Agents' Programs

Sisal believes that the retail network is a strategic channel for teaching and disseminating sensible gaming behaviour, thanks to the direct contact between the retailer and the player. That is why one of Sisal's priorities is the direct involvement of its sales force including retailers: an ad hoc informative; the playful character of Mr. GIG, invented by Sisal, who explains the 'Gioca il Giusto' ('Play Right') message; mandatory training modules; and optional in-depth study on the issue of responsible gaming that offers practical advice to retailers on how to identify and provide support to players and/or the community. Lastly, the 2010 Responsible Gaming objectives, policy, and program were shared with the retail network.

The Sisal 2011 Responsible Gaming program foresees training for retailers that include the theme of prohibiting games to minors and a corporate video to raise awareness. It also envisages a video broadcast on responsible gaming that will be deployed over SisalTV, with a reward for the best 'responsible retailer' and the active involvement of retailers to verify the rating received by the plan and the 2011 campaign on responsible gaming and to identify useful suggestions for defining the 2012 program.

2011 Commitments – Distribution Network Area



- Production of a video with the key concepts of responsible gaming, which emphasises the prohibition of gaming by minors
- Publication of leaflets with the '10 Rules for the Responsible Player'
- Sessions, some mandatory and others optional, on distribution network involvement through the new interactive training platform

Using video as a tool for raising awareness in retailers and dissemination on the distribution network through SisalTV and Sisal internet sites

Diffusion to the distribution network through the delivery and explanation of the material

Forum of retailers, portals on traceability of the results; and suggestions for the next 2012 program

4. Game Design



Prior to marketing a new game, Sisal adopts a preventive procedure that involves using a specially designed instrument that can process an accurate assessment of both the social risk of any new game, and its compliance with the EL Responsible Gaming Standards in terms of responsible gaming.

Since 2010, Sisal is a licensee of GAM-GaRD, an affirmed risk assessment tool developed by a team of international researchers and psychologists, whose operation is based on analysing the structural features of the game (e.g., duration, maximum payouts, frequency of draws, etc.) and its components (for example, accessibility of gaming venues, times, etc.) according to criteria developed and tested by a panel of international experts. The tool makes it possible to uniquely associate a score to each element. The final sum will be the overall risk index for the game, reporting any potentially problematic elements on which the Company may develop more effective strategies to protect the player, with particular reference to more vulnerable individuals.

The goal is to define the protective elements and criteria to safeguard players and adopt strategies to avoid possible risks.

Sisal has also acceded to specific training offered by the developers of GAM-GaRD and organised inside the Company based on the analysis of procedures and methods for using the tool.

5. Remote Gaming Channels

The Company offers its clients the opportunity to play at a distance through the portals and sites that are owned by Sisal, using the latest technology to ensure safe, legal, and conscientious gaming methods.

To prevent minors from registering in these portals and opening gaming accounts, Sisal applies a series of crosschecks between date of birth and social security number. To complete registration, a copy of an identification document must be mailed together with a copy of one's tax code or regional services card.

With regard to remote gaming channels, Sisal has taken action to align its portals with worldwide best practices on responsible gaming, so as to identify and integrate directly on gaming portals tools and self-restraining and self-exclusion measures that allow players to define their gaming profile before they begin to play, and then play consciously within their own limits.

6. Advertising and Marketing

In December 2010, Sisal chose to adopt a policy of commercial communications to immediately and concretely apply the rules contained in the Code of Marketing Communications Self-Regulation, 50th edition, in effect as of January 18, 2010 (www.iap.it), issued by the Advertising and Marketing Communications Self-Regulation Institute (IAP), of which Sisal is a member. The scope of the policy is respect for fundamental principles and rules contained in the Code of Marketing Communications Self-Regulation, listed and set out in the Sisal policy for specific application in the gaming industry. The policy is applied in all communications materials and must also be respected by all trading partners involved in the definition of communications campaigns.

The policy adopted also foresees annual sessions for updating and monitoring its application. Moreover, compliance with the policy when defining commercial communications is covered by internal procedures and subject to verification. For this, Sisal, where deemed appropriate, relies on the ongoing preventive advice of the IAP and/or other third parties.

Sisal's conduct is based on its responsibility as concessionaire of the gaming industry and on its professional ethics. For this reason, the Company adopted the policy regarding the contents of its commercial communications, as well as the standards set by the Certification Framework, published in May 2009 by European Lotteries.

Out of respect for both the principles of the Code of Marketing Communications Self-Regulation, and the standards of European Lotteries, Sisal is committed to disseminating business communications that are honest, true, correct, and consistent, with the aim of promoting a social gaming pattern inspired to measure accuracy and legality and with responsibility not only for protecting the 'consumer' but also the 'person', his/her family, work, and social life, thereby protecting the consumer from the consequences of excessive gaming behaviour.

2011 Commitments – Marketing Communications Area



- Training on self-regulation

Organisation of annual refresher courses inside the Company

- Preventive monitoring of commercial communications

Monitoring commercial communications and advertising and marketing campaigns

7. Treatment Referral

In 2010, the agreement between Sisal and the Department of Psychiatry, headed by Professor Claudio Mencacci of the Fatebenefratelli Hospital in Milan, marked an important stage in the Company's commitment towards players. The operators of the Sisal call center, made up of medical specialists, provide an outreach service and readdress the issues of responsible gaming. Through its operators, Sisal provides a helpdesk service, called 'Sincere Help'. Moreover, on established days and times, the Company makes a telephone support service, called 'Ask the Expert', available to problematic players or players at risk, which is directly connected to the Fatebenefratelli Hospital or available directly online (see the 'Gioca il Giusto' section of all Sisal sites).

'Sincere Help' is a service developed by Sisal and available by phone (toll-free number 800.778.866) or online giocailgiusto@sisal.it. 'Ask the Expert' is an independent support service that provides direct assistance to the player from specialists of the Fatebenefratelli Institute of Milan through the dedicated toll-free number 800.974.487 (from 12.00 to 14.00 Monday, Tuesday, and Thursday) and e-mail gioco.sicuro@fbf.milano.it.

Furthermore, on all Sisal websites and in all Wincity Gaming halls, there are assessment tests called 'What type of player are you?' developed by specialists of the Institute of Psychiatry at the Fatebenefratelli Hospital, which allow you to test your approach to gaming.

To provide a concrete point of reference for those seeking support, or family and friends requiring information to help their relatives, telephone contacts and e-mail addresses for the Sisal Help Desk and the Support Service provided by Fatebenefratelli can be found on Sisal websites, posted in Wincity Gaming halls, on terminals, and in educational materials.

Sisal has also decided to engage in research and prevention, in collaboration with the National Observatory on Women's Health as explained above, by establishing a scholarship called 'O.N.Da – Sisal Gioca il Giusto' for a young researcher specialising in psychology. The aim of the scholarship is to promote research into methods of prevention related to the gaming world.

The 'Gioca il Giusto' program does not end here, but will continue to grow with the help of all citizens. Tips and suggestions are invaluable, and can be sent by e-mail to giocailgiusto@sisal.it.

8. Player Education

Since 2009, Sisal has launched an awareness campaign aimed at players with the scope of stimulating balanced gaming behaviour and spreading the concept of gaming as a form of entertainment.

Ensuring that the game does not degenerate into an addiction is not only the duty of all government concessionaires, but is also part of Sisal's professional ethics. Therefore, in accordance with AAMS, Sisal offers a safe and legal game, ensuring complete transparency for the player through informational campaigns on responsible gaming and the prevention of gaming addiction.

Although it is evident that the social and personal context is a key determining factor for the player's perception and enjoyment of the games offered, a single operator could also play an important role in this regard. Sisal therefore assumes its responsibility to educate and guide its players through an awareness program on issues of responsible gaming, marked by the symbolic message GIOCA IL GIUSTO, found in Sisal promotional materials and new advertising campaigns. The first step in this strategy was the launch of the 'Gioca il Giusto' campaign in 2009.



10 Rules for the Responsible Player

- 1** For me, gaming is fun: gaming is not a way to make money.
- 2** Before playing, I decide how much money to invest in the game: I do not play with the cash needed for daily life, I only use money I can afford to lose.
- 3** I do not incur debts to play: if I lose, I accept the loss as an expense of the fun. I do not add more money to recover the losses.
- 4** Tactics are useless: I cannot predict the results and I know that the odds of winning are low.
- 5** I do not lie about my losses and the money spent on gaming.
- 6** I decide how much of my day to devote to gaming and I can easily stop or take breaks.
- 7** Gaming is not my only leisure activity: gaming does not take away time from family, friends, sports, and hobbies.
- 8** I do not play after drinking alcohol or taking drugs.
- 9** I do not play when I feel lonely, I do not play when I am depressed and I do not feel depressed if I do not play.
- 10** I do not think of gaming obsessively throughout the day, even when I am not playing.



Furthermore, in 2010, a fun character was also created, Mr. GIG ('Gioca il Giusto'), who accompanies players in the 'Gioca il Giusto' section of Sisal internet sites and appears in the interactive totems found in all Wincity Gaming halls. Through playful and funny cartoons and sketches, Mr. GIG promotes a message of moderate, aware, and balanced gaming.

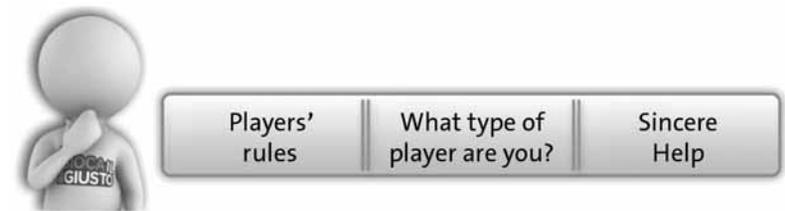


Mr. GIG accompanies players in all key stages of responsible gaming with valuable advice.

Michael Staskin, Sisal Marketing and Communications Director, stated that: *'With Mr. GIG our commitment to support responsible gaming continues, in line with the program launched in 2009. We want to continue to ensure the right balance between fun and responsibility, and Mr. GIG offers us the opportunity to communicate the important "Gioca il Giusto" message in a simple, clear and engaging manner.'*



In the 'Gioca il Giusto' section of the Sisal Internet sites, Mr. GIG provides three useful tools.



2011 Commitments – Player Area



- | | |
|---|---|
| <ul style="list-style-type: none"> • Production of a video addressed to players with the key concepts of responsible gaming that underline the game ban for minors | Spread over the distribution network via SisalTV and Sisal internet sites |
| <ul style="list-style-type: none"> • Publication of leaflets with the 10 Rules for the Responsible Player' addressed to players | Online distribution and delivery of the materials to the distribution network |
| <ul style="list-style-type: none"> • Revision of the self-assessment test 'What type of player are you?' and anonymous verification of results | Test diffusion throughout the entire distribution network and its availability to the players |





9. Stakeholder Engagement

With regards to the issue of responsible gaming, Sisal stakeholders can be identified broadly in six groups, inside of which coexist additional groups of stakeholders (for example, the academic coordinators of some market research with which the Company does not simply develop a consumer/supplier relationship, but a real dialogue based on the exchange of opinions, evaluations, planning, etc.).

The six main groups (not in order of importance) are:

- A. Employees
- B. Players
- C. Public Regulator and Government
- D. Sales Force
- E. Business Partners
- F. Shareholders

Sisal agrees with the European Lotteries and the World Lottery Association, that active engagement by stakeholders requires *a gradual but steady move from an 'old' one-way communication to 'new' two-way (or more) communication, each learning from the opinions and experiences of others, thereby moving from a mere exchange of information to a comparison and therefore an involvement that can build into a real partnership with short and long-range objectives.*¹

¹ World Lottery Association, "Stakeholder Engagement Guide".

Inter-directional Unit

Sisal has already moved forward for all areas subject to EL certification and has taken steps to formalise a specific Inter-directional Unit, approved by both top management and shareholders, capable of coordinating responsible gaming activities carried out for and with the various stakeholders, in order to define the most concrete and measurable goals.

Activities and responsibilities

The following are the activities carried out and those planned for 2011 in relation to stakeholders.

A. Employees

Goal: *to train, inform and update employees on the Responsible Gaming program and on new initiatives in this area, thereby making them capable of providing feedback with ratings, reviews, comments.*

Activities carried out

- Presentation by the CEO during the Company meeting held at Christmas 2009. Explanation of the activities carried out by the Company during the year, together with consideration of the achievements obtained and on the goals to be achieved in the future. First formal reference to the Social Report and criteria of ethics and honesty, which the

Company has always pursued.

- Training of personnel for the internal call center.
- Information activities aimed at CSR Unit.

Activities planned for 2011

- Specific information released by the Human Resources and Organisation Department through a newsletter sent via e-mail on a quarterly basis. The objectives are: to inform employees of Company activities with regards to responsible gaming, to receive via e-mail feedback with information, suggestions, and opinions useful for updating and improving the level of responsible gaming and related initiatives, and to develop suggestions and proposals submitted by employees.
- Adapt and improve the reporting provided by the call center and to the Sisal call center through training sessions which will focus on understanding the requests made by users, and on the verification of expectations and the suitability of the service provided.
- Presentation of the policy on responsible gaming.
- Website information on the corporate intranet regarding the Company's approach to and initiatives regarding responsible gaming.

B. Players

Goal: increase the player's understanding and responsibility towards responsible gaming and prevent excesses caused by an irresponsible approach. Perceive in a timely manner any difficulties the player may have and promptly intervene in the event of an obvious or latent request for support.

Activities carried out

- Online documentation in the 'Gioca il Giusto' section of the Sisal websites. Sisal is aware that gaming can sometimes present, especially in vulnerable individuals, dependency and excesses associated with personal and social problems and will therefore take responsibility to educate and guide its players through a Responsible Gaming program in line with the European Responsible Standards set by the European Lotteries and with guidelines established by AAMS.

Activities planned for 2011

- Strengthening the Sisal call center, monitoring and reporting calls received in relation to problematic gaming, in addition to constantly updating and training staff that interacts with customers.
- Publication and distribution of leaflets aimed at the player with the '10 Rules for the Responsible Player' and the criteria for responsible gaming.
- Strengthening the channels of communication with players in difficulty; greater efficiency/effectiveness of the internal call center (with an increase in the time available to users, consistently verifying the information collected, and the considerations and evaluations that

emerged in the first quarter) in terms of monitoring and feedback on calls.

C. Public Regulator and Government

Goal: to further qualify relationship activities with national and local agencies and institutions moving from positions of comparison to positions characterised by active cooperation.

Activities carried out

- A three-year research project (started in November 2010), in conjunction with the Foundation for Subsidiary in collaboration with the Catholic University of Milan, titled 'Gaming as a form of sociability'. Research is underway on materials and documentation and an initial assessment has been made on methods/contents of communication on public gaming. The research, which is focused primarily on young people, includes analysis and monitoring as a means of communication/exchange between young people and between different targets (such as a blog), which are not common in market research. Other, more traditional methodologies will be included (Delphi method) that may be of great support in view of the sudden change in the reference scenario in which the Company operates. The Sisal partners in this initiative are Lottomatica, Amusement with Prize Machines Concessionaires Association (A.C.A.D.I.) and the Games & Society Association.
- First phase of a research project on the 'Phenomenon of problem gaming' (three planned phases), in collaboration with the Markonet Group and with the coordination of Codacons (the Italian association representing various consumer associations). During the first phase, we collected information and documentation, in Italy and abroad, on the referenced subject. The results were presented at a conference held in Rome in November 2010 in the presence of AAMS top management, professionals in the gaming sector and in the field of health care, as well as representatives of the press, radio, and television media.
- Dialogue with AAMS and law enforcement agencies to combat illegal gaming. Ongoing updating/monitoring/control of initiatives taking place throughout the country.
- Regular dealings and collaboration with institutions and with various institutional partners and politicians at national and local levels. Presence and representation within Confindustria S.I.T. (Innovative and Technological Services).

Activities planned for 2011

- Second phase of the research project on the 'Phenomenon of problem gaming' realised in collaboration with Codacons. Presentation of the results of the second stage at a conference, in the presence of AAMS,

members of the public, professionals and experts in the health sector, as well as the press and media.

- Research project on “Gaming as a form of sociability’ carried out in collaboration with the Foundation for Subsidiary. Starting up of the intermediate stage of the project with the first considerations based on results that emerged during the first phase of research. Formal presentation of the first step of research in August 2011 during the ‘Meeting for Friendship Among Peoples’ in Rimini, with the involvement of other stakeholders (institutions, press, trade associations, competitors, etc.).
- Regular dealings and collaboration with institutions and with various institutional partners and politicians at national and local levels. Presence and representation within Confindustria S.I.T. (Innovative and Technological Services).
- Participation in the ‘Worthy Citizen Award’, an event organised on the day of the Police Celebration that awards a prize to citizens nominated by the community, the press, and the police for having distinguished themselves for acts of good citizenship. Focus on the prevention and fight against illegal gaming.

D. Sales Force

Goal: *inform and educate the retailers on issues related to responsible gaming for better transparency and fairness in sales offers.*

Activities planned for 2011

- Information to retailers on the self-assessment questionnaire.
- Rules on how to identify and possibly approach players/clients with problem-gaming risk (how to identify them, how to ‘approach’ them, how to support them, etc.).
- Magazine *Mondo Sisal*: expansion of the section dedicated to responsible gaming and online collection of feedback by retailers.
- Incorporating the issue of responsible gaming among the topics of the forum of retailers to collect points of view, suggestions, and opinions (feedback initiatives already activated, statistics, etc.).
- Information leaflets addressed to retailers (similar to the one for players).

E. Business Partners

Goal: *inform partners and involve them in sharing criteria and principles, which Sisal intends to use as a reference, especially in the performance of all its activities.*

Activities carried out

- Training activities addressed to external call center operators.

10. Reporting, Measurement and Certification

Activities planned for 2011

- Introduction, notification, and verification (feedback and discussion) of the Sisal policy on responsible gaming and the rules established by the Code of Marketing Communications Self-Regulation within the Company and in relation to its partners, such as: advertising and promotion agencies, PR agencies, and external call centres.
- Follow-up training for call center operators, managed and operated externally.

F. Shareholders

Goal: *to make Sisal, in its entirety, an integral and active part of the Responsible Gaming program, through centralised coordination and proxies for competence and responsibility that are integrated in achieving a common and shared goal.*

Activities carried out

- Presentation of the 2009 Social Report to the Board of Directors.

Activities planned for 2011

- Formal presentation of the 2010 Social Report to the Board of Directors.
- Legitimisation of CSR Leadership Team (evidenced in the minutes of the Board).

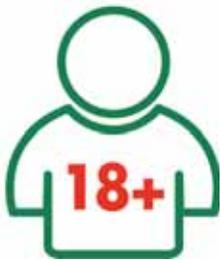
This area notes the commitment undertaken by Sisal in terms of communication and accountability to stakeholders, referred to in the preceding paragraph, on the theme of responsible gaming and the activities underway and programmed to meet their commitments.

To meet the commitments described, the Company must define and organise a mode of communication that foresees regularly reporting on the Responsible Gaming program in a transparent manner. The Sisal 2010 Social Report and the 'Gioca il Giusto' section on all the internet sites of the Sisal Group are social communication instruments useful for achieving this goal. Furthermore, to guarantee continuous updating, press releases are distributed, interviews granted, and specific events organised.

Lastly, Sisal has voluntarily submitted the Responsible Gaming program with the standards laid down by European Lotteries to a third party evaluation of compliance by PricewaterhouseCoopers, and to the certification by European Lotteries itself, consequently adopting all its objectives, criteria and standards of conduct.

Sisal's Age Restriction Measures

² Ethics Code approved by the Board of Directors on March 30, 2010, article 410 (page 9).



One of the priorities of the Sisal Responsible Gaming program, with reference to all areas of activity listed above, is the protection of minors that the Company lists at several levels:

- 1.** The Sisal Ethics Code,² available on the website www.sisal.net, states that:
Even though the game has a connotation of positive emotion, the Company does not allow minors under the age of 18 to play, in order to avoid the risk that these individuals, in their search for new sensations, pick up unhealthy gaming habits and behaviour.

In particular, Sisal requires the same commitment from their retailers, who are bound by the Ethics Code:

To this end, the Company has instructed the retail network not to accept gaming requests from anyone under the age of 18. The operators of points of sale, if in doubt about the age of the client, must request an identification document.

As regards remote sales:

Sisal has also set up monitoring tools to prevent minors from playing using the new remote sales channels such as, for example, gaming via the internet.

- 2.** The Sisal Penalty System (Organisational Model pursuant to the Legislative Decree 231/01) at article 5 (page 6) provides that:
With regards to collaborators, consultants, and partners in general, should any of these violate its Ethics Code, the Company will apply the provisions foreseen on a case by case basis in existing contracts between the parties and resulting in:
 - *Termination of the contract for default.*
 - *In special cases, application of criminal law, including indemnity for major damage.*

Furthermore:

The Supervisory Body will have the authority to carry out any investigations and inspections deemed necessary as a result of reports of possible violation of the Ethics Code or as a result of actions taken by legal authorities. Collaborators, consultants, and partners must fully and transparently collaborate with the Supervisory Body and provide the information requested.

- 3.** Article 21 of the contract for physical points of sale for national totalisator number games (NTNG) includes a specific constraint that requires retailers to comply with the Ethics Code:
The retailer declares that he is aware of the Ethics Code adopted by Sisal, compliance with which is an essential part of the obligations assumed by signing this contract. Any violations of this Ethics Code

could, therefore, in more serious cases, determine the termination of this contract and liability for any damage suffered by Sisal.

4. All gaming play slips carry the logo 18+, as do all Sisal advertising campaigns.
5. Online: To open a gaming account, the player's age must be indicated (which must be over 18 years old) and Company policy also requires that a copy of an identification document must be sent to Sisal in order to verify the age of the participant.
6. Marketing Communications: Sisal has adopted the Code of Marketing Communications Self-Regulation developed by the Advertising and Marketing Communications Self-Regulation Institute. To ensure effective application of the principles set out in the Code and provide a model of responsible gaming, the Company has developed additional guidelines regarding commercial communication, making them part of its policy on responsible communication. Among these, the most important is Sisal's commitment *to avoid contacting or referring, even indirectly, to minors under the age of 18, in order to avoid the risk of the use and abuse by minors.*
7. Sisal has the assignment to report any violation of the minors gaming ban that may come to its knowledge.

The activities listed above referring to the protection of minors have been carried out also pursuant to article 1, paragraph 70, Stability Law 13/12/2010 No. 220 (published in G.U. No. 297 21/12/2010).

Sisal's International Commitments



For some time now, Sisal has applied international best practices in the field of responsible gaming and is a member of key international associations such as the World Lottery Association (WLA) and European Lotteries (EL), with which it measures itself to enhance experiences in terms of responsibility and prevention.

World Lottery Association

In 2007, Sisal signed the 'Responsible Gaming Framework' promoted by the World Lottery Association. What makes the WLA program particularly interesting is the *reality* of the actions taken, including:

- The mandatory and direct involvement of institutional and social parties.
- The measurement methods applied both in the form of self-assessment and mutual expertise among operators worldwide.

- The provision of a formal personal commitment by top management to comply with the principles agreed to.

These specific aspects, together with all supporting materials provided to the Companies participating in the program, make the 'Responsible Gaming Framework' the most effective means to achieve the international goals of equity in the management of gaming products. Sisal is committed to integrating the 'Responsible Gaming Framework' program in its daily activities and to maintain an appropriate balance between revenue, entertainment, and consumer expectations.



European Lotteries

Sisal has long worked with EL, an independent international association that brings together the government lotteries and gaming operators in Europe (more than 70 operators). European Lotteries was founded in 1999 with the aim of promoting the development of European gaming operators and collaboration among its members. European Lotteries is committed to fighting illegal gaming and minimising any potential risks arising from gaming.

Sisal is certified in the field of responsible gaming

- In 2011, Sisal scored among the top European operators in its certification for complying with EL Responsible Gaming Standards.

Sisal signed the European Code of Conduct on Sports Betting

- In 2009, Sisal signed the Code of Conduct on Sports Betting drafted by European Lotteries, which helps to further protect sports and sports betting from the crimes of fraud, corruption, and money laundering, as well as the risks of child and compulsive gaming or uncontrolled betting.

Companies that have adopted the EL Code of Conduct operate primarily in the following areas:

- Promotion of sports values
- Support of responsible gaming
- Combatting corruption in sport
- Preventing fraud and 'match fixing'
- The fight against money laundering
- Prevention of conflicts of interest

The signatories of the Code also pledged not to accept bets on events clearly affected by or subject to easy corruption.

Rules were also adopted that eliminate conflict of interest and govern the relationship between gaming companies, their owners, managers, employees, the sports sectors, competitions, clubs, and individuals.

The signatories encourage measures that forbid players, coaches, and managers to bet on their teams, competitions, or games. By signing the Code of Conduct, Sisal has strengthened its commitment to promoting responsible gaming and sports ethics, prohibiting gaming by minors, and reducing the risks of sports betting.

Compliance with the Code shall be ensured by a commission composed of EL representatives, representatives of sports organisations, and individuals with a high degree of moral authority.

The Code of Conduct on Sports Betting is the result of agreements signed between the World Lottery Association and FIFA, and between the European Lotteries and UEFA. Under these agreements, International Lotteries Associations keep the football federations up to date with information relating to betting, competitions, and suspect games.

The Matchinfo Risk Group, consisting of experts from member companies of the European Lotteries, in cooperation with UEFA delegates, monitors events at risk of illegal betting in Europe twenty-four hours a day. In cases of suspect situations, the Risk Group warns UEFA, which has the power to take appropriate precautionary and control measures.

More than twenty betting and lottery companies signed the Code of Conduct on Sports Betting.

- In 2003 Sisal signed the Code of Ethics ('Code of Practice') sponsored by European Lotteries.

La barca dei comici

Author: Carlo Goldoni

Director: Stefano De Luca

Piccolo Teatro of Milan—Teatro d'Europa



4.

Stakeholder
Engagement

INVOLVEMENT expectations respect RESULTS development

Stakeholder Engagement at Sisal

Sisal stakeholders can be broadly divided into eight major groups: the public regulator and government, shareholders and investors, human resources, distribution network, business partners (the distribution network and business partners are Sisal's commercial partners), consumers, the environment, and the community at large.

The link between Sisal and its stakeholders is most evident in light of the values and practices summarised in the concept of 'stakeholder engagement', which, for Sisal, means commitment to its stakeholders, their involvement, and an understanding of their legitimate interests and expectations.

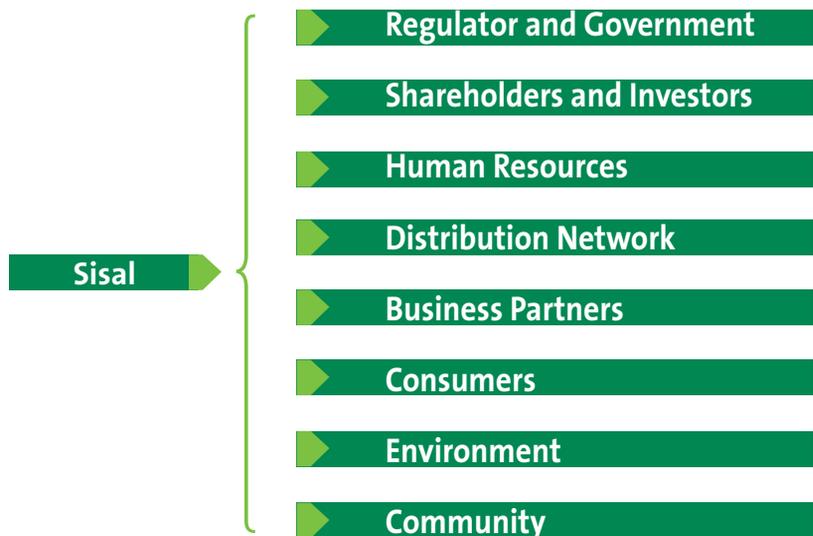
Sisal fully agrees with the position of the European Lotteries and World Lotteries Association that actual 'stakeholder engagement' needs:

A gradual but steady move from an 'old' one-way communication to 'new' two-way (or more) communication, each learning from the opinions and experiences of others, thereby moving from a mere exchange of information to a comparison and therefore an involvement that can build into a real partnership with short and long-range objectives.¹

This process must be based on an explicit strategy that defines the legitimate expectations of the Company stakeholders, the objectives, the criteria by which decisions are implemented, and lastly, an assessment of the results compared to the targets set.

The 'community' stakeholder is dealt with separately, given the size and importance of the actions undertaken by Sisal in this area. These actions are presented in the next chapter.

¹ World Lottery Association
"Stakeholder Engagement
Guide".



Regulator and Government



AAMS

In Italy, games are controlled and governed by the Autonomous Administration of State Monopolies (AAMS). Consequently, the relationship with AAMS is a constant and central activity of the Sisal Group.

In particular, Sisal, directly or through other Group Companies, operates as an AAMS concessionaire with regards to collections, both in the retail network and specialised points of sale, for traditional games such as SuperEnalotto and Vinci per la vita–Win for Life in the context of the concession of national totalisator number games (NTNG), as well as Tris, Totocalcio, Totogol, and Big Match. Due to specific concessions, the Sisal Group also offers horse race betting and online gaming in the context of fixed odds betting. Furthermore, as of July 2004, it is an AAMS concessionaire for the management of the NewSlots (amusement with prize machines) telecommunications network.

² “AAMS – The Governance of Gaming”. Institutional brochure 2008.

As stated in the institutional presentation ‘AAMS – The Governance of Gaming’:²

The Autonomous Administration of State Monopolies carries out administrative activities geared to control and govern the entire gaming industry, having acquired, in light of developments in legislation, government functions, while maintaining some of the traditional authority on products derived from tobacco.

The reason for the presence of government, both in the gaming and the tobacco industry, is to ensure tax revenue compatible with the protection of other important public interests: the protection of consumers and the fight against illegality. No less important is the role of facilitating the development of economic activity, production, and distribution activities,

which have become significant for creating wealth and employment. In the gaming sector, AAMS carries out its role by drawing up the guidelines for a dynamic and rational evolution of the industry, constantly checking operator conduct. Furthermore, it intervenes in contrasting all illegal phenomena and lastly, ensures the best use of tax revenue [...]

The fight against illegal markets must be exercised with the combined use of two levers: regularisation and repression. AAMS's choice is to focus firmly on prevention, firstly by expanding and qualifying the offer, in order align it to consumer demands. However this must be achieved without having to waiver from targeted repressive actions.

Particularly significant in this sense is the initiative conducted in collaboration with the Ministry of Communications, to control technical ways to inhibit access to internet gaming sites that propose games without concession or authorisation.

In addition to the fight against illegal gaming sites, AAMS creates promotional campaigns aimed at players with information in particular dissemination of rules and possible gaming risks especially with regards to protection of vulnerable groups, in particular children.

The activities of the Administration have been – and continue to be – especially careful in regards to children. The goal is to convey the core message that young people under the age of 18 are not allowed to play in any way, and that once this age is reached and it is possible for them to approach gaming, that it is not the sense of life. The approach must always be based on ‘measure’ and ‘balance’ in order to prevent pathological gaming and generate awareness of ‘legal and responsible’ gaming.

Sisal fully shares and adopts the objectives of AAMS; jointly promoting a culture of transparent, legal, and safe gaming that thrives. Therefore, this important message is constantly brought to the public’s attention through communications and technological support.

The significant development of the gaming market has also made it necessary to evolve communication in the Administration. In particular, this need is manifested commencing with the institutional logo. In fact, the message ‘Gioca Sicuro’ (‘Play Safe’), which has always accompanied the graphic symbol of the half rudder, has been replaced by AAMS by ‘Gioca Legale e Responsabile’ (‘Legal and Responsible Gaming’), words which today are considered more consistent with the strong and constant call of the institutional message focused on strengthening:

- 1.** Legality and safety, prerequisites that must characterise the public gaming sector, with the dual scope of making gaming products au-

thorised by the State even more recognisable, and strengthening actions to combat illegal gaming.

2. Social responsibility of the Administration, which oversees governance, as well as the responsibility of the player, for a measured, moderate and compatible approach to gaming.

In light of pursuing the above objectives and the desire to more effectively and efficiently fight against gaming practised in ways and conditions other than those in line with legal and safe gaming, on December 21, 2010, the Official Gazette of the Italian Republic, published Law No. 220, dated December 13, 2010, entitled Directives for Preparing the Annual State Budget – Stability Law 2011. It has been in force since January 1, 2011, and in paragraphs 64-82 there are important directives with reference to the gaming and betting sector. In particular, these provisions consist of:

- a. The fight against illegal and irregular gaming ('action to counter gaming managed and practiced in forms, methods, and terms other than those typical of legal and safe gaming') and in the preservation of public order and security ('of law and order, the fight against [...] the infiltration of organised crime in the gaming industry').
- b. The reaffirmation of the State's exclusive right and the monopoly on gaming and betting under article 1 of Legislative Decree No. 496 of April 14, 1948, ('based on State monopoly on gaming in article 1 of Legislative Decree No. 496 of April 14, 1948, ratified by Law No. 342 of April 22, 1953'), by strengthening the role and tasks assigned to the Autonomous Administration of State Monopolies.
- c. The protection of consumers and, in particular, children ('action to protect consumers, especially minors [...] in the fight against child gaming') which, in paragraph 70, by internal management decree, provides for adopting 'action lines' for preventing, enforcing and recuperating 'ludopathy resulting from compulsive gaming', while prohibiting children under 18 years of age from participating in public games with cash prizes incurring administrative fines and disqualifying the owner of the business.

Sisal's ongoing dialogue with the regulator and public institutions

In 2010, Sisal's goal was to further characterise its relationship with institutions and organisations through effective collaboration, transparency, and professionalism consistent with both the expectations of the Company and behaviour and actions that are consistent with the role of State concessionaire in a controlled market. In this context, in

addition to a corporate policy marked by a constant and total adherence to the rules established by AAMS as the major institutional partner, Sisal has always adopted a policy of sharing the expectations and indications of the Administration with regards to both economic revenue and social and sustainable development.

In addition, the Company pays close attention to a particularly sensitive area: responsible gaming. In line with AAMS and its policies on legal and responsible gaming, Sisal has developed the 'Gioca il Giusto' ('Play Right') program, drawn up to ensure the right balance between fun and responsibility and to prevent forms of gaming that are a potential risk for players. In this respect, a plan of specific actions was implemented with the aim of preventing and combating illegal gaming. This plan consists of ongoing control, reporting, and the verification of nationwide activities in order to promptly provide the authorities with a picture of the situation and a useful and effective analysis.

Public Institutions

The regulatory framework, as described above, gives ample governing power of this sector to AAMS, which mainly operates according to specific rules established by governmental and parliamentary initiatives.

Thus, the parliamentary bodies – the House and Senate – as well as the government and the Ministry of Economics are important stakeholders for the activities of the Sisal Group, which has dedicated resources to the continuous monitoring of parliamentary work. Furthermore, although Sisal is in compliance with the principle of subsidiarity, which sees national legislation prevail over that of the community, the Company must also take account of guidelines issued by the European institutions – Parliament, commission and court of justice – for the proper understanding of directives and regulatory development processes of this sector.

Two stakeholders with a long Sisal tradition are UNIRE (National Union for the Improvement of Horse Breeding) and CONI (Italian Olympic Committee). Together with the Ministry of Forestry and Agriculture, UNIRE has been Sisal's institutional representative since 1948 for the development of horse race betting and pools, both in agencies and retail network channels. Recently the responsibility of UNIRE on horse race gaming has been shared with AAMS. Although sports betting and pools were initially under the direct responsibility of the CONI, in 2002 they were entrusted to AAMS and are now managed by the concessionaires of public games. Sisal, however, maintains an important relationship with CONI for the significant funding of Italian sports activities coming from the entire gaming sector.

Recently, with the development of anti-money laundering legislation, another major institutional stakeholder has been added: the Bank of Italy and, in particular, the Financial Intelligence Unit (FIU), which is responsible for preventing and combating money laundering and terrorist financing. Lastly, Sisal maintains cooperative relations with the law enforcement authorities, with the Minister of the Interior, with municipalities and with local authorities in order to openly communicate its corporate activities and problematic gaming issues arising nationwide.

Proper, transparent, and prompt dialogue between national and European institutions and the Sisal Group, capable of effectively transmitting the Company's perspective and experience gained in the field in its sixty-five years of activity has always been one of the key strategies of the Group. This strategy is further enhanced through the decision and desire to operate according to the principles of social responsibility and ethical conduct, essential in a regulated market like that of gaming, which have been adopted in every activity undertaken by the Sisal Group.

Shareholders and Investors

Large and small investors alike believe in Sisal Group. The corporate structure is organised so as to ensure, at all levels of control, transparency, participation, and solidity. Control of the operating companies is held by Sisal Holding Finanziaria S.p.A.; 3,590 retailers participate in Sisal S.p.A.'s capital.

Those who have indirectly invested in Sisal Holding Finanziaria S.p.A. are:

- › Apax and Permira, international private equity funds
- › Clessidra, an Italian private equity fund
- › The family of co-founder Geo Molo
- › The chief executive officer and senior managers of the Company
- › Global Leisure Partners LLP (GLP), a financial consulting company

In the Autumn of 2006, when Apax and Permira funds became part of the stock share, communication was sent to the Directorate General for Competition of the European Commission that highlighted the existence of joint control over the Sisal Group, through Sisal Holding Finanziaria S.p.A., by Apax, Permira, and Clessidra, according to the statutory provisions relating to operation of corporate bodies.

International and Italian private equity funds that are among indirect Sisal members are:

Apax Partners

One of the largest managers of private equity funds worldwide, AP was founded over 30 years ago. It manages \$35 billion in funds throughout

the world, with offices in 9 countries and the global expertise of a team of over 100 professionals. The latest fund, Apax Europe VII, is currently the largest private equity fund in Europe, valued at €11.2 billion. The funds managed by Apax Partners invest in companies creating and strengthening international excellence. Among these is the Apax Europe VI fund, which is a direct partner of Sisal. Apax funds have allowed the businesses to grow and create value in the best interest of all employees, partners, and investors.

Permira

A European private equity firm that operates throughout the world. Capital raised from pension funds and other institutional investors has turned into investments in companies with strong growth potential. The Permira Europe III fund, valued at over €5 billion, is an indirect shareholder of Sisal.

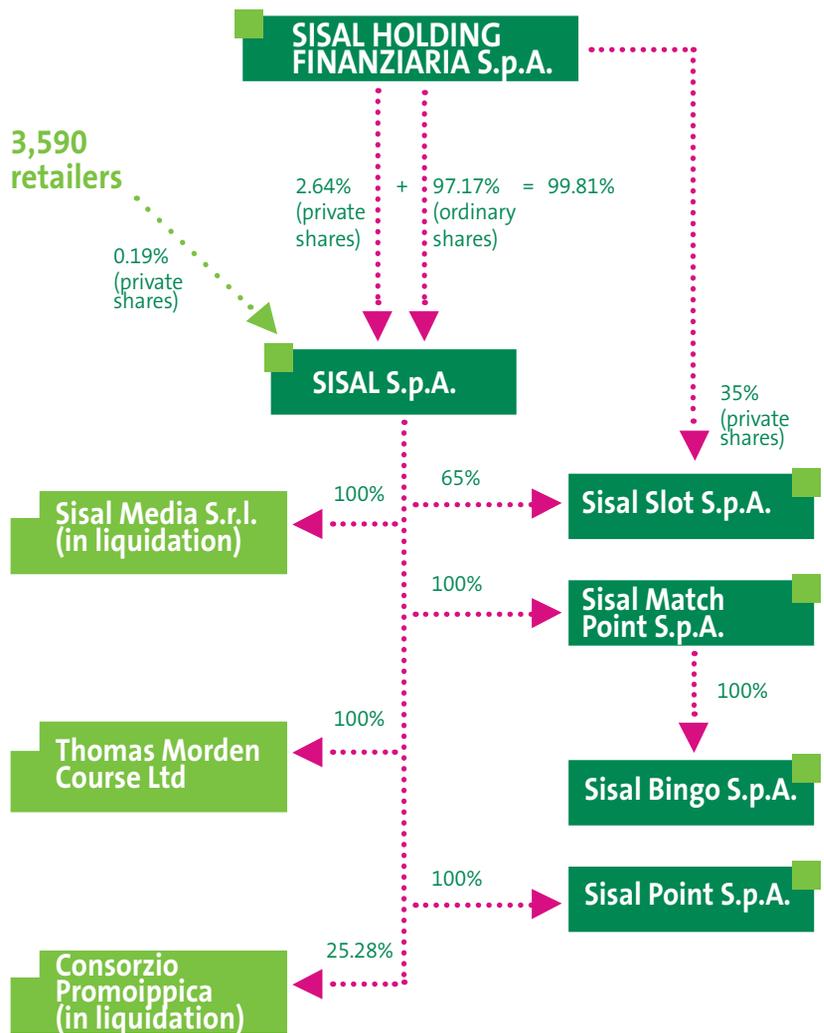
Permira has over 130 professionals in 12 offices worldwide, including Milan, Frankfurt, Hong Kong, London, Madrid, New York, Paris, San Francisco, Stockholm, and Tokyo. In the course of their work, Permira Funds have completed over 190 acquisitions, investing in companies in a variety of sectors. Since 1988, when Permira opened its offices in Italy, the company has been a pioneer of private equity, with over 50 investments and a total value of €17 billion.

Clessidra SGR S.p.A.

Clessidra was established in 2003 as an independent company reliant on the significant professional experience of its partners in the field of private equity and complex financial transactions. These include mergers, acquisitions, and restructurings. It is entered in the SGR register, which is maintained by the Bank of Italy and the National Guarantee Fund, and is a member of the Italian Private Equity and Venture Capital Association (AIFI) and the European Venture Capital Association (EVCA).

Clessidra SGR S.p.A. is the manager of the Clessidra Capital Partners Fund, a leading private equity fund dedicated exclusively to the Italian market, which has invested substantially in the budget of €820 million, collected from numerous institutional and financial groups, industrial and high standing retirement funds, demonstrating an important position in the Italian market.

Company Organisational Chart as of December 17, 2010



Legend
 Active company
 Inactive company or in liquidation

The Companies

Sisal Holding Finanziaria S.p.A.

Besides being the holding company of Sisal Group that provides management and coordination of the companies that comprise it, Sisal Holding Finanziaria provides collection and payment services to the public since it is registered in the general list of financial intermediaries referred to in article 106 of Legislative Decree 385/93 (TUB). A request was made to the Bank of Italy to allow the company to operate as a payment institute. Sisal Holding Finanziaria has its head office in Milan, on Via di Tocqueville 13, and is controlled 100% by Gaming Invest Sàrl. In 2010, the total turnover of the Group was €11.3 billion, an increase of 20.2% over 2009.

Sisal S.p.A.

Controlled by Sisal Holding Finanziaria, Sisal is active in the gaming industry, in particular with SuperEnalotto and Vinci per la vita—Win for Life, and offers a wide range of services for the public represented by third-party products (such as mobile recharge, calling cards, billing, collection, physical distribution, etc.) for which Sisal manages marketing activities. More than 360 services are offered to the public, and are available in around 40,000 points of sale, connected online through a technologically advanced network. More than 20 million consumers use these services annually.

In September 2010, Sisal signed a protocol agreement with the government for the 'Friendly Networks' project. This synergy between public and private networks is used to increase points of contact between citizens and local authorities. In this way, Sisal has made its network available to allow citizens to use government services through an infrastructure spread throughout the country that is easily accessible thanks to its user-friendly tools. The 2010 turnover amounts to €275.3 million.

Sisal Match Point S.p.A.

Sisal Match Point operates in the betting sector on sporting, horse racing, and social events authorised by AAMS through 4,000 points of sale, including 160 directly operated gaming halls and agencies, as well as through internet and mobile channels. Furthermore, Sisal Match Point distributes Tris, Totocalcio, Totogol, and Big Match bets. It is also active online, with Sisal Poker, Sisal Bingo, Sisal Skill Games and Sisal Casino. The turnover for 2010 was €108.4 million.

Sisal Slot S.p.A.

Sisal Slot is active in the market of amusement with prize machines. It operates directly through approximately 400 administrators distributed nationwide, equipped with over 30,000 machines connected to its central system, 10,000 of which are owned by Sisal. In September 2010, the

new concept retail Sisal Wincity entered the market, with gaming halls based on the concept 'Eat, Drink, Play', where you can eat, drink, and play games or watch performances and events inside a pleasant and secure environment.

The turnover in 2010 was €336.9 million.

Sisal Bingo S.p.A.

Since the second half of 2007, the Company has covered the bingo hall market, and now also online bingo.

The turnover in 2010 was €6.7 million.

The Sisal Group Trademarks



Human Resources

The basic strategy of Sisal is to respond to the many, but not necessarily conflicting, needs of different stakeholders in order to consolidate its market position by creating the necessary conditions for business growth. The economic strength and prospects for development will certainly respond to the needs of shareholders, but there are also the prerequisites necessary to ensure employee and collaborator job stability, opportunities for professional growth, and a positive climate in terms of professional and human relations.

In this context, Sisal has set itself the objective of strengthening its organisation and its communication and management policies on human resources through various activities – already started in recent years and particularly active in 2010 – that the Company proposes to strengthen, stabilise, and make common practice for all managers and all employees of the Group starting as early as next year.

From the perspective of Sisal Group's Human Resources team, 2010 was characterised by four main areas of intervention:

- Employment growth
- The review of organisational structures
- The implementation of a development plan for sales staff
- The signing of the first supplemental company contract for all Group Companies

Employment growth

2010 confirmed the strong growth trend in Sisal employment levels, a phenomenon that is particularly relevant and significant if we consider the difficulties in the Italian labour market in recent years. An increase in staff was achieved through business development and, in particular, the growth of the slot machines sector and the launch of the new videolottery (VLT) business. Overall, the Group has grown from 1,058 employees in 2009 to 1,206 in 2010, an increase of 14%. It is also noted that there is a process of stabilisation of fixed-term contracts; in 2010, 90 fixed-term contracts (98%) were confirmed in service for an indefinite period. Plans for 2011 anticipate a further growth in staffing (+18%), confirming Sisal's attention to employment issues. The tables below show the employment figures for the Group, broken down by occupational status, age, gender, qualification, and geographic location.

1. 2010 employees divided by level

2. Percentage of employees with part-time contract

3. Turnover rate

Grade – Level	Total
Managers	41
Supervisors	84
1 st level employees	100
Other	981
Group Total	1,206

Employees with part-time contract	14%
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Turnover rate	4.91%
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4. 2010 employees divided by age group and gender

Age group	M	F	Total
20-30 years	186	121	307
30-40 years	287	210	497
40-50 years	141	105	246
50-60 years	98	47	145
Over 60 years	8	3	11
Group Total	720	486	1,206

5. 2010 employees divided by qualification

Qualification	Total
Degree	241
Diploma	522
Other	443
Group Total	1,206

6. 2010 employees divided by geographical location

Location	Total
Milan	472
Rome	184
Bione – Lecco	81
Telecommuting	5
Technicians and Sales Representatives	142
Match Point – Sisal Wincity – Bingo gaming halls	322
Group Total	1,206

Organisational review

In 2010, Sisal studied, prepared, and launched a major review of its organisational structure to respond more adequately to the needs of the market and to make its organisation more efficient and professionally stimulating. The new organisation is based on the introduction of three business units (BU), equipped with their own internal resources, which are necessary to achieve their economic targets, and more importantly, to create specialised staffing structures in support of strategies, innovation, and the formulation and control of operational guidelines. This new organisation offers – and will continue to offer in the future – many opportunities for growth and professional development for the best internal resources.

As evidence of attention to innovation and the future, the Business and Product Innovation Department was established. This department was tasked to organise and monitor the activities of product and market innovations for the Group. A true center of excellence, it has set itself the goal of becoming a place of experience and a point of reference for the bright young graduates of Italian universities. To this end, there are ongoing agreements with prestigious universities and specialisation schools to provide internships at the Group for young graduates or postgraduate students interested in the gaming world in all its aspects (economic, ethical, technological, statistical, or communications).

The development plan for sales staff

2010 was characterised by an important and comprehensive organisational development action called 'SiSales Excellence', geared to Sisal and Sisal Slot sales staff. The intervention involved more than 100 employees and was structured in various steps; creating a model of excellence for sales organisation, sharing that model, then evaluating and self-assessing the skills available within the Company compared to those provided by the model and, at the same time, conducting an individual and group assessment involving the sales staff of both Companies. On the basis of these results, a plan for a training program focused on tackling the main areas of improvement is now underway. The target set for 2011 foresees extending the initiative to Sisal Match Point colleagues (both sales staff and agencies managers). The plan has been included in a more extensive training program, which in 2010 saw the Group deliver more than 6,000 hours of training.

Group Company contract

January 2010 saw the signing of the first internal contract valid for all the Group Companies included in the CCNL (Italian Collective Labour Agreements) of the trade and service sectors. The main points of the agreement were confirmation of the industrial relations system and the assurance of ongoing discussion and dialogue with trade unions; the Group's entry in the National Health Fund for Trade (EST Fund), which has transformed

the existing corporate health insurance policy into a supplemental fund, thus significantly improving the health coverage for employees, and the amendment and equalisation for all Group Companies of the company productivity premium.

For 2011, the Company has set itself the objective of consolidating and expanding the main activities carried out in 2010 and developing other important projects started in 2010.

Special attention will be given to the Communications Plan for employees, which began in 2010 and will become fully operational in 2011, with the launch of an internet platform entirely dedicated to communications. The project will develop in the coming years an innovative Web 2.0 system which will enable the following: a two-way communication between the Company and its employees, discussion and dialogue between employees, a training platform (e-learning), a multimedia communications channel, more flexible and effective methods for sharing alerts and business documents, fast access to company newsletters, and a website with information on employment, professional training, and dissemination of safety standards.

These new forms of internal communication will be added to those already in place, including the disclosure of organisation notices and key business initiatives, informational meetings, and encounters with the sales staff.

Based on the experience gained from our qualified professional sales staff, actions to improve development processes and assess employee skills will continue, with particular attention to managerial positions and young talents.

Distribution Network

The Sisal Group employs a total network of around 44,000 points of sale, enabled for the collection of games under concession, some of which are also active in the market of services to the public. The network is nationwide, and is made up of newsstands, bars, tobacco shops, agencies, corners, dedicated points of sale, and the new Sisal Wincity gaming halls. In detail:

- 39,098 points of sale for national totalisator number games (NTNG) and services to the public (inclusive of 3,849 horse race and sports corners)
- 4,693 points of sale exclusively dedicated to amusement with prize (AWP) machines
- 160 Match Point agencies and gaming halls
- 2 Sisal Wincity gaming halls opened in 2010

The network is supported by a sales team divided into business areas and more than 300 administrators of the Sisal Slot distribution network. The approximately 40,000 points of sale of the Sisal retail network are supported by a group of over 120 people working in trade marketing and sales.

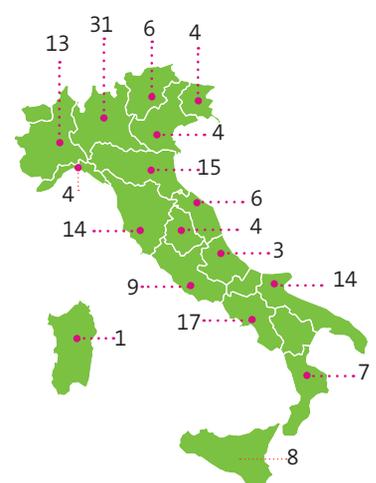
The Sales Department is made up of about 300 people divided into trade marketing and sales. The trade marketing function, which is tasked with defining the business strategies to be implemented in the point of sale, uses two trade marketing specialists and one trade marketing assistant who work under the direction of the trade marketing manager. The Data Analysis Team and the Systems Dashboard Team work under the direction of the Head of Sales. The latter is tasked with developing gaming systems and offering them to the retailers via a dedicated web portal.

Sisal points of sale are carefully selected based on optimal presence in the country: positioning (population flows and income generated) and demonstrated ability in managing the business. The network is constantly monitored by the Sisal Sales Department and contracts with the administrators are subject to annual review on the basis of performance.



Retail network

Nationwide distribution of the retail network



Agencies and gaming halls

Distribution by region of Sisal Match Point agencies and gaming halls (160)

In summary, the added value of the Sisal distribution network consists of:

- Approximately 40,000 points of sale covering municipalities with more than 3,000 inhabitants, over 12,600 of whom are equipped with SisalTV
- Multichannel network with points of sale provided with different commercial proposals
- Technical-commercial training in support of the points of sale

The sales staff operates under the direction of the Head of Sales and is composed of a network of qualified professionals who help strengthen the relationship with the points of sale. Specifically, there are 4 district managers, 65 area managers, and 40 visual merchandisers, divided by Nielsen Areas to cover the distribution network. These are tasked with managing SuperEnalotto, Vinci per la vita–Win for Life and Win for Life Gold products, services to the public, sports and horse race betting, and pools.

The sales staff visits the points of sale for quality control and to optimise the activities of the Sales Department. It also takes care of selecting the distribution channels, evaluating new point of sale openings, and training the retailers, with whom there is ongoing dialogue through different communication channels (receivers' web portal, gaming terminals, the publication *Mondo Sisal*).

Sisal Match Point is active in the business of sports and horse race betting. There are 160 agencies and gaming halls and 3,849 corners, with a market share of over 10%. The Sisal Match Point agencies network currently consists of 55 points of sale managed directly by employees of the Company (direct agencies), and 105 points franchised by qualified business partners (partner agencies), constantly monitored by the Sales Department that employs 10 key accounts nationwide.

The distinctive features of Sisal Match Point are:

- Stable and competitive quotas throughout the network (as well as online)
- Complete product portfolio, including significant offers on minority sports and non-sporting events
- Team of professionals with a standing experience in national and international bookmaking
- Technology developed by Sisal and compatible with the distribution network management systems
- Informative material at the point of sale that is always up to date

Sisal Slot is the Sisal Group Company that caters to the market of AWP machines, offering both quality and high professional standards in the interconnection service and the rental of amusement with prize machines.

The philosophy behind Sisal Slot is to provide operators and retailers with the most innovative gaming machines while ensuring quality and safety with interconnections. For this reason, Sisal Slot collaborates with major gaming machines distributors throughout the country, who are true Sisal Slot partners.

Sisal Slot has a sales staff that consists of 28 area managers, 2 district managers, 4 key accounts, and 1 head of sales.

In 2010, Sisal launched its Wincity gaming halls: gathering places that each day, from morning to night, offer an innovative entertainment idea that combines fun and positive socialisation. Sisal Wincity is a new meeting place where you can eat, drink, play games, or watch performances and events inside a pleasant and safe environment.

Wincity gaming halls offer a high-quality catering service and an extensive schedule of events ranging from food tasting to face-to-face encounters with leading music stars; from the projection of all the main sports events to side initiatives linked to major events in the city.

Sisal Wincity halls offer a comfortable environment, equipped with cutting-edge technologies, where the entire range of Sisal games are available to the public.

In Sisal Wincity gaming halls, much has been invested in security and customer service to ensure that the right information is given to players and that there is a moderated gaming environment. The staff has been carefully selected and trained, with particular reference to the figure of the personal player that supports players and provides them with information about how to play, safe gaming rules, and gaming restraining mechanisms.

Particular attention is paid to 'Gioca il Giusto', Sisal Responsible Gaming program, which is used to distribute informative materials available to players inside the Wincity gaming halls.

The client is supported from the moment he/she enters the reception area that offers hospitality to visitors and ensures that gaming is banned to minors.

The first two Wincity gaming halls were opened in Milan and Rome in August and October 2010. Further openings are planned in Turin, Brescia, and Pescara.

Dialogue with the point of sale

The call center

³ Service Level Agreement (SLA). The quality level requirements in this case refer to the efficiency and the time taken in the escape information practices.

A dedicated call center is available to retailers, and provides quick and competent answers. In 2010, the call center exceeded 90% of the SLA quality standards³ imposed by AAMS, thanks to around 50 operators active in Milan, as well as those in Rome and Palermo. The call center integrates multiple channels (mail, telephone, and fax) to provide a more efficient service.

The retail network

The Retail Area is supported by two websites dedicated to Sisal retailers and Sisal Slot administrators.

The retailers' portal (www.ricevitorisital.it) is the site dedicated to direct communication with Sisal retailers. The site contains news, updates, and training on products and services, company announcements, and forms needed to conduct activities. From the portal, retailers can request consumer goods and also consult their accounting.

The administrators' portal (www.gestore.sisal-slot.it) is the site dedicated to direct communication with Sisal Slot administrators and, like the portal for retailers, provides updates and training on products and services.



Mondo Sisal

Mondo Sisal, a quarterly publication sent to all points of sale, is an important tool for dialoguing. The publication includes information on new products, corporate communications, social responsibility issues, and updates on the Responsible Gaming program.

Starting in 2011, both the graphic design and contents of the magazine have been improved. Among the innovations: the column 'ZonaRice – the Word to Retailers' the scope of which is to involve an increasing number of retailers, to create ongoing dialogue with the distribution network and to receive suggestions on how improve the services offered.

Terminal messaging

The gaming terminal is the safest and most direct way to reach the points of sale. Every month, messages are sent on new products, special events, gaming gains, pool reports, newsletters, and other information.

With the terminal, it is also possible to send pop-up messages with a maximum of 120 characters capable of providing instant communications.

Training program for retailers

Sisal improves its retail network through an intensive and innovative training program.

In particular, in 2010, in conjunction with a company leader in the training field, the 'Matryoshka Project' was activated, aimed at spreading management culture to the retail network. The initiative offered the entire Sisal distribution network a training course that will be further developed in courses to be offered in 2011. These courses will focus on matters relating to dealing with customers, customer care, cross-selling, and responsible gaming.



The retailers who participated in the two-day module were invited to play different characters – like the customer and the testimonial – in a particularly stimulating context. In 2011, it is expected that a forum will be held to focus on confrontation and to continue with the activities initiated in the classroom. The issues addressed by the forum will always be focused on the relationship with the consumer, with the addition of new issues and specific insights arising from questions asked in the forum.

Training focus is being developed for the management of points of sale, merchandising, organisation, and optimisation of exhibit spaces by type of point of sale.



An e-learning platform has been activated for online training courses dedicated to retailers with the scope of further enhancing and enriching the training program.

The basic online course provided to all the new retailers offers the tools necessary to be aware of the profile, products, and activities of the Sisal Group. In this training module, a section has been introduced on responsible gaming.



With the implementation of the new platform, the goal for 2011 is to deepen some issues, including social responsibility, responsible gaming, and anti-money laundering.

The innovation, including graphics, of the training program will further enhance usability, with the aim of involving an increasing number of retailers. The individual questionnaires – collected both online and directly – that are used to measure the rating of the proposed activities and examine the issues that retailers would like to see developed in their

training courses, are important elements of the training process offered by Sisal, who is particularly attentive to the opinions and suggestions of its retailers.

Business Partners

The Code of Ethics and Conduct adopted by Sisal in accordance with e.g. Legislative Decree No. 231/2001 provides the Company fulfilment for a direct and open dialogue with its business partners to guarantee maximum cooperation in consistently ensuring that the Company and customer needs are met in terms of quality, costs, and delivery times.

Sisal guarantees to its business partners direct and transparent communication, shared responsibility for solving problems quickly, and cooperative work to minimise and manage business risks and to improve procedures.

Sisal has established relationships with many business partners who are an integral part of its business. The gaming market is constantly expanding and Sisal is aware that increasing its competitive advantage also means ensuring continuous improvement in efficiency and innovation for both products and corporate practice. At the same time, Sisal devotes great attention to meeting the requirements of updated gaming market regulations and the expectations of its stakeholders.

Achieving this objective requires excellent relations with the whole supply chain and increasingly high performance. With regard to the resources essential to running the business, business partners are divided into the following types of purchases:

- Terminals
- Gaming materials
- Logistics services
- Call center services
- Merchandising
- Fixed and mobile communications services
- Hardware and software
- Consulting services

The Company carries out evaluation and qualification of all its business partners who supply materials, services, and performances that directly influence customers and processes in the context of the quality management system. Sisal ensures that any equipment, materials, services, and performance purchased comply with specified requirements. The evaluation of the business partners is based on compliance with the contracts and orders, and the monitoring of any

differences between the Service Level Agreement (SLA) and service levels actually delivered.

Monitoring the SLA and assessing specific elements, such as compliance with delivery times and specifications, the accuracy of technical documents and administrative documents, make it possible to perform an overall analysis of the business partner and calculate a Vendor Rating Index (VRI) every six months. This provides complete and constant performance visibility and an opportunity for continuous improvement.

Each business partner is aware of the Code of Ethics and Conduct adopted by Sisal and can receive a copy upon request or read it on the Company website. The commitment to comply with the regulations and principles contained therein is foreseen by the contract that governs the relationship between the business partner and the Company.

Consumers

Sisal consumers include both client-players and citizen-users who are offered a wide range of online services through the agencies directly managed by the Company and the nationwide distribution network.

The importance of customer satisfaction for Sisal is realised through specifically dedicated dialogue channels: the customer service and the contact center, as well as websites and SisalTV.

Dialogue with players

Customer Service

Sisal Customer Service is the organisational structure designed and built to inform, assist, and protect both physical and online players.

The Customer Care clients are divided into three types:

- Non-registered clients who wish to obtain information or assistance with games while maintaining anonymity
- Registered clients who have provided their personal information in order to receive information services or participate in discussion forums
- Profiled clients who use Sisal online points of sale

There are specific services to meet the needs of each category of client, ensuring the highest level of support and dialogue at various stages of access to services and creating a flow of communication to the players that contributes to the improvement of services offered.

The contact center

This is the main assistance service available to clients and consists of an internal Company structure and an external structure, 4U Services S.p.A., a leading company in customer assistance services. The contact center is accessible 24 hours a day by dialling a toll-free number (800.778.866), by e-mail (infogiochi@sisal.it) or fax (800.999.305). It offers the following services:

- Information on the national totalisator number games (NTNG) and related laws
- Receipt and management of reports or suggestions from players
- Information on the physical and online distribution network
- Technical assistance and support
- Assistance with responsible gaming

Sisal websites

In 2010, Sisal redesigned its web network, repositioning its sites based on their function in two target areas useful to players.



Gaming sites network

Sisal has two online points of sale: www.sisal.it, which sells all the products in the portfolio through Sisal Match Point concessions, and www.giochinumerici.sisal.it, the site dedicated to NTNG products, including SuperEnalotto and Vinci per la vita–Win for Life, also accessible through dedicated sites.



Information sites network

The site that provides information on a range of Sisal products and services, both online and offline, and presents the Company's institutional contents, is www.sisal.net. The information site of the Sisal Lottery area, which manages the concession for NTNG products is www.giochinumerici.info. The site announces the lotto draw and the official results of SuperEnalotto and Vinci per la vita–Win for Life.

In 2010, the total number of visitors to the Sisal websites was around 70 million.

Player protection systems

Sisal has implemented internal security systems, in line with EU Directives, on all of its websites to protect players.

With regard to information on responsible gaming, all sites have a section dedicated to 'Gioca il Giusto', accessible directly from the homepage. This section also includes a self-assessment and Mr. GIG videos (see Chapter 3 on Responsible Gaming).

In addition, preparatory activity has been implemented that requires new users to set a limit for their gaming time. In fact, the player must configure the maximum monthly deposit during registration. Furthermore, a mechanism has been enabled that automatically suspends the game and inhibits access to the account for a configurable period.

The protection of minors requires that personal information be verified and that a copy of the identification document be mailed to the Company. In general, graphics and content for websites are developed with attention to the transparency of information in order to guarantee consumers and provide minors protection.

Sisal and input from the community

In 2010 Sisal, in accordance with AAMS, created a profile page for SuperEnalotto on Facebook with the aim of establishing continuous dialogue with its consumers on one of the most important social networks. In just nine months, the SuperEnalotto page recorded more than 500,000 fans, ranking it among the top 10 Italian community brands.

The profile not only presents the product contents linked to the publication of the draws, but also entertainment contents, with information on initiatives and special events.

Facebook is also an important input instrument: the page, created in accordance with the social network and AAMS policies, collects comments and suggestions to improve services provided, offering a response to questions. The Facebook page can be reached through the sites www.sisal.it, www.sisal.net, and www.giochinumerici.sisal.it.

In 2010, other Sisal gaming products also launched profile pages on Facebook: Bingo, Match Point, Vinci per la vita—Win for Life, Poker, and Casino.

SisalTV

SisalTV is the company channel for consumers founded in July 1996. In July 2009, the graphic design and contents of SisalTV were fully renovated, combining video, television, and radio content.

The scope of this innovative concept is to make the communication of promotional messages and the use of information by the public in the retail network as simple and immediate as possible. SisalTV programs, visible exclusively in over 12,600 Sisal points of sale, are broadcast live every day of the year from 6 a.m. to 11 p.m. through two distinct channels: SisalTV and SisalTV Sport.



⁴ Source: Aegis Media / Eurisko Sinottica.



These channels are designed for the two different types of points of sale. SisalTV is aimed at the retail network, which offers the products SuperEnalotto and Vinci per la vita–Win for Life, as well as services to the public through the Service Center. SisalTV is an important source of entertainment and information on games, services, and responsible gaming and is addressed to players, citizen-users, and retailers. Since 72% of Sisal points of sale are located in bars and tobacco shops, it is possible to estimate that SisalTV broadcasts have a daily audience of around 5 million people, split between players (45%) and visitors to the points of sale (55%).⁴

SisalTV Sport, in addition to promoting the products SuperEnalotto and Vinci per la vita–Win for Life and services to the public through the Service Center, pays particular attention to the world of horse racing and sports, broadcasting live events dedicated to horse racing and promoting sports betting with the brand Sisal Match Point. SisalTV Sport is aimed at all points of sale that offer sports and horse race betting.

The SisalTV programming, designed and realised accordingly to the time spent by target consumers in highly frequented bars, offers entertainment, music, features, news, and services to the public. Both channels, SisalTV and SisalTV Sport, dedicate a wide space to SuperEnalotto, promotions, initiatives, news on winnings, and the results of the draws.

Consumer associations

In 2010, with an eye towards increased input by the consumer, Sisal, in conjunction with AAMS, supported a research project in collaboration with Codacons (the Italian association representing various consumer associations) regarding a behavioural analysis of players. Thanks also to the partnership with Codacons, Sisal confirms its commitment to promote legal and responsible gaming.

The Environment

In 2010, Sisal launched an awareness campaign addressed to all employees on issues of environmental sustainability, involving the recipients as both participants and supporters of the Company's initiatives on this subject and opening a dialogue on these issues to receive innovative proposals and ideas to develop. Sisal has always stood for commitment to sustainability; from the very beginning of its history the Company has always paid attention to even to the smallest of details, such as ensuring that the tapes on the Company's typewriters were used on both sides, pencils were used down to the eraser and all lights were switched off at the end of the workday. Sisal continues this tradition by promoting the ethical use of resources and reducing consumption.

In July 2010, Sisal achieved two specific initiatives:

Recycling and waste disposal – “Don’t refuse, recollect”

The campaign was launched with the aim of encouraging recycling in the Company. In all of the break rooms and close to the printers, small robots were installed to collect paper, glass, and plastic. Before long, the waste paper baskets in individual offices were empty and the robots were filled.

Moreover, in all break rooms jugs of filtered water were provided instead of plastic bottles, to reduce the consumption of plastic.

The campaign continues and the next goal for Sisal is to evaluate the results achieved in terms of environmental impact.

Reduce paper consumption – “One step forward... writing on the back”

A campaign was launched to sensitise employees to printing only when really necessary, to set the printing options on duplex mode to halve the consumption of paper and lastly to print in black and white, in order to reduce the consumption of toner. On this front, as well, Sisal is considering further initiatives and is preparing to assess the savings achieved.

In addition, Sisal’s attention to the environment translates into selecting qualified producers and suppliers that keep pace with the laws on reducing environmental impact.

In collaboration with AAMS Sisal has launched a project to reduce the amount of paper used by gaming terminals supplied to the retail network for the printing of the play slips receipts. In July 2011, Sisal started the nationwide distribution of rolls of lightweight thermal paper.

Apart from the obvious reduction in paper consumption, the project, which began in November 2010, requires that all Sisal producers referred to, including producers of raw materials, are certified by the FSC (Forest Stewardship Council).

The FSC brand identifies products containing wood that comes from forests managed in a proper and responsible manner, according to strict environmental, social, and economic standards established and approved by the Forest Stewardship Council.

The weight reduction project also makes sure that thermal paper is free from type A bisphenol, a chemical substance that is harmful to the hormonal system (research is underway to assess its absorption through the skin). Distribution of the new paper began in July 2011. This is only the first of many projects undertaken in this direction: this same reducing process will also be subsequently applied to play slips.

Sisal also supports the environment in terms of electricity supply: for all its needs, the Company has selected a producer that is RECS (Renewable Energy Certificate System) certified. This is the prestigious international system that certifies and supports the production of electricity from renewable sources, saving 600 tonnes of CO₂ emissions.

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5.

The Community:
Sisal's Commitment
to Social Needs,
Culture, and Sport

YOUTH CAN WIN t r a i n i n g PARTNERSHIP ART Culture SPORT Dialogue

The Community: Sisal's Commitment to Social Needs, Culture, and Sport

Sisal has built its identity on fundamental values that characterise its corporate culture – in particular, the value of responsibility, which is stated by the Company in all of its goals, actions, initiatives, and plans. Above all, this emerges from the attention to the **community** at large, a commitment that has accompanied Sisal from the beginning of its history. In 1946, in fact, the Company decided to invest a percentage of the proceeds of the then-‘Schedina Sisal’ (‘Sisal play slip’) to finance the reconstruction of the football stadiums destroyed during the war.

In 2008, with the launch of the new strategy for **social responsibility**, Sisal chose to describe its actions in this area as well, in the light of new standards and international best practices regarding dialogue with the community.

Sisal's intervention in the community, in line with what is stated in the 2009 Social Report, continues the strategy aimed at **young people**, with the scope of creating real opportunities in their lives, their education, in moments of socialisation, and in situations of social emergency. To implement this mission, Sisal has chosen a specific strategy based on partnerships with highly qualified associations that work in the community. In selecting its partners, the Company has applied strict criteria that takes into account their consolidated knowledge in specific areas of intervention, the nationally and internationally recognised excellence of their work, and the requirements necessary to achieve projects that are in harmony with the corporate strategy of social responsibility.

Youth Can Win is the message that Sisal has chosen to testify to its willingness to offer practical help to the younger generations and their families during the different stages of their lives, helping them to build 'responsible hope'. Consequently, Sisal's objective is to expand the horizon of opportunities for young people, offering practical tools throughout the country, and build a better future for them. The action plan for 'Youth Can Win' consists of five strategic areas, for each of which Sisal has created an ad hoc brand.

The five areas of intervention are:

Sisal Junior Stars: gives aid to children and young people in need.

Sisal for the Arts: an opportunity to highlight the ways in which art and culture are instruments of positive social gatherings.

Sisal for Sports: offers support for sports activities, geared specifically to the formation of sports culture among the younger generations.

Sisal Academy: provides training opportunity for young talent.

Sisal for Research: an area that involves the Sisal Distribution Network and allows for substantial fundraising each year for research.

The 2010 Sisal action plan for 'Youth Can Win' has further strengthened its commitment to implement interventions that give concrete answers to the immediate needs of the community.

To undertake increasingly effective initiatives, Sisal is in constant dialogue with associations and nonprofit organisations operating in specific areas with whom Sisal has decided to establish strategic partnerships.

To streamline operations and implement concrete projects within the community, Sisal has chosen to make available to its partners not only economic resources, but also its professional expertise.

SISAL JUNIOR STARS



Sisal Junior Stars is the area of intervention specifically dedicated to children and young people in difficulty.

Sisal and Save the Children

In 2010, Sisal renewed its strategic partnership with Save the Children, which was started in 2009 to help with the earthquake emergency in Abruzzo — completing a series of initiatives addressing the areas affected by the earthquake, which involved the Company on many fronts. In establishing a new project on which to collaborate with Sisal, Save the Children has identified another social emergency that affects young people and their families: dropping out of school. The In-Contro project, conceived by Save the Children in collaboration with the Municipality of Rome, regional school management, and with the active support of Sisal, was launched in March 2010. Sisal decided to participate because of its ability to bring the community together with all parties involved in this issue. The parties include not only children, but also families, teachers, and institutions. Since this is a pilot project, Save the Children intends to repeat the initiative and expand it to other areas.

Valerio Neri, Director-General of Save the Children Italy, recounts his collaboration with Sisal: *'Save the Children met Sisal in April 2009, on the occasion of the earthquake in Abruzzo, following an appeal to assist and support children and young people involved in the earthquake. Sisal immediately took action and financed the "Child-sized camps" project with a major donation of €200,000. This was one of the first responses to the emergency that was dedicated to children affected by the earthquake.*



It was very significant that Michael Staskin, Sisal's Marketing and Communications Director, wanted to meet with the staff of Save the Children and the children in one of these camps, emphasising, with his presence, his personal conviction, and that of the Company he represented, that companies play a crucial role in terms of social responsibility.



Sisal, which has always been attentive and responsive to children's rights, wanted its support to continue beyond that emergency, and to make it a lasting commitment. This is why in 2010 we were asked, from our point of view, what was the area where intervention was most needed to protect children and young people in our territory, that we considered a strategic short-term priority, and in which we could create a significant new partnership with long-lasting results.

We identified the growing phenomenon of school dropouts, with particular attention to the contexts in danger of marginalisation, such as the most degraded areas of large cities, as the basis to establish a new partnership project that enhances Sisal's commitment to social responsibility. Dropping out of school is often the first step in the interruption of the virtuous circle

of opportunities for a young person and, in many cases, from the first years triggers a vicious circle of risk behavior. In some areas in Rome, the rate of school dropouts reaches 15%. Save the Children has proposed that Sisal share a 12-month pilot project in the suburb of Laurentino 38, supported in part by the Municipality of Rome, that would make it possible to develop actions to combat the phenomenon and, at the same time, build up initiatives to implement the recovery and protection of children in contexts with a high risk of marginalisation by creating a low threshold center, run by the “Associazione Ponte d’Incontro”, where it is possible to receive a warm welcome, career guidance, training, and recovery’.

The emergency of early school leaving

Il **19.3%** of young Italians between the age of **18** and **24** cut short their education after obtaining the secondary school diploma, in comparison to a European average of **14.8%**.

Only **10%** of young Italians whose father did not obtain a high school diploma actually graduate from college, in comparison to over **35%** in Great Britain and **40%** in France.

26.4% of Italian students over the age of **15** have poor reading skills, in comparison of a European average of **24.1%**.

Source: Save the Children



The ‘In-Contro’ Project

The focus of the ‘In-Contro’ project is on preventing school dropouts – but that is not the project’s sole concern. In fact, it not only addresses children who cannot find the right motivation to continue to study, but also young people who have difficulty fitting in with the environment around them. The question is more delicate and difficult when these factors also include risk situations such as marginality, poverty, and lawlessness. This is the aim of the ‘In-Contro’ pilot program, tested in the southern outskirts of Rome. The project, implemented by Save the Children in collaboration with the Municipality of Rome, is divided into various activities based on an approach of acceptance and participation. The scope of the project is to identify methods, techniques, and tools that are actually designed to prevent or salvage situations where there is a risk of dropping out of school. The project is aimed at all the elements involved: children, families, institutions, and schools with dedicated training courses for teachers.

Specifically, the project includes several initiatives:

- Research and analysis, which enabled us to identify a new intervention strategy, based on the definition of a welfare community, bent on protecting minors through a multifaceted approach that does not focus solely on success at school.

- The creation of a 'toolbox' that forms a grid of analysis for individual situations and a reference framework for all project variations.
- Reception activities and basic services: in October 2010, a space was opened at the 'Associazione Ponte d'Incontro' where various initiatives are organised that recognise and guarantee, within a protected and safe environment, the protection of children's rights. In four months, the center recorded the attendance of almost 300 boys and girls, mostly from ages 14-17.
- Interception of children at risk through outreach activities run by professionals ('street units') that work in the field and in particularly disadvantaged areas in the south of Rome.
- Activities aimed at teachers and students conducted with the CFP (Center for Professional Training) 'Ernesto Nathan'. In particular, a series of training sessions was organised for teachers that focused on methods and techniques for conflict management, identification of issues leading to dropouts, and recognition of children's rights. Art and theatre workshops have been activated for students, as well as coaching in study courses.
- Prevention activities in schools, with the help of communications tools (such as the use of video materials collected during the activity).

The project is supplemented by a collection of research created by selected students, meetings with families for special and at-risk cases, and the presence of an orientation booth.

During 2010, our collaboration with Save the Children also made it possible to start immediate fundraising among Sisal employees for the emergency in Haiti.



Sisal and Make a Wish

As part of the 2010 program 'Sisal Junior Stars', the Company decided to start a partnership with Make a Wish, an association that aims to fulfil the wishes of children between 3 and 17 years with serious illnesses, and provide hope and serenity during their difficult experience. For a seriously ill child, a wish that comes true means finding the strength to keep fighting. It means being able to forget about being sick and to go back to being just a child. The decision to collaborate with Make a Wish was born at Sisal because of the synchronicity on themes such as dreams and hope, upon which the strategy of 'Youth Can Win' is based.

Sisal guaranteed Make a Wish both an ad hoc financial contribution and the continuous availability of resources and means to meet the desires of children, particularly in terms of inserting clauses in some competitions stating that uncollected prizes are assigned to Make a Wish. In addition, we offered three theme weekends, video games (Playstation) and multimedia entertainment devices (iPad). The ongoing relationship between Sisal and Make a Wish has allowed us to fulfil more wishes quickly.



In the words of Sune Frontani, President of Make a Wish Italy: *'The collaboration between Sisal and Make a Wish is recent, but in a very short time, it has established itself in an extraordinary way. The important economic support that Sisal has generously allocated for our association's mission is the confirmation of how attentive and committed the Company is in the field of social responsibility, particularly for young people. The partnership with Sisal was even more extraordinary for us because not only have we found an important financial partner, but we also got to know a group of deeply sensitive people who in some cases have moved on personally and with great enthusiasm in order to fulfil the desire of a seriously ill child. So it was that little David, thanks to Sisal as 2009 Gold Sponsor for Inter, was able to meet his favorite player, Diego Milito, during a training session in Appiano Gentile. We are very proud to count on an important, caring, and sensitive Partner like Sisal has proven to be. But most of all, with Sisal, many children who are severely ill will see their heart's desire come true.'*



Wishes fulfilled in 2010

During 2010, the active collaboration between Sisal and Make a Wish allowed us to fulfil some special wishes.

In February 2010, two 'wish children' had an amazing experience at the Winter Olympics in Vancouver. Sisal donated the prize for the contest 'Win Vancouver 2010' to Make a Wish, which included not only a trip for four people to Canada and respective accommodations, but also the opportu-

nity to attend two live races and the closing ceremony of the Olympics, as well as meeting the ski champions up close at Casa Italia (the base of Coni and Federations).

In addition, in June 2010, during the World Cup in South Africa, Sisal offered a 'wish child' a prize that was up for grabs at this mega-event but never claimed. The prize consisted of a trip to South Africa, accommodations included, and two tickets to watch the Italy vs. Slovakia game.

In September and October 2010, during the inauguration of Sisal Wincity in Milan and Rome, a fundraising campaign was launched in favor of Make a Wish, which resulted in the fulfillment of nine wishes expressed by 'wish children'.

Also in October 2010, the prize for the SuperEnalotto and Vinci per la vita –Win for Life contest, organised by Sisal Match Point agencies, made it possible for the Company to donate the five laptops to Make a Wish designed to fulfil the wishes of children who had made the request.

SISAL FOR THE ARTS



In 2009, Sisal decided to play its partnership strategy also in this prestigious and significant industry and became 'Special Partner' of the Piccolo Teatro of Milan – Teatro d'Europa, a theatrical institution of great worldwide prestige, with which Sisal had the honour of establishing a relationship based on a common goal: that of providing young people with new ideas for positive growth. In particular, after the masterly and timely restoration of the cloister of the Renaissance Palazzo Carmagnola in Via Rovello 2, carried out with the support of the Municipality of Milan, Sisal contributed to the start of intensive social gatherings that turned the cloister, in less than a year, into a truly new 'square' in the heart of the city.



During 2010, the cloister hosted more than 150 events open to the public and aimed particularly at young people. On the occasions of the most important events of the theatre season, laboratory initiatives are organised in collaboration with the universities of Milan that involve many students, and every week the cloister hosts press conferences for the performances of the Piccolo Teatro, involving national and world renowned artists, book presentations, lectures and courses on thematic meetings, and exhibitions dedicated to stage shows or characters that have shaped the history of the theatre.

Sergio Escobar, Director of Piccolo Teatro of Milan, testifies, in these words, to the 'philosophy' that animates the cloister in via Rovello: *'In many languages, "play" means both to play and to perform. Only in Italian do we use two distinct terms. "Play", for us, means to get involved in the changes that*



pass through our cities, real places where the idea of citizenship walks on the legs of short stories, histories, languages, and humanity that intertwine. This is what happened with the cloister in via Rovello. It was not “returned” to, but rather discovered for the city, like a memory that isn’t anything other than the source of our “future” – a “square” where you meet languages and generations, in a game that hands down values, and shares curiosity without shortcuts. This is the idea of theatre, of games, that we like and that we want to share with Sisal and with thousands of individuals who want to be citizens of the world.’

Cultural Sponsorships

Sisal supports art and culture through sponsorship of major initiatives aimed at large audiences throughout the country.

In 2010, the Company supported the sponsorship of the art exhibition *La Pittura Sacra a Montecitorio: Paintings from ‘400 to ‘600 of the Pallavicini Collection* staged in the Queen’s Chamber of the House of Deputies from December 10, 2009 to January 15, 2010. Sisal then sponsored, in December 2010, the sixth edition of the Used Book Fair– ‘Bookstalls at the Fair’, organised by the Library Foundation of via del Senato at Fieramilanocity.

This event, which is an invaluable tool for the bibliophiles of Italy and Europe in search of books no longer in print, allows fans to track down hard-to-find comics and first editions of great classics of literature, complete series of paperbacks and thrillers, rarities for collectors, collections of poetry, picture books, as well as prints, movie posters, and science fiction novels. In December 2010, Sisal participated as a sponsor in the fifth winter edition of Cortina InConTra, the cultural festival held in Cortina d’Ampezzo, which has become an important Italian event on major issues of current affairs. The event, which lasted 12 days, drew more than 10,000 attendees.

Sisal also supported the 2009 and 2010 editions of Fabula, one of the initiatives of Fabula in Art. Fabula in Art is a cultural association that aims for solidarity and education through the promotion of art in a cultural, social, and business perspective that embraces Europe and the countries of Africa, Asia, and Latin America. The joint objective of 2010 was aimed primarily at supporting schools in Haiti, Guatemala, L’Aquila, and Tanzania, while funds collected in 2009 were donated to Angola, Madagascar, and Sierra Leone.

SISAL FOR SPORTS



For younger people, sport is an essential tool for socialisation and training because of the values conveyed by sports culture, such as loyalty, discipline, respect for one's opponent, and playing as a team that are essential for developing social skills in youngsters. For this reason, Sisal believes that creating opportunities to enable children to practice a sport is an essential part of its social responsibility and, in particular, the program 'Youth Can Win'. Some partnership projects stem from this premise.

Inter Campus

Sisal Match Point, Top Gold Sponsor for the 2009-2010 season of International F.C. and Match Sponsor of the Inter-Milan championship game of the season, has developed a fundraising project with the team to benefit children in Romania and Haiti.



Before the Inter-Milan game, held on January 24, 2010, Sisal created and produced original Inter banners with the names and shirt numbers to accompany the announcement of the team formation. Sisal Match Point and International F.C. then decided to donate the proceeds from the sale of the banners, all autographed by the players, to the Inter Campus project for the children of Romania and Haiti. The banners were sold at an auction organised by International F.C. at the Winter Store in Milan.

Sisal chose a football partnership with Inter Campus, which since 1997, through 22 international programs and the support of 200 local operators, has organised medium- and long-term social and cooperative interventions promoting football as an educational tool and using it to restore the right to play to 10,000 needy children between the ages of 8 and 14.

Futbolclub



Futbolclub promotes the game of football at youth and competitive levels. In just a few years since its foundation, Futbolclub has registered 600 members in its soccer school and enrolled 350 in the youth sector. These numbers, along with efforts made to ensure that all enrolled members receive competitive education and technical training, have enabled the Company to reach a top national sports levels in all age categories from 13 to 18 years old. Sisal decided to sponsor Futbolclub by sharing the mission of enhancing youth football and promoting the positive values of the world of sport.

Basketball Generation

Sisal is the main sponsor of the Basketball Generation project of the Mens Sana Basket Association, which consists of different and complementary activities with the scope of spreading basketball culture among younger generations, training coaches, and creating opportunities for social gatherings for children and youth. Specifically, the Association has promo-



ted and organised, in various Italian cities, Minibasket Day, days of fun games and tournaments, which allow participants to meet the champions of Montepaschi Siena. The activities that are promoted by Basketball Generation involve mini-centres and schools, and spread values such as acceptance and respect through sporting events.

Gallop Oscar

Sisal Match Point gave its support to the fifteenth edition of the Gallop Oscar, a horseracing event organised in collaboration with the National Union of Thoroughbred Horse Owners. The 2010 Gallop Oscars were awarded to young talents in the world of horseracing and the community at large who have been valued and promoted both within the horse industry and, more generally, within the community as positive figures for present and future generations.



The Auriga

To mark Sisal's attendance at FieraCavalli, a prestigious international event which takes place every year in November at the fair of Verona, the Company has supported Auriga, a non-profit organisation founded in 1993 with the aim of treating children and young people who suffer from psychosocial distress through hippotherapy.

Sport Sponsorship

In 2010, Sisal further consolidated its presence in the sport sector with several sponsored initiatives. In the selection of its partners, the Company focused on partnerships in which it could also make available its expertise and creativity to enrich events and projects with the excitement of live sports.

Sisal participated for the first time in the Winter Olympics, held in Vancouver in 2010, as a partner and official supplier of Coni and the Italian National Olympic team, representing, with the brands SuperEnalotto and Vinci per la vita—Win for Life, the global market for Italian games. The Company celebrated its presence in Casa Italia by organising some entertainment for guests and giving prominence to the initiative and the activities of Casa Italia on its websites. On this occasion, Sisal also used the sponsorship to create real opportunities aimed at the less fortunate: thanks to our collaboration with Make a Wish, it was possible to invite two young people to attend the Olympics.

After having supported the Italian expedition in Vancouver, Sisal became the official supplier of Italy Team Tour 2010, the touring event sponsored by Coni that brought the Italian Olympic team to some of the major national ski resorts to celebrate the genuine values of sports culture.

Sisal Match Point, Top Gold Sponsor for the 2009-2010 season of Interna-

tional F.C., accompanied the team to the victories of the Italian Cup, the Championship, and the Champions League, topping off an extraordinary and memorable year. Thanks to Sisal Match Point, many guests had the opportunity to experience this exciting football season in a powerful way, not just by following Inter's games, but also assisting in some training sessions at Pinetina.



The Company, under its own brand Match Point, signed an agreement with the Italian Volleyball, Rugby, Basketball, and Water Polo Leagues and has become the Official Gaming Partner of the Series A Championship, giving priority to supporting these sports, rather than individual teams. Among the many initiatives designed to add performance and emotion to the games, the 'speed reader', promoted by Sisal Match Point, was a great success. They read the speed of sideline shooting during some of the final matches of the Championship.

Under the brand SuperEnalotto, for the second consecutive year, Sisal was the top sponsor of Basketball Varese, one of the most important sporting enterprises because of its deep roots in the local community and its many fans. SuperEnalotto has also confirmed its support for the CUS Verona Rugby team.

SISAL ACADEMY



Sisal believes that training is an essential tool to create real opportunities for the future of younger generations, especially during a time of high youth unemployment in Italy.

Sisal Academy is a project initially born inside the Company with the aim of building a process of lifelong learning for employees and retailers. Since 2009, the Sisal Academy has been extended by interventions focused on the community. An essential part of the Sisal Social Responsibility program does in fact focus on growth through training and by offering opportunities for young talents so that they complete their training and succeed in acquiring suitable tools to enter the business world. As a result, within its Social Responsibility program, Sisal has carried out ad hoc partnerships projects such as:

Master's Program in Marketing & Communications–Il Sole 24Ore Business School

In 2009 Sisal launched a partnership with the Sole 24Ore Business School, offering ten scholarships to talented young people. The scholarships provided full tuition and the price of accommodations in Rome during the five months of the course. Five scholarships were reserved for young people from Abruzzo.



The Company, which was actively involved in the training course, organised a workshop on social responsibility and proposed a work project on the issue of responsible gaming communications. The students worked on this project with enthusiasm.

At the end of the training course, Sisal offered six young people a period of paid internships with the Company and the result of this collaboration was extremely positive: five of them were recruited by Sisal on a permanent basis.

In the words of one of these young people, Renato Cursano: *'Thinking back to my training and professional formation, I believe that the Master's Program in Marketing & Communications from the Sole 24Ore Business School was without doubt an accelerator of my qualifications. The knowledge and experience I gained from managers and consultants of the highest level taught me the importance of a pragmatic and distinctive approach in the business world – an approach which today is very useful to me in the Company. Sisal's role in this experience has certainly been prominent: first, thanks to the considerable monthly financial support provided by a scholarship that covered all costs, and allowed me to access the limited group of participants in the Masters program and pay for room and board without having to weigh on my family. The second reason why I am grateful to Sisal is certainly for giving me the opportunity to participate in an important internship, and to have been hired by the Company even before its completion.'*



Portofranco

As part of its school dropout crisis program, Sisal supports Portofranco, a study help center in Milan for secondary school students. Portofranco offers free help with homework, with getting out of debt, and with learning school subjects. At the heart of the intervention is the involvement of volunteers, university students, or retired teachers who provide a close personal relationship with the at-risk students. Thanks to these training sessions, young people develop a more positive attitude towards study and towards themselves, and the ability to recover the scholastic year is often the result of this new social partnership. In the 2009-2010 school year, Portofranco managed to make available to students over 18,000 hours of free individual training. In ten years of activity, individual training sessions offered by the association have amounted to 100,000 hours.



One Dream, One City

In 2010, Sisal decided to support the project One Dream, One City, designed by the Department of Labour of the Municipality of Milan and by other institutions such as universities, foundations, and organisations, that aims to create a high profile international youth community that

co-operates in the development and growth of the city and is the mouth-piece of 'Made in Milan' at an international level.

SISAL FOR RESEARCH



Sisal per la Ricerca

For many years, Sisal has supported research through fundraising activities that involve the active participation of its distribution network.

Each year Sisal, together with its partners, identifies a specific research project that will receive the funds collected. The Company's partners in this area of social responsibility are:

AIRC

For the eleventh consecutive year, on the occasion of the National Day for Cancer Research, Sisal has joined AIRC (Italian Association for Cancer Research) as a technical partner.

Sisal helps AIRC by providing its computer network to make donations in support of the start-up led by Thomas Vaccari at the Campus IFOM-European Institute of Oncology in Milan.

Through the Sisal retail network, from October 18 to November 27, 2010, it was possible to make free donations either not linked to the game or through play slips and the QuickPick method from the SuperEnalotto terminal.



Sisal supported the fundraising campaign through a precise communication strategy aimed specifically at players and retailers.

The players were made aware of the fundraising in the points of sale through specific communications on gaming play slips and commercials produced and broadcast by SisalTV with the testimony of AIRC. Sisal also distributed fundraising information on both Sisal websites and on the SuperEnalotto Facebook page.

Communication to retailers was conveyed through the portal addressed to them and specific information messages were disseminated through various channels of the Sisal call center and SisalTV.

The commitment of Sisal and its distribution network provides that, since it is a nonprofit initiative, no commission will be applied: all amounts collected through free donations are paid directly to AIRC.

The AIRC collection of November 2010 reached €204,738.



Telethon

For the sixth consecutive year, Sisal has renewed its commitment to support Telethon for research into genetic diseases, through a solidarity that has once again involved the distribution network.

From December 6, 2010 to January 29, 2011, it was possible to support the Telethon fundraising campaign with a free donation either not linked to the game or with the special Telethon SuperEnalotto play slip — that has two options of 2 and 5 euros, as well as with QuickPick method in donation options of 1, 3, and 5 euros.

The funds raised allow Sisal to support three young researchers from the Dulbecco Telethon Institute (DTI), a virtual institute that recruits brilliant and promising scientists who study genetic diseases: Marta Serafini, who co-ordinates a project on Hurler's syndrome at the Pediatric Clinic of the San Gerardo Hospital–Tettamanti Foundation of Monza and the University of Milan Bicocca; Pier Lorenzo Puri, who coordinates research on muscular dystrophy at the EBRI Foundation–Rita Levi Montalcini of Rome, Tor Vergata University and IRCCS Santa Lucia Foundation, and Davide Corona, who with his team is focused on Williams-Beuren syndrome in the Department of Cell and Developmental Biology, Biochemistry Section of the University of Palermo.

In this case, Sisal also actively supported Telethon with a widespread communications campaign in its points of sale, through the internet, and on SisalTV.

The 2010-2011 Telethon collection reached €112,335.

End Polio Now



In November 2010, for the first time, Sisal participated with SuperEnalotto and Vinci per la vita–Win for Life in the '2010 Fight Against Polio' event, sponsored by the Rotary International Foundation. The Company wanted to contribute to the project by supporting the Rotary International Foundation in this important challenge to defeat a disease that affects children worldwide.

Sail Therapy Projects

Also in November 2010, Sisal supported the conference 'Social and Recreational: Comparing Experiences', organised by the Nautical Club of Rome, Italian Sea Assistance (AMI), and the Nautical Club of the Presidency of the Council of Ministers Personnel. The conference was devoted to launching sail therapy projects in Italy that aim to rehabilitate those with mental, behavioral, and physical disabilities.

Sisal in Dialogue with the Local Communities

Sisal is present in Italy on a national level in other areas of positive socialisation. In particular, in 2010, the Company renewed its participation in the 'Meeting for Friendship Among Peoples', an annual event held in Rimini, which offers opportunities for meetings among peoples of different faiths and cultures, in the certainty that the presence of places of friendship can be a starting point for promoting peace, coexistence, and common good. The event is in its thirtieth year, and has established an international reputation for its ability to attract the interest of thousands of young people, as well as representatives of higher institutions and national and international companies. Today it is the most-visited summer festival of encounters, exhibitions, music, and entertainment in the world.

'That Nature Which Leads Us to Desire Great Things Is the Heart' was the title of the 2010 Meeting, held from August 22 to 28, 2010. Stimulated by this theme, Sisal developed a project fully dedicated to playing and designed entirely for children. Playing is fun, and encourages socialisation, and for this reason, the Company conceived a recreation center, the 'SuperEnalotto Sisal Fun Village': an open space of 14 square feet that hosted creative workshops open to the public at any time of the day. The activities offered children a great interactive and expressive experience that stimulated their imagination and creativity. Professionals were able to coordinate both the different processes of learning and the relative artistic subjects and provided all educational sessions and animations.

Sisal also participated in the National Day for the Elimination of Architectural Barriers, an annual event that allows people with physical disabilities and their escorts to visit Palazzo Chigi (the center of the Italian government). The Fiaba Onlus Association—Italian Fund for the Elimination of Architectural Barriers organised the event, along with the social communication aimed at raising public awareness on the need to sustain an environment accessible to and usable by all.

Sisal's support to Abruzzo

The program 'Sisal for Abruzzo' consisted of a series of initiatives launched immediately after the 2009 earthquake and generated €1 million. Both during the emergency and in the subsequent period afterward, the Company was able to quickly make its resources available to start activities complementary to each other:

- Within 24 hours after the earthquake, Sisal had activated its distribution network to collect donations also through free offers separately from the game. The proceeds were given to the Italian Red Cross in May 2009.
- Just two days after the earthquake, a solidarity campaign was launched within the Company in support of colleagues in L'Aquila: for every

euro donated by employees, Sisal matched the amount, doubling the allocation for colleagues in Abruzzo.

- Sisal then decided to intervene directly with a strategic partnership with the international NGO Save the Children, setting up 'Child-sized camps' in collaboration with the Civil Defence in the camps at Bazzano, Acquasanta, Italtel, and Paganica.
- At a press conference for the presentation of the 2009 Social Responsibility Action Plan, a tent with a child-sized camp was set up in collaboration with Save the Children with the aim of spreading a message of social solidarity and awareness among the community of Milan.
- As a continuation of its presence in Abruzzo, Sisal renewed its support for the local community by sponsoring the 1927 Abruzzo L'Aquila Football Team.
- Sisal participated as a sponsor in the 'OK Abruzzo' initiative promoted by Codacons (the Italian Association gathering representing various consumer associations) to launch a specific website dedicated to small businesses in the earthquake zone so that they could continue their activities online.

In March 2010, the Italian Red Cross awarded Sisal a Gold Medal for the following reasons:

'As a tangible sign of recognition for the high profile of the service rendered in the earthquake that struck the Abruzzo Region on April 6, 2009. Emphasising extensive human qualities, and an enormous spirit of solidarity and an out of the ordinary altruistic impulse, it [Sisal] contributed significantly to the fulfillment of the humanitarian intervention of the Italian Red Cross. A superb example of its bond with the principles of the Red Cross.'



Rain. Comme une pluie dans tes yeux
Production: Cirque Éloïze, Canada
Piccolo Teatro of Milan—Teatro d'Europa

6.

Added Value

Financial Responsibility

Sisal operates both in the gaming market and in utility services provided to citizens, businesses, and the public sector. In the gaming market, the Group's presence is very diverse and deeply rooted in most segments of the market: from typical retailer products like national totalisator number games (NTNG), such as SuperEnalotto, SuperStar and Vinci per la vita–Win for Life to the amusement with prize (AWP) machines (Slot and VLT), which are increasingly affirming themselves at points of sale because of their structural gaming and entertainment features, and the main online products, whose market weight had risen from 2.5% in 2007 to nearly 8% in 2010.

In 2010, the legal gaming market in Italy recorded an overall income of approximately €61 billion, with an increase of around €7 billion (+13%) compared to 2009 (€54.1 billion). This result, in contrast to the trend of many other markets in the national economy, places the sector in the absolute first position in the country's economic context.

Overall, during 2010, Sisal Group collected €11.3 billion (+20.2%), thanks to a notable growth in both services (€4.2 billion, +51.5%) and gaming (€7.1 billion, +7.3%).

Consolidated revenues amounted to €735,975 million, an increase of 13.6% compared to €648,050 million in 2009.

The profitability on net invested capital (determined by neutralizing the effect of timing differences in the settlement of receivables and payables relating to gaming and services working capital) is 6.1% compared to 6.6% in 2009. The gross operating margin is 9.6%, against 11.5% in 2009.

The return on equity is -11.3% (-10.3% in 2009), due to the high incidence of financial expenses and amortisation related to the significant investments of the Group – mainly linked to intangibles such as concessions rights.

Main Group figures

Figures in million €

	2010	2009
Total revenues and income	735,975	648,050
Gross operating margin	166,562	153,444
Net operating income (EBIT)	70,448	74,670
Net result	(12,874)	(13,072)
ROI	6.1%	6.6%
ROS	9.6%	11.5%
ROE	- 11.3%	- 10.3%

Sisal's Contribution to General Taxation

The significant size of the gaming market in Italy, amounting to almost 4% of the national GDP, leads to large benefits for public finances. In 2010, the total tax revenues resulting from games reached €9.9 billion – with €8.7 billion in ordinary tax revenues resulting from the gaming wagers and €1.2 billion for special revenue as a result of one-off payments made by concessionaires in the context of procedures for awarding instant lotteries (Gratta e Vinci – Scratch and Win) and the new type of videolottery (VLT) gaming machines – against €9.4 billion in 2009, with an increase of 5.3%.

Of this €9.9 billion, about €2 billion comes from the handling of Sisal games, with around €1.5 billion for products of the NTNG family (SuperEnalotto, SuperStar and Vinci per la vita–Win for Life), which are not only among the most appreciated and well known by the public, but also among the most profitable in terms of tax returns. An example of this is the product Vinci per la vita–Win for Life, launched with great success by Sisal in late September 2009. In just a few months, it produced almost €140 million that was earmarked to finance the Abruzzo emergency.

Each week, Sisal collects cash flows from points of sale that derive from activities carried out the previous week, and pays both the Treasury and its trading partners on the basis of relevant regulations and agreements.

The game chain

To define an overall picture of financial flows deriving from games management, it is necessary to identify the various participants: players, points of sale (retailers, sports and horse betting agencies, and gaming halls, etc.), concessionaires, and other individuals of the chain engaged in handling gaming wagers (for example, amusement with prize machines operators) and the Autonomous Administration of State Monopolies (AAMS).

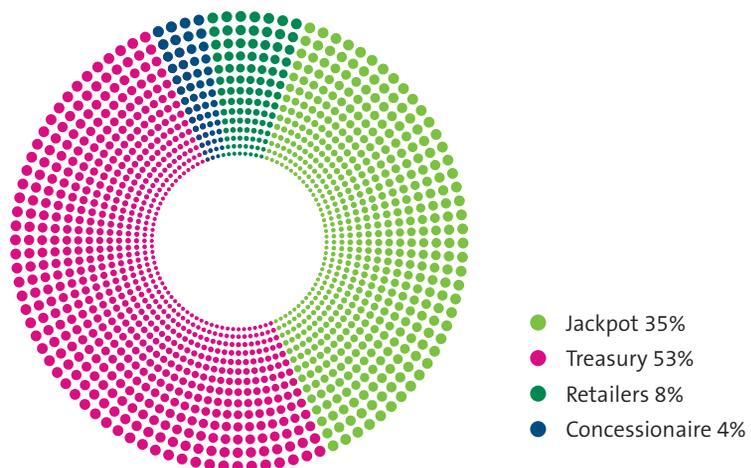
Given the receipts volume already indicated above, the total market payout (or the amount of winnings paid) is approximately 72% of the receipts; approximately €44 billion was distributed to players in winnings, compared to the €37.6 billion of the previous year (+17%). The remainder, which amounts to over 12% of the receipts net of taxes, went to concessionaire companies and the nationwide chain of receipts.

Therefore, with specific reference to Sisal Group activities in 2010, the items to consider are:

- Handling of approximately €7.2 billion.
- Overall payable winnings, equal to approximately €4.3 billion (about 60% of income).

- Fees paid to the distribution network nationwide, approximately €0.3 billion.
- Fees paid to the Group concessionaire Companies, totalling about €0.6 billion (a figure that, with regard to wagers of legal gaming from amusement with prize machines, includes distribution network fees).
- Taxes, amounting to around €2 billion (equal to approximately 27% of the receipts).

For example, for the product SuperEnalotto, we have the following percentage breakdown for its handling:



Production and Distribution of Added Value

The following tables show the 2010 consolidated financial data for Sisal, reclassified to highlight the added value formation process, i.e. the proceeds net of intermediate costs.

The added value highlights the wealth produced by Sisal in the financial year, which is then distributed among the various stakeholders. The total gross added value, including amortisation and depreciation, amounts to 32.8% of the production value; the net is equal to 19.7%. No significant government funding has been received.

Sisal has not sustained material penalties for non-compliance with laws and regulations.

		2010	%
Determining added value	A. Production Value	735,975	100.0%
	Revenue for sales and services	735,975	
Figures in million €	B. Intermediate costs of production	496,335	67.4%
	Consumption of raw materials, supplies & consumables	16,872	
	Cost of services	445,064	
	Costs for use of third-party goods	11,407	
	Provisions for risks	10	
	Other operating expenses	22,982	
	Gross added value	239,640	32.6%
	Financial income	1,556	
	Total gross added value	241,196	32.8%
	Depreciation, devaluations, and recovery of value	96,112	
	Total net added value	145,084	19.7%

Net global added value in 2010 stood at €145.1 million and was distributed among stakeholders as follows:

- 40.9% was distributed to employees as remuneration and without considering indirect costs.
- 10.2% is the amount distributed to the government through direct and indirect taxation.
- 54.9% is the payment made to financing entities for capital on credit.
- -8.9% is the impact of the Company's net loss on the overall added value.
- 2.9% is intended to benefit local communities.

		2010	%
Distribution of added value	A. Personnel remuneration	59,407	40.9%
	Personnel costs	56,593	
Figures in million €	Severance pay	2,814	
	B. Transfers to the government	14,826	10.2%
	Direct taxes	5,289	
	Indirect taxes	9,537	
	C. Return on capital credit	79,580	54.9%
	Charges for short-term capital	690	
	Charges for long-term capital	78,890	
	D. Return on risk capital	0	0.0%
	Profits distributed to group third parties	0	
	E. Company returns	(12,874)	-8.9%
	Undistributed profits	(12,874)	
F. Transfers to the community	4,145	2.9%	
Local taxes and charges	825		
Donations	317		
Sponsorships	3,003		
Net global added value	145,084	100.0%	

This Social Report was realised by the Sisal CSR Leadership Team, which deals with the development of corporate social responsibility and the implementation of the CSR Action Plan that executes strategies and objectives involving Sisal's stakeholders.

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