

 **LOTTOMATICA**  
GROUP  
*Responsibly Driving Global Gaming*

**FIRST HALF 2009 REPORT**

**FOR THE PERIOD ENDING  
JUNE 30, 2009**

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## **LOTTOMATICA GROUP<sup>1</sup> S.p.A. Profile**

*Company subject to the direction and coordination of De Agostini S.p.A.*

<b>Company Name</b>	Lottomatica Group - Società per Azioni
<b>Fiscal Code, VAT no. and no. of enrollment with the Register of enterprises of Rome</b>	08028081001
<b>Share Capital</b>	As of June 30, 2009: € 159,278,775 authorized ordinary shares, €1.00 par value per share; no. 152,286,837 shares paid and subscribed
<b>Registered Office</b>	Roma - Viale del Campo Boario 56/d
<b>Board of Directors (2)</b>	
<i>Chairman</i>	Mr. Lorenzo PELLICOLI
<i>Vice Chairman</i>	Mr. Robert DEWEY Jr. *
<i>Managing Director and C.E.O.</i>	Mr. Marco SALA
<b>Board Members</b>	Mr. Pietro BOROLI Mr. Paolo CERETTI Mr. Marco DRAGO The Rt. Hon. Sir Jeremy HANLEY, KCMG* Mr. James MCCANN * Mr. Jaymin PATEL Mr. Anthony RUYS * Mr. Severino SALVEMINI * Mr. Gianmario TONDATO DA RUOS ** Mr. William Bruce TURNER
<b>General Manager (3)</b>	Mr. Renato ASCOLI
<b>Board of Statutory Auditors : (2)</b>	
<i>Chairman</i>	Mr. Sergio DUCA
<i>Regular Members</i>	Mr. Angelo GAVIANI Mr. Francesco MARTINELLI
<i>Substitute Members</i>	Mr. Gian Piero BALDUCCI Mr. Giulio GASLOLI Mr. Umile Sebastiano IACOVINO Mr. Guido MARTINELLI Mr. Marco SGUAZZINI VISCONTINI

\* Denotes Independent Directors

\*\* Denotes Lead Independent Director

***Independent Auditors***

Reconta Ernst & Young S.p.A.

***Members of the Executive Committee (4)***

Mr. Lorenzo PELLICOLI (Chairman)  
Mr. Pietro BOROLI  
Mr. Paolo CERETTI  
Mr. Marco DRAGO  
Mr. Jaymin PATEL  
Mr. Marco SALA

***Members of the Audit and Compliance Committee (4)***

Mr. Severino SALVEMINI (Chairman)  
The Rt. Hon. Sir Jeremy HANLEY, KCMG  
Mr. Anthony RUYS

***Members of the Remuneration Committee (4)***

Mr. Gianmario TONDATO DA RUOS (Chairman)  
Mr. Robert DEWEY Jr.  
Mr. James MCCANN

***Note:***

- (1) At a meeting held on July 2, 2009, the shareholders changed the company name from "Lottomatica S.p.A." to "Lottomatica Group S.p.A."
- (2) As enacted by the shareholders at a meeting held on April 15, 2008.
- (3) As enacted by the Board of Directors at a meeting held on April 28, 2009.
- (4) As enacted by the Board of Directors at a meeting held on April 15, 2008.

## LOTTOMATICA GROUP

Lottomatica Group S.p.A.<sup>1</sup> is one of the leading gaming operators in the world based on total wagers and, through its subsidiary GTECH Corporation, is a leading provider of lottery and gaming technology solutions worldwide. It is the goal of Lottomatica Group to be the leading commercial operator and provider of technology in the regulated worldwide gaming markets, by delivering market leading products and services, with a steadfast commitment to the highest levels of integrity, responsibility and growth. Lottomatica is listed on the Stock Exchange of Milan under the trading symbol "*LTO*" and has a Sponsored Level 1 American Depository Receipt (ADR) program listed on the United States over the counter market under the trading symbol "*LTTOY*".

In this report, the term "Lottomatica" refers to Lottomatica Group S.p.A., the parent entity, and its subsidiaries excluding GTECH; the term "GTECH" refers to GTECH Corporation and its subsidiaries; and the terms "the Group", "we", "our" and "us" refer to Lottomatica and all subsidiaries included in this report.

The Group operates in the publicly regulated gaming market consisting of online, instant and traditional lotteries, sports pools, fixed-odds and pari-mutuel betting, machine gaming and interactive gaming.

Lottomatica, the principal Italian operating entity of the Group, has built an extensive distribution network in Italy, with approximately 248,000 terminals in about 120,000 points of sale (including approximately 30,000 points of sale where Lottomatica provides processing services for third parties), comprised of tobacconists, bars, petrol stations, newspaper stands and motorway restaurants. Since 1993, Lottomatica has been the sole concessionaire for the Italian Lotto game. Since 2004, Lottomatica has operated instant and traditional lottery games, which in recent years has been a high growth area. In 2006, Lottomatica received authorization to distribute online instant lottery games. In 2007, Lottomatica began operating fixed odds sports betting and sports pools through a retail network of points of sale. Prior to this license, Lottomatica had operated only sports pools with a concession that began in 2003 and expired in December 2007. Lottomatica is also acquiring further points of sale in order to develop the Italian sports betting/interactive market.

GTECH is the world's leading operator of highly-secure online lottery transaction processing systems, doing business in more than 50 countries worldwide. GTECH designs, sells and operates a complete suite of lottery-enabled point-of-sale terminals that are electronically linked with a centralized transaction processing system that reconciles lottery funds between the retailer, where a transaction is enabled, and the lottery authority. GTECH currently operates, provides online equipment and services to, or has been awarded and/or has entered into, contracts to operate or provide equipment and services in the future to, 26 of the 43 lottery authorities in the United States, and 52 non-U.S. lottery authorities. GTECH's new media and sports betting division provides technology, games and a full suite of e-commerce services to government sponsored lottery markets and regulated commercial sports betting and Internet gaming markets.

The Group operates in the gaming machine market segment through Lottomatica's Italian subsidiary Lottomatica Videolot Rete S.p.A. (formerly known as RTI Videolot), its Canadian subsidiary Spielo Manufacturing, ULC, a leading provider of video lottery terminals and related products and services to

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<sup>1</sup> At a meeting held on July 2, 2009, after the close of the second quarter 2009, the shareholders changed the company name from "Lottomatica S.p.A." to "Lottomatica Group S.p.A."

the global gaming industry, and its Atronic group of companies ("*Atronic*"). Lottomatica Videolot Rete operates on its networks approximately 51,400 amusement with prize machines. Atronic, a leading video gaming machine provider in Europe, Asia and Latin America, operates in the United States and is licensed in approximately 215 worldwide gaming jurisdictions. Additionally, the Group has leveraged its distribution and transaction processing competence to expand its activities beyond Lottery and also provides Commercial Services through its networks worldwide.

The Group currently operates in the following segments:

- its Lottery segment (traditional and instant) where the Group operates and provides a full range of services, technology and products to government sponsored online, instant and traditional lotteries;
- its Sports Betting segment, where the Group operates and provides retail, internet, call center and mobile technology products and services, including fixed odds sports betting, pari-mutuel betting, live event betting, totalizator betting and sports pools;
- its Gaming Solutions segment where the Group operates and provides solutions, products and services relating to video lottery terminals (VLTs) and systems for VLTs for the government sponsored market and video and traditional mechanical reel slot machines and systems for the commercial gaming markets;
- its Interactive segment, where the Group provides digitally-distributed, multi-channel gaming entertainment products and services, including sports betting, lottery, bingo, poker, casino games, quick games, as well as retail solutions for the real-time transaction and information systems for the sports-betting market; and
- its Commercial Services segment, where the Group performs high-volume transaction processing of non-lottery commercial transactions such as prepaid cellular telephone recharges, bill payments, electronic tax payments, utility payments, and retail-based programs.

The Group has operations in more than 50 countries worldwide on six continents and had 7,733 employees as of June 30, 2009. For additional information on the Group, please go to its website at:

[www.gruppolottomatica.it/eng/aboutus/index.htm](http://www.gruppolottomatica.it/eng/aboutus/index.htm).

## OPERATING AND FINANCIAL REVIEW

The following operating and financial review is provided as a supplement to, and should be read in conjunction with, the Group's financial statements and accompanying notes.

The results we have achieved during the first six months of 2009 during this extremely challenging economic environment are positive. Revenues were up 18% and earnings per share grew 24%.

Driving these positive results were key investments and acquisitions made as part of a strategy to diversify our product portfolio and the geographies we serve. By design, Lottomatica Group has the capability, flexibility and insight necessary to prioritize opportunities and allocate capital to ensure the highest return on our investments.

Investments and acquisitions in Italy have produced immediate, meaningful and highly-profitable contributions. The Italian gaming market remains a high priority for the Group from an investment perspective. It is our view that there are still many good opportunities available within this market for growing new products and delivery channels.

The leveraging of GTECH's capabilities in new markets such as sports betting and internet wagering, combined with key strategic investments and acquisitions in those markets, have begun to contribute to the Group's performance. The positive impact of these investing activities will begin to have a more significant impact later in the year and thereafter.

Presented below are the Group's key performance indicators for the three and six months ended June 30, 2009 and 2008.

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Increase (decrease)	
	2009	2008	€	%
Revenue	1,098,650	927,750	170,900	18.4
EBITDA	430,560	399,368	31,192	7.8
Operating income	261,299	249,975	11,324	4.5
EBIT	258,280	236,722	21,558	9.1
Net income	119,186	103,520	15,666	15.1
Diluted earnings per share	€ 0.63	€ 0.51	€ 0.12	23.5

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Increase (decrease)	
	2009	2008	€	%
Revenue	516,403	479,205	37,198	7.8
EBITDA	191,007	194,764	(3,757)	(1.9)
Operating income	106,102	115,440	(9,338)	(8.1)
EBIT	92,772	113,375	(20,603)	(18.2)
Net income	33,377	48,088	(14,711)	(30.6)
Diluted earnings per share	€ 0.15	€ 0.23	€ (0.08)	(34.8)

## CONSOLIDATED REVENUE

A comparison of the Group's revenue concentration is as follows:

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Increase (decrease)	
	2009	2008	€	%
<b>By Segment</b>				
Lottery	766,603	714,990	51,613	7.2
Sports Betting	96,437	70,336	26,101	37.1
Gaming Solutions	137,416	85,749	51,667	60.3
Interactive	52,031	14,963	37,068	>200.0
Commercial Services	46,163	41,712	4,451	10.7
Total revenue	<u>1,098,650</u>	<u>927,750</u>	<u>170,900</u>	<u>18.4</u>
<b>By Legal Entity</b>				
Lottomatica	595,253	517,105	78,148	15.1
GTECH	503,397	410,645	92,752	22.6
Total revenue	<u>1,098,650</u>	<u>927,750</u>	<u>170,900</u>	<u>18.4</u>



	For the three months ended			
	June 30,		Increase (decrease)	
	2009	2008	€	%
<i>(thousands of euros)</i>				
<b>By Segment</b>				
Lottery	365,316	355,738	9,578	2.7
Sports Betting	32,921	37,669	(4,748)	(12.6)
Gaming Solutions	70,104	51,214	18,890	36.9
Interactive	25,219	12,433	12,786	102.8
Commercial Services	22,843	22,151	692	3.1
Total revenue	<u>516,403</u>	<u>479,205</u>	<u>37,198</u>	<u>7.8</u>
<b>By Legal Entity</b>				
Lottomatica	276,024	263,779	12,245	4.6
GTECH	240,379	215,426	24,953	11.6
Total revenue	<u>516,403</u>	<u>479,205</u>	<u>37,198</u>	<u>7.8</u>

Lottomatica's revenue is primarily derived from concessions awarded by the Italian government. Under these operating contracts, Lottomatica manages all of the activities along the lottery value chain including collecting wagers, paying out prizes, managing all accounting and other back-office functions, running advertising and promotions, operating data transmission networks and processing centers, training staff, providing retailers with assistance and supplying materials for the game. Revenues are typically based on a percentage of wagers. For the Lotto game this percentage of wagers decreases as the total wagers increase during an annual period. Therefore, higher revenue and operating profits for the Lotto game are expected in the first half of the year than in the second half of the year.

GTECH's revenue is principally comprised of service revenue derived primarily from lottery service contracts, which are typically at least five to seven years in duration for the base contract term with one to five years of extension options. These contracts generally provide compensation to GTECH based upon a percentage of a lottery's gross online and instant ticket sales. These percentages vary depending on the size of the lottery and the scope of services provided to the lottery. GTECH's product sale revenue is derived primarily from the installation of new online lottery and gaming systems, installation of new software and sales of lottery and gaming terminals and equipment in connection with the expansion of existing lottery and gaming systems. GTECH's product sale revenue from period to period may not be comparable due to the size and timing of product sale transactions.

GTECH has developed and continues to develop new lottery games, licenses new game brands and installs a range of new lottery distribution devices, all of which are designed to maintain a strong level of same store sales growth for its customers.

## EBITDA AND EBIT

EBITDA and EBIT are considered alternative performance measures that are not defined measures under International Financial Reporting Standards ("IFRS") and may not take into account the recognition, measurement and presentation requirements associated with IFRS. We believe that EBITDA and EBIT assist in explaining trends in our operating performance, provide useful information about our ability to incur and service indebtedness and are commonly used measures of performance by securities analysts and investors in the gaming industry. EBITDA and EBIT should not be considered as alternatives to operating income as indicators of our performance or to cash flows as measures of our liquidity. As we define them, EBITDA and EBIT may not be comparable to other similarly titled measures used by other companies.

EBITDA and EBIT are computed as follows:

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Increase (decrease)	
	2009	2008	€	%
Operating income	261,299	249,975	11,324	4.5
Depreciation, amortization and impairment	167,704	143,112	24,592	17.2
Other	1,557	6,281	(4,724)	(75.2)
EBITDA	<u>430,560</u>	<u>399,368</u>	<u>31,192</u>	<u>7.8</u>
Operating income	261,299	249,975	11,324	4.5
Equity loss	(1,033)	(622)	(411)	(66.1)
Other income	811	2,543	(1,732)	(68.1)
Other expense	(1,952)	(979)	(973)	(99.4)
Foreign exchange loss, net	(845)	(14,195)	13,350	94.0
EBIT	<u>258,280</u>	<u>236,722</u>	<u>21,558</u>	<u>9.1</u>
	For the three months ended			
	June 30,		Increase (decrease)	
<i>(thousands of euros)</i>	2009	2008	€	%
Operating income	106,102	115,440	(9,338)	(8.1)
Depreciation, amortization and impairment	84,194	74,667	9,527	12.8
Other	711	4,657	(3,946)	(84.7)
EBITDA	<u>191,007</u>	<u>194,764</u>	<u>(3,757)</u>	<u>(1.9)</u>
Operating income	106,102	115,440	(9,338)	(8.1)
Equity loss	(760)	(622)	(138)	(22.2)
Other income	307	2,015	(1,708)	(84.8)
Other expense	(852)	(344)	(508)	(147.7)
Foreign exchange loss, net	(12,025)	(3,114)	(8,911)	>200.0
EBIT	<u>92,772</u>	<u>113,375</u>	<u>(20,603)</u>	<u>(18.2)</u>

## COMPARISON OF THE SIX MONTH PERIODS ENDED JUNE 30, 2009 AND 2008

Consolidated revenue for the six months ended June 30, 2009 increased 18.4% over the same period last year. Lottomatica's revenue increased 15.1% and GTECH's revenue increased 22.6%.

### **Lottomatica Revenue**

Consolidated revenue for the six months ended June 30, 2009 and 2008 includes the following amounts for Lottomatica:

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Increase (decrease)	
	2009	2008	€	%
Lotto	185,013	194,963	(9,950)	(5.1)
Instant tickets	174,401	171,738	2,663	1.6
Other	1,455	1,152	303	26.3
Lottery	360,869	367,853	(6,984)	(1.9)
Sports Betting	96,437	70,336	26,101	37.1
Gaming Solutions	72,547	37,204	35,343	95.0
Interactive	19,237	-	19,237	-
Commercial Services	46,163	41,712	4,451	10.7
Total revenue	595,253	517,105	78,148	15.1

### **Lotto**

Lotto revenue decreased 5.1% due to a corresponding decline in Lotto wagers as detailed in the table below.

<i>(millions of euros)</i>	For the six months ended			
	June 30,		Increase (decrease)	
	2009	2008	Wagers	%
<b>Lotto wagers</b>				
Core wagers	2,438.7	2,566.2	(127.5)	(5.0)
Wagers for late numbers	415.4	431.5	(16.1)	(3.7)
	2,854.1	2,997.7	(143.6)	(4.8)

### Instant tickets

Instant ticket revenue increased 1.6% primarily due to higher sales of Scratch and Win tickets as detailed in the table below. The €91.5 million increase in instant ticket sales was principally driven by the continued success of the €5 Il Miliardario lottery ticket, along with the introduction of a new Prendi Tutto lottery ticket during the first three months of 2009.

	For the six months ended			
	June 30,		Increase (decrease)	
	2009	2008	Amount	%
<b>Scratch &amp; Win tickets</b>				
Total tickets sold (in millions)	1,296.0	1,329.8	(33.8)	(2.5)
Total sales (in millions)	€ 4,962.2	€ 4,870.7	€ 91.5	1.9
Average price point	€ 3.83	€ 3.66	€ 0.17	4.5

### Sports Betting

Sports betting revenue increased €26.1 million due to the strong performance of fixed odds sports-betting operations (20.4% market share as of June 30, 2009) as detailed in the table below. As of June 30, 2009, 1,140 fixed odds sports-betting and 503 sports pool points of sale locations were operational.

	For the six months ended			
	June 30,		Increase (decrease)	
	2009	2008	Wagers	%
<i>(millions of euros)</i>				
<b>Sports Betting wagers</b>				
Fixed odds sports betting wagers	431.6	279.0	152.6	54.7
Sports pool wagers	67.6	88.8	(21.2)	(23.9)
	<u>499.2</u>	<u>367.8</u>	<u>131.4</u>	<u>35.7</u>

### Gaming Solutions

Gaming Solutions revenue increased €35.3 million primarily driven by the increased placement of amusement with prize machines (AWP machines), resulting in a €408.1 million increase in wagers as detailed in the table below.

	For the six months ended			
	June 30,		Increase (decrease)	
	2009	2008	Amount	%
AWP wagers (in millions)	€ 2,083.2	€ 1,675.1	€ 408.1	24.4
AWP machines installed (at end of June)	51,449	41,808	9,641	23.1

### Interactive

During the six months ended June 30, 2009, €19.2 million of revenue was generated from €161.9 million of skill game wagers, principally from online poker.

### Commercial Services

Revenue from Commercial Services increased 10.7% over the same period last year principally due to an increase in bill payment services, electronic top-up services for prepaid mobile, and ticketing services for sporting and musical events.

### GTECH Revenue

Consolidated revenue for the six months ended June 30, 2009 and 2008 includes the following amounts for GTECH:

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Increase (decrease)	
	2009	2008	€	%
United States	236,484	203,119	33,365	16.4
International	134,795	129,891	4,904	3.8
Lottery	371,279	333,010	38,269	11.5
Gaming Solutions	30,043	26,773	3,270	12.2
Interactive	30,731	13,301	17,430	131.0
Service revenue	432,053	373,084	58,969	15.8
United States	5,967	4,750	1,217	25.6
International	28,488	9,377	19,111	>200.0
Lottery	34,455	14,127	20,328	143.9
Gaming Solutions	34,826	21,772	13,054	60.0
Interactive	2,063	1,662	401	24.1
Product sales	71,344	37,561	33,783	89.9
Total revenue	503,397	410,645	92,752	22.6

### *Service Revenue*

#### **Lottery**

United States lottery service revenue increased 16.4% primarily due to the weakening of the euro against the US dollar.

International lottery service revenue increased 3.8% over the prior year. Organic growth and revenue from new contracts was partially offset by lower jackpot activity and fluctuations in foreign currency exchange rates against the euro.

#### **Interactive**

Interactive service revenue increased 131% over the same period last year due to four additional months of revenue from Boss Media and St. Minver (which were acquired on April 24, 2008 and April 30, 2008, respectively).

#### **Product Sales**

Product sales were €33.8 million higher during the six months ended June 30, 2009 compared to the same period last year principally due to the sale of new lottery terminals to our customer in Denmark, along with higher product sale revenue from Atronic.

### *Consolidated operating costs*

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Increase (decrease)	
	2009	2008	€	%
Raw materials, services and other costs	491,834	390,355	101,479	26.0
Personnel	215,284	189,888	25,396	13.4
Depreciation, amortization and impairment	167,704	143,112	24,592	17.2
Capitalization of internal construction costs - labor and overhead	(37,471)	(45,580)	8,109	17.8
<b>Total operating costs</b>	<b>837,351</b>	<b>677,775</b>	<b>159,576</b>	<b>23.5</b>
Percentage of total revenue	76.2%	73.1%		

Consolidated operating costs detailed by legal entity are as follows:

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Increase (decrease)	
	2009	2008	€	%
Lottomatica	263,839	211,374	52,465	24.8
GTECH	227,995	178,981	49,014	27.4
<b>Raw materials, services and other costs</b>	<b>491,834</b>	<b>390,355</b>	<b>101,479</b>	<b>26.0</b>
Lottomatica	43,538	45,939	(2,401)	(5.2)
GTECH	171,746	143,949	27,797	19.3
<b>Personnel</b>	<b>215,284</b>	<b>189,888</b>	<b>25,396</b>	<b>13.4</b>
Lottomatica	37,272	29,026	8,246	28.4
GTECH	130,432	114,086	16,346	14.3
<b>Depreciation, amortization and impairment</b>	<b>167,704</b>	<b>143,112</b>	<b>24,592</b>	<b>17.2</b>
Lottomatica	-	-	-	-
GTECH	(37,471)	(45,580)	8,109	17.8
<b>Capitalization of internal construction costs</b>	<b>(37,471)</b>	<b>(45,580)</b>	<b>8,109</b>	<b>17.8</b>
Lottomatica	344,649	286,339	58,310	20.4
GTECH	492,702	391,436	101,266	25.9
<b>Total operating costs</b>	<b>837,351</b>	<b>677,775</b>	<b>159,576</b>	<b>23.5</b>

#### **Raw materials, services and other costs**

The higher costs incurred by Lottomatica principally relate to €29.7 million of higher variable costs directly associated with the growth in service revenues and €22.8 million of higher indirect costs, principally in the Gaming Solutions and Interactive segments. The €22.8 million of higher indirect costs is due to €7.2 million of betting taxes which are a percentage of wagers; €6.2 million of accounts receivable write-downs in the Gaming Solutions segment; €5.4 million of outside service costs; and €4.0 million of advertising and promotions costs.

The higher costs incurred by GTECH principally relate to the weakening of the euro against the US dollar, along with the product sale cost associated with the sale of new lottery terminals to our customer in Denmark, and four additional months of costs from Boss Media and St. Minver (which were acquired on April 24, 2008 and April 30, 2008, respectively).

### Personnel

The higher costs incurred by GTECH principally relate to the weakening of the euro against the US dollar, along with four additional months of costs from Boss Media and St. Minver.

The Group has 7,733 employees worldwide comprised of the following personnel:

Personnel Description	Number of employees	
	As of June 30, 2009	2009 Average
Executives	394	392
Middle Management	957	951
All Other Permanent Employees	6,161	6,053
Employees with Temporary Employment Contracts	221	189
	<u>7,733</u>	<u>7,585</u>

### Depreciation, amortization and impairment

The higher costs incurred by Lottomatica principally relate to an increase in sports betting licenses generated from new points of sale acquisitions and additional AWP machines installed during the year. The higher costs incurred by GTECH principally related to the weakening of the euro against the US dollar, along with higher depreciation related to the expansion of existing lottery systems. These increases were partially offset by lower amortization related to Atronic intangible assets acquired in January 2008 that were fully amortized by December 2008.

### Capitalization of internal construction costs - labor and overhead

Capitalization of internal construction costs - labor and overhead relate to the capitalization of GTECH labor and overhead costs during the construction phase of lottery system implementations. During the first six months of 2009, spending on new lottery systems principally occurred for systems in Chile, West Virginia, the United Kingdom and Michigan. With respect to facilities management contracts, these costs are generally recovered over the term of the lottery contract, which is typically at least five to seven years with options permitting the lottery authority to extend the contract under the same terms and conditions for one or more additional periods.



**Foreign exchange loss, net**

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Increase (decrease)	
	2009	2008	€	%
Realized foreign exchange loss	(290)	(1,819)	(1,529)	(84.1)
Unrealized foreign exchange loss	(555)	(12,376)	(11,821)	95.5
	<u>(845)</u>	<u>(14,195)</u>	<u>(13,350)</u>	<u>94.0</u>

Unrealized foreign exchange loss was incurred on the following:

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Increase (decrease)	
	2009	2008	€	%
GTECH euro denominated debt	(6,052)	-	6,052	-
Polish zloty loan	6,043	(10,712)	(16,755)	(156.4)
Other	(546)	(1,664)	(1,118)	(67.2)
	<u>(555)</u>	<u>(12,376)</u>	<u>(11,821)</u>	<u>95.5</u>

**GTECH euro denominated debt**

GTECH's revenue concentration from European countries has increased in recent years. As a result, GTECH has borrowed in euro under the GTECH Senior Credit Facilities to better match future cash flows. Unrealized foreign exchange loss incurred on these euro denominated borrowings resulted from fluctuations in the US dollar to euro exchange rate.

**Polish zloty loan**

During 2007, in connection with GTECH's sale of POLCARD S.A. to First Data International, GTECH's Polish subsidiary, GTECH Polska Sp. z o.o. ("GTECH Polska"), loaned Polish zloty 255.6 million (at market interest rates) to GTECH Global Services Corporation Limited ("GGSC"), whose functional currency is the US dollar. On May 28, 2009, GGSC repaid Polish zloty 230.0 million of this loan using the proceeds of a non-cash dividend from GTECH Polska. Unrealized foreign exchange loss incurred on this loan resulted from fluctuations in the Polish zloty to US dollar exchange rate.

***Interest expense***

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Increase (decrease)	
	2009	2008	€	%
Capital Securities	(32,139)	(31,968)	171	0.5
GTECH Senior Credit Facilities	(30,409)	(36,992)	(6,583)	(17.8)
Lottomatica Term and Revolving Facilities	(9,251)	(585)	8,666	>200.0
4.8% Bonds	-	(8,858)	(8,858)	(100.0)
Other	(6,331)	(7,368)	(1,037)	(14.1)
	<u>(78,130)</u>	<u>(85,771)</u>	<u>(7,641)</u>	<u>(8.9)</u>

The decrease in interest expense was principally due to lower interest rates on variable rate debt during the three months ended June 30, 2009 along with the weakening of the euro against the US dollar.

***Weighted Average Diluted Shares***

Weighted average diluted shares during the first six months of 2009 totaled 148.7 million shares, a decrease of 3.1 million shares from the same period last year primarily due to the impact of treasury shares purchased during 2008.

***Income Taxes***

The Group's effective income tax rate during the first six months of 2009 of 34.5% was comparable to the same period last year.

## COMPARISON OF THE THREE MONTH PERIODS ENDED JUNE 30, 2009 AND 2008

Consolidated revenue for the three months ended June 30, 2009 increased 7.8% over the same period last year. Lottomatica's revenue increased 4.6% and GTECH's revenue increased 11.6%.

### **Lottomatica Revenue**

Consolidated revenue for the three months ended June 30, 2009 and 2008 includes the following amounts for Lottomatica:

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Increase (decrease)	
	2009	2008	€	%
Lotto	91,707	97,865	(6,158)	(6.3)
Instant tickets	82,063	83,755	(1,692)	(2.0)
Other	739	596	143	24.0
Lottery	174,509	182,216	(7,707)	(4.2)
Sports Betting	32,921	37,669	(4,748)	(12.6)
Gaming Solutions	36,704	21,743	14,961	68.8
Interactive	9,047	-	9,047	-
Commercial Services	22,843	22,151	692	3.1
Total revenue	276,024	263,779	12,245	4.6

### **Lotto**

Lotto revenue decreased 6.3% due to a corresponding decline in Lotto wagers as detailed in the table below.

<i>(millions of euros)</i>	For the three months ended			
	June 30,		Increase (decrease)	
	2009	2008	Wagers	%
<b>Lotto wagers</b>				
Core wagers	1,139.5	1,188.4	(48.9)	(4.1)
Wagers for late numbers	281.0	322.0	(41.0)	(12.7)
	1,420.5	1,510.4	(89.9)	(6.0)

### Instant tickets

Instant ticket revenue decreased 2.0% primarily due to lower sales of Scratch and Win tickets in the three months ended June 30, 2009 as compared to the same period last year as detailed in the table below.

	June 30,		Increase (decrease)	
	2009	2008	Amount	%
<b>Scratch &amp; Win tickets</b>				
Total tickets sold (in millions)	618.7	651.1	(32.4)	(5.0)
Total sales (in millions)	€ 2,365.8	€ 2,393.9	(€ 28.1)	(1.2)
Average price point	€ 3.82	€ 3.68	€ 0.14	3.8

### Sports Betting

Sports betting revenue decreased €4.7 million due to an increase in the amount of prize payouts (after the very low payout in the first three months of 2008), which are netted against revenue. Despite the decrease in revenues, sports betting wagers during the three months ended June 30, 2009 increased €68.3 million over the same period last year as detailed in the table below.

	For the three months ended			
	June 30,		Increase (decrease)	
	2009	2008	Wagers	%
<i>(millions of euros)</i>				
<b>Sports Betting wagers</b>				
Fixed odds sports betting wagers	213.0	135.9	77.1	56.7
Sports pool wagers	29.2	38.0	(8.8)	(23.2)
	<u>242.2</u>	<u>173.9</u>	<u>68.3</u>	<u>39.3</u>

### Gaming Solutions

Gaming Solutions revenue increased €15.0 million primarily driven by the increased placement of amusement with prize machines (AWP machines), resulting in a €141.9 million increase in wagers as detailed in the table below.

	For the three months ended			
	June 30,		Increase (decrease)	
	2009	2008	Amount	%
AWP wagers (in millions)	€ 1,030.0	€ 888.1	€ 141.9	16.0
AWP machines installed (at end of June)	51,449	41,808	9,641	23.1

### Interactive

In November 2008, Lottomatica entered into the newly liberalized segment of skill games in Italy and introduced an interactive online poker network, leveraging GTECH subsidiary Boss Media's platform. During the three months ended June 30, 2009, €9.0 million of revenue was generated from €86.5 million of these skill game wagers.

### Commercial Services

Revenue from Commercial Services increased 3.1% over the same period last year principally due to an increase in bill payment services, electronic top-up services for prepaid mobile, and ticketing services for sporting and musical events.

### GTECH Revenue

Consolidated revenue for the three months ended June 30, 2009 and 2008 includes the following amounts for GTECH:

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Increase (decrease)	
	2009	2008	€	%
United States	114,276	98,673	15,603	15.8
International	65,843	64,995	848	1.3
Lottery	180,119	163,668	16,451	10.1
Gaming Solutions	14,494	14,325	169	1.2
Interactive	15,191	11,481	3,710	32.3
Service revenue	209,804	189,474	20,330	10.7
United States	4,406	3,056	1,350	44.2
International	6,282	6,798	(516)	(7.6)
Lottery	10,688	9,854	834	8.5
Gaming Solutions	18,906	15,146	3,760	24.8
Interactive	981	952	29	3.0
Product sales	30,575	25,952	4,623	17.8
Total revenue	240,379	215,426	24,953	11.6

### Service Revenue

#### Lottery

United States lottery service revenue increased 15.8% primarily due to the weakening of the euro against the US dollar.

International lottery service revenue increased 1.3% over the prior year. Organic growth and revenue from new contracts was partially offset by lower jackpot activity and fluctuations in foreign currency exchange rates against the euro.

#### Gaming Solutions

Gaming Solutions service revenue of €14.5 million was comparable to the same period last year.

### **Interactive**

Interactive service revenue increased 32.3% over the same period last year due to one additional month of revenue from Boss Media and St. Minver (which were acquired on April 24, 2008 and April 30, 2008, respectively).

### **Product Sales**

Product sales were €4.6 million higher during the three months ended June 2009 compared to the same period last year principally due to higher product sale revenue from customers in Sweden and Oregon in the Gaming Solutions segment.

### **Consolidated operating costs**

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Increase (decrease)	
	2009	2008	€	%
Raw materials, services and other costs	242,993	212,554	30,439	14.3
Personnel	103,096	98,713	4,383	4.4
Depreciation, amortization and impairment	84,194	74,667	9,527	12.8
Capitalization of internal construction costs - labor and overhead	(19,982)	(22,169)	2,187	9.9
<b>Total operating costs</b>	<b>410,301</b>	<b>363,765</b>	<b>46,536</b>	<b>12.8</b>
Percentage of total revenue	79.5%	75.9%		

Consolidated operating costs detailed by legal entity are as follows:

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Increase (decrease)	
	2009	2008	€	%
Lottomatica	134,651	115,442	19,209	16.6
GTECH	108,342	97,112	11,230	11.6
<b>Raw materials, services and other costs</b>	<b>242,993</b>	<b>212,554</b>	<b>30,439</b>	<b>14.3</b>
Lottomatica	20,653	23,816	(3,163)	(13.3)
GTECH	82,443	74,897	7,546	10.1
<b>Personnel</b>	<b>103,096</b>	<b>98,713</b>	<b>4,383</b>	<b>4.4</b>
Lottomatica	19,459	15,003	4,456	29.7
GTECH	64,735	59,664	5,071	8.5
<b>Depreciation, amortization and impairment</b>	<b>84,194</b>	<b>74,667</b>	<b>9,527</b>	<b>12.8</b>
Lottomatica	-	-	-	-
GTECH	(19,982)	(22,169)	2,187	9.9
<b>Capitalization of internal construction costs</b>	<b>(19,982)</b>	<b>(22,169)</b>	<b>2,187</b>	<b>9.9</b>
Lottomatica	174,763	154,261	20,502	13.3
GTECH	235,538	209,504	26,034	12.4
<b>Total operating costs</b>	<b>410,301</b>	<b>363,765</b>	<b>46,536</b>	<b>12.8</b>

**Raw materials, services and other costs**

The higher costs incurred by Lottomatica principally relate to €7.9 million of higher variable costs directly associated with the growth in service revenues and €11.3 million of higher indirect costs, principally in the Gaming Solutions and Interactive segments. The €11.3 million of higher indirect costs was principally due to €4.7 million of betting taxes which are a percentage of wagers; €3.2 million of outside service costs; and €2.5 million of accounts receivable write-downs in the Gaming Solutions segment. The higher costs incurred by GTECH principally relate to the weakening of the euro against the US dollar.

### Depreciation, amortization and impairment

The higher costs incurred by Lottomatica principally relate to an increase in sports betting licenses generated from new points of sale acquisitions and additional AWP machines installed during the year. The higher costs incurred by GTECH principally relate to the weakening of the euro against the US dollar, along with higher depreciation related to the expansion of existing lottery systems. These increases were partially offset by lower amortization related to Atronic intangible assets acquired in January 2008 that were fully amortized by December 2008.

### Foreign exchange loss, net

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Increase (decrease)	
	2009	2008	€	%
Realized foreign exchange loss	(100)	(1,161)	(1,061)	(91.4)
Unrealized foreign exchange loss	(11,925)	(1,953)	9,972	>200.0
	<u>(12,025)</u>	<u>(3,114)</u>	<u>8,911</u>	<u>&gt;200.0</u>

Unrealized foreign exchange loss was incurred on the following:

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Increase (decrease)	
	2009	2008	€	%
GTECH euro denominated debt	(6,516)	-	6,516	-
Polish zloty loan	(4,258)	(3,211)	1,047	32.6
Other	(1,151)	1,258	2,409	191.5
	<u>(11,925)</u>	<u>(1,953)</u>	<u>9,972</u>	<u>&gt;200.0</u>

### GTECH euro denominated debt

GTECH's revenue concentration from European countries has increased in recent years. As a result, GTECH has borrowed in euro under the GTECH Senior Credit Facilities to better match future cash flows. Unrealized foreign exchange loss incurred on these euro denominated borrowings resulted from fluctuations in the US dollar to euro exchange rate.

### Polish zloty loan

During 2007, in connection with GTECH's sale of POLCARD S.A. to First Data International, GTECH's Polish subsidiary, GTECH Polska Sp. z o.o. ("GTECH Polska"), loaned Polish zloty 255.6 million (at market interest rates) to GTECH Global Services Corporation Limited ("GGSC"), whose functional currency is the US dollar. On May 28, 2009, GGSC repaid Polish zloty 230.0 million of this loan using the proceeds of a non-cash dividend from GTECH Polska. Unrealized foreign exchange loss incurred on this loan resulted from fluctuations in the Polish zloty to US dollar exchange rate.



***Interest expense***

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Increase (decrease)	
	2009	2008	€	%
Capital Securities	(16,090)	(15,920)	170	1.1
GTECH Senior Credit Facilities	(14,611)	(17,805)	(3,194)	(17.9)
Lottomatica Term and Revolving Facilities	(4,331)	(585)	3,746	>200.0
4.8% Bonds	-	(4,418)	(4,418)	(100.0)
Other	(1,002)	(4,372)	(3,370)	(77.1)
	<u>(36,034)</u>	<u>(43,100)</u>	<u>(7,066)</u>	<u>(16.4)</u>

The decrease in interest expense was principally due to lower interest rates on variable rate debt during the three months ended June 30, 2009 along with the weakening of the euro against the US dollar.

**LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION**

The Group's objective is to maintain adequate liquidity and flexibility through the use of cash generated by operating activities, bank overdrafts and bank loans. We believe our ability to generate excess cash from operations to reinvest in our business is one of our fundamental financial strengths and combined with our committed borrowing capacity, we expect to meet our financial obligations and operating needs in the foreseeable future. We expect to use cash generated primarily from operating activities to meet contractual obligations and to pay dividends. Our growth is expected to be financed through a combination of cash generated from operating activities, existing sources of committed liquidity, access to capital markets, and other sources of capital. Our corporate debt ratings of Baa3 from Moody's and BBB- from Standard and Poor's contribute to our ability to access capital markets at attractive prices.

**Summary Statements of Cash Flows**

<i>(thousands of euros)</i>	For the six months ended	
	June 30,	
	2009	2008
<b>Net cash flows from operating activities</b>	342,733	176,581
Purchases of systems, equipment and other assets related to contracts	(82,056)	(68,474)
Acquisitions	(20,500)	(191,456)
Acquisitions - cash acquired	31	38,572
Purchases of property, plant and equipment	(10,605)	(6,351)
Purchases of intangible assets	(9,539)	(10,605)
Toto Carovigno S.p.A. advance and escrow refund (payment)	4,621	(40,126)
Finsoft contingent consideration	-	(13,415)
Other investing activities, net	(8,570)	2,776
<b>Net cash flows used in investing activities</b>	<b>(126,618)</b>	<b>(289,079)</b>
Interest paid	(105,868)	(102,599)
Dividends paid	(100,940)	(125,393)
Dividends paid - non-controlling interest	(43,560)	(31,005)
Net proceeds from (repayments of) debt	(10,292)	128,316
Treasury share purchases	-	(39,156)
Other financing activities, net	(236)	1,893
<b>Net cash flows used in financing activities</b>	<b>(260,896)</b>	<b>(167,944)</b>
<b>Net cash flow</b>	<b>(44,781)</b>	<b>(280,442)</b>

**Analysis of Cash Flows**

During the first six months of 2009, we generated €342.7 million of net cash flows from operating activities, an increase of €166.2 million over the same period of the prior year, primarily due to changes in net working capital. The €82.1 million of capital additions for systems, equipment and other assets were principally related to spending in Chile, West Virginia, the United Kingdom, Michigan, and Italy. Although acquisition activity has slowed since the prior year acquisitions of Boss Media AB, the Atronic group of companies and St Enodoc Holdings, we continue to make strategic investments to exploit growth opportunities in the Sports Betting and Gaming Solutions segments in Italy. Interest paid of €105.9 million in the current year principally relates to our Capital Securities and GTECH Senior Credit Facilities. At June 30, 2009, we had €66.1 million of cash and cash equivalents on hand.

Our business is capital-intensive. We expect our principal sources of liquidity to be existing cash balances, cash generated from operations and borrowings under our GTECH Senior Credit Revolving Facilities (totaling US\$500 million) and LTO Revolving Credit Facility (totaling €300 million). At June 30, 2009, there was €448.3 million of committed undrawn capacity under the GTECH Senior Credit Revolving Facilities and LTO Revolving Credit Facility. These facilities have covenants and restrictions including, among other things, requirements relating to the maintenance of certain financial ratios, limitations on capital expenditures and acquisitions and limitations on dividends, none of which are expected to impact the Group's liquidity or capital resources. At June 30, 2009, we were in compliance with all applicable covenants.

We currently expect that our excess cash flow from operations, existing cash, undrawn capacity under existing borrowing facilities and access to additional sources of capital will be sufficient, for the foreseeable future, to fund our anticipated working capital and ordinary capital expenditure needs, to service our debt obligations, to fund anticipated internal growth, to fund all or a portion of the cash needed for potential acquisitions and to pay dividends. We may also seek alternative sources of financing to fund future potential acquisitions and other growth opportunities.

**Summary Statements of Financial Position**

<i>(thousands of euros)</i>	June 30,	December 31,	Increase (decrease)	
	2009	2008	€	%
Systems, equipment and other assets related to contracts, net	719,684	758,717	(39,033)	(5.1)
Goodwill	3,097,542	3,086,297	11,245	0.4
Intangible assets, net	811,862	853,146	(41,284)	(4.8)
Deferred income taxes	235,626	235,421	205	0.1
Other non-current assets	122,307	113,886	8,421	7.4
<b>Total non-current assets</b>	<b>4,987,021</b>	<b>5,047,467</b>	<b>(60,446)</b>	<b>(1.2)</b>
Inventories	135,789	129,560	6,229	4.8
Trade and other receivables	671,663	773,595	(101,932)	(13.2)
Cash and cash equivalents	66,063	109,274	(43,211)	(39.5)
Other current assets	82,503	91,102	(8,599)	(9.4)
Non-current assets classified as held for sale	7,375	7,456	(81)	(1.1)
<b>Total assets</b>	<b>5,950,414</b>	<b>6,158,454</b>	<b>(208,040)</b>	<b>(3.4)</b>
Equity	1,617,215	1,667,423	(50,208)	(3.0)
Long-term debt, less current portion	2,582,137	2,573,802	8,335	0.3
Deferred income taxes	427,723	441,409	(13,686)	(3.1)
Non-current financial liabilities	95,291	134,604	(39,313)	(29.2)
Other non-current liabilities	81,227	75,381	5,846	7.8
<b>Total non-current liabilities</b>	<b>3,186,378</b>	<b>3,225,196</b>	<b>(38,818)</b>	<b>(1.2)</b>
Accounts payable	689,481	800,653	(111,172)	(13.9)
Short-term borrowings	22,340	60,848	(38,508)	(63.3)
Current financial liabilities	41,482	12,741	28,741	>200.0
Current portion of long-term debt	27,358	61,109	(33,751)	(55.2)
Income taxes payable	93,040	49,457	43,583	88.1
Other current liabilities	273,120	281,027	(7,907)	(2.8)
<b>Total equity and liabilities</b>	<b>5,950,414</b>	<b>6,158,454</b>	<b>(208,040)</b>	<b>(3.4)</b>

The €39.0 million decrease in systems, equipment and other assets related to contracts, net was principally due to depreciation of €114.6 million which was partially offset by capital additions of €86.3 million.

The €11.2 million increase in goodwill was principally due to €47.9 of acquisition activity during the first six months of 2009 (primarily Labet and Europa Gestione), which was partially offset by €31.1 million of foreign currency translation.

The €41.3 million decrease in intangible assets, net was principally due to amortization.

The €101.9 million decrease in trade and other receivables was principally due to collection of receivables related to the scratch and win contract in Italy during the first six months of 2009, which was partially offset by increased trade receivables due to the placement of approximately 2,500 additional AWP machines during the first six months of 2009.

The €50.2 million decrease in equity was primarily due to €100.9 million of dividends paid to shareholders of the parent and €43.6 million of dividends paid to non-controlling shareholders, along with €29.1 million of foreign currency translation. These decreases were partially offset by net income of €119.2 million. The foreign currency translation principally relates to the strengthening of the euro against the US dollar (the US dollar to euro exchange rate was 1.3917 at December 31, 2008 compared to 1.4134 at June 30, 2009).

The €13.7 million decrease in deferred income taxes was primarily due to book depreciation in excess of tax depreciation and the amortization of acquired intangible assets.

The €39.3 million decrease in non-current financial liabilities was primarily due to the reclassification of the Boss Media contingent liability and Finsoft contingent consideration to current financial liabilities, along with a €19.1 million improvement in the fair value of interest rate swaps.

The €111.2 million decrease in accounts payable was principally due to the timing of payments in Italy and GTECH's ongoing lottery system implementations, along with a decrease in accounts payable primarily related to a lower volume of Scratch and Win tickets.

The €38.5 million decrease in short-term borrowings was principally due to repayments of amounts borrowed from uncommitted lines of credit.

The €28.7 million increase in current financial liabilities was primarily due to the reclassification of the Boss Media contingent liability and Finsoft contingent consideration, which are expected to be settled within the next twelve months, from non-current financial liabilities as described above.

The €33.8 million decrease in current portion of long-term debt was primarily due to interest paid during the first six months of 2009.

The €43.6 million increase in income taxes payable was primarily due to the timing of estimated tax payments.

**Consolidated Net Financial Position**

The Group's consolidated net financial position at June 30, 2009 increased €20.8 million from its net financial position at December 31, 2008, principally due to the strengthening of the euro against the US dollar. Consolidated net financial position is calculated as follows:

<i>(thousands of euros)</i>	June 30, 2009	December 31, 2008	Change
Cash on hand	462	392	70
Cash at bank	65,601	108,882	(43,281)
<b>Cash and cash equivalents</b>	<b>66,063</b>	<b>109,274</b>	<b>(43,211)</b>
<b>Current financial receivables</b>	<b>9,800</b>	<b>20,288</b>	<b>(10,488)</b>
Short-term borrowings	22,340	60,848	(38,508)
Capital Securities	15,426	46,491	(31,065)
Boss Media contingent liability	14,847	-	14,847
Other	38,567	27,359	11,208
<b>Current financial debt</b>	<b>91,180</b>	<b>134,698</b>	<b>(43,518)</b>
<b>Net current financial debt</b>	<b>15,317</b>	<b>5,136</b>	<b>10,181</b>
GTECH Senior Credit Facilities	1,418,981	1,359,888	59,093
Capital Securities	731,853	730,525	1,328
LTO Term Loan Facility	354,035	353,354	681
Atronic related debt	67,767	69,793	(2,026)
Interest rate swaps	55,411	73,740	(18,329)
Lottomatica Senior Credit Revolving Facility	-	50,000	(50,000)
Boss Media contingent liability	-	14,252	(14,252)
Other	49,381	56,854	(7,473)
<b>Non current financial debt</b>	<b>2,677,428</b>	<b>2,708,406</b>	<b>(30,978)</b>
<b>Net financial position</b>	<b>2,692,745</b>	<b>2,713,542</b>	<b>(20,797)</b>

### Reconciliation of Group Equity

The reconciliation of Lottomatica S.p.A. stand alone results with the results of the consolidated Group is as follows:

<i>(thousands of euros)</i>	Attributable to owners of the parent			Non-controlling interests	Consolidated
	Lottomatica	All other			
	S.p.A.	subsidiaries			
Balance at January 1, 2009	1,812,808	(203,813)	58,428	1,667,423	
Fair value of interest rate swaps	(2,188)	11,566	-	9,378	
Amortization of unrecognized gain on interest rate swap	(285)	-	-	(285)	
Unrecognized net loss on derivative instruments	-	(1,958)	-	(1,958)	
Unrecognized net loss on available for sale investment	-	(70)	-	(70)	
Foreign currency translation	-	(29,057)	-	(29,057)	
Net income (loss)	97,153	(3,158)	25,191	119,186	
Dividend distribution	(100,940)	-	(43,560)	(144,500)	
Share-based payment	(2,119)	-	-	(2,119)	
Put/call option arising from business combination	-	(783)	-	(783)	
Balance at June 30, 2009	<u>1,804,429</u>	<u>(227,273)</u>	<u>40,059</u>	<u>1,617,215</u>	

### Transactions with Related Parties

During the period there were no transactions, including intragroup, with related parties which qualified as unusual or atypical. Any related party transactions formed part of the normal business activities of the companies in the Group. Such transactions were concluded at standard market terms for the nature of goods and/or services offered.

Information on transactions with related parties, including specific disclosures required by Consob, is provided in Footnote 21 of the Consolidated Financial Statements included herein.

## **RISKS AND UNCERTAINTIES**

We believe that a system of well defined policies, processes and controls are imperative to effectively manage the various risks that we encounter and manage. The main risks that the Group is managing are the following:

- (i) market risk is the risk that changes in interest rates and foreign currency exchange rates will negatively impact the value of assets and liabilities;
- (ii) credit risk is the risk of a financial loss arising from a customer or counterparty not meeting their contractual obligations;
- (iii) liquidity risk is the risk that suitable sources of funding for the Group's operations may not be available;
- (iv) country risk is the risk that changes to regulations or laws or in the economy of a country in which we conduct business will negatively impact expected returns;
- (v) operational risk is the risk that external events or internal factors will result in losses.

Our Board of Directors is responsible for oversight of any significant risk that could adversely impact our business and for approving key risk management policies. The Audit Committee is responsible for ensuring that risk management policies and controls are implemented and followed worldwide. The management of global financial risks is centralized within the Group Treasury Department.



## **PREDICTABLE DEVELOPMENTS**

The financial crisis has caused substantial changes in consumers' behavior as the economic downturn reverberates around the world. Consumers and businesses alike anticipate further economic contraction across the remainder of 2009, despite the massive government intervention that has occurred in several countries. While we are seeing some signs of recovery, forecasts for financial market performance, the true indicator of economic improvement, remain quite negative.

Our industry has been, and continues to be, resilient to economic downturns. Not only are we able to confirm previous performance but, due to the selective investment strategy implemented in recent years, we have experienced continuous growth in revenue and profit. It is worth noting that we serve many customers around the world (mostly governments or government-related entities) that are looking for opportunities to grow their funding sources in times when tax income is substantially reduced, generating severe budget shortfalls. In our traditional Italian market, many changes are expected to take place in the gaming industry in the second half of the year. When preparing our half year report we have considered these expected developments. These developments will hopefully drive additional growth, but may require additional capital resource deployment in Italy.

In this very complex scenario, the Group is expecting to generate increasing revenues and EBITDA versus 2008.

The Group's strategic goal is to maintain its global leadership position in the public gaming markets, further developing the initiatives already identified.

The Group's Lottery strategy is summarized as follows:

- Continue to accelerate same-store sales growth;
- Win new jurisdictions and bid for operator opportunities;
- Grow instant ticket printing capabilities; and
- Roll out new distribution platforms, focusing particularly on interactive channels.

## LOTTOMATICA STOCK INFORMATION

### LOTTOMATICA GROUP S.p.A. SHAREHOLDING STRUCTURE

*Based on most recent filings as of July 8, 2009*

SHAREHOLDER	NUMBER OF SHARE	% OF OUTSTANDING SHARE
De Agostini Group	90,980,318	59.74%
Treasury share	3,475,927	2.28%
Generali Assicurazioni	4,989,596	3.28%
Mediobanca	5,615,195	3.69%

*Based on the latest filing, Mediobanca additionally owns 1,000,000 shares (0.7% of outstanding capital) without voting rights, for a total ownership of 6,615,195 or 4.3% of outstanding shares.*

*Underwritten and paid up share capital as of July 8, 2009 amounts to €152,286,837 composed of 152,286,837 ordinary shares with a nominal value of €1 each.*

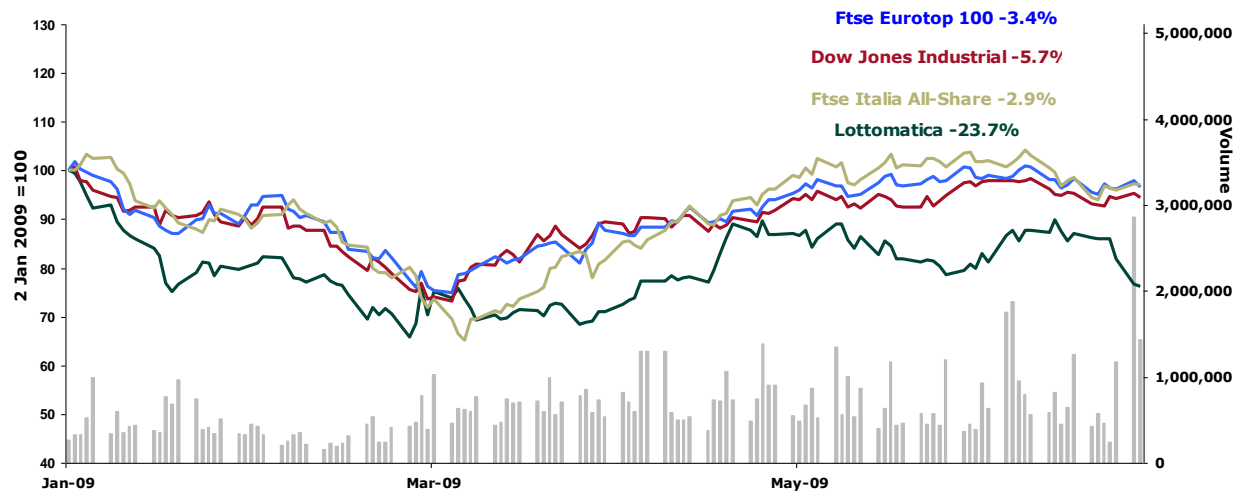
*Authorized share capital amounts to €159,278,775, composed of 159,278,775 ordinary shares with a nominal value of €1 each.*

### LOTTOMATICA STOCK FOR THE PERIOD ENDED JUNE 30, 2009

The average price of the stock for the six months ended June 30, 2009 was € 14.5. Over 79 million shares were traded in first six months of 2009, with a daily exchange of approximately 635,746 shares.

Lottomatica's capitalization was approximately € 2.1 billion on June 30, 2009.

In May 2008 the Group started an ordinary stock buy back plan intended for the purchase of up to a maximum of 10% of the share capital. At June 30, 2009, Lottomatica holds 3,475,927 shares, corresponding to 2.3% of the share capital.



(Source: Bloomberg Borsa Italiana)

## **SIGNIFICANT DEVELOPMENTS**

Since the start of the second quarter 2009, the Group has reported a number of significant developments.

### **Contract Developments**

In April 2009, GTECH announced that it had been chosen by the Arizona Lottery to provide a new instant ticket product management and distribution system, as well as related services. The five (5) year contract, which followed a competitive procurement, will commence in January 2010 and provides for five one-year extension options.

In May 2009, following a competitive procurement, GTECH entered into a contract with Société de la Loterie de la Suisse Romande for the implementation of a comprehensive interactive gaming platform. GTECH will also provide four (4) years of ongoing support services, commencing in the fourth quarter of 2009.

In May 2009, GTECH's subsidiary, GTECH Printing Corporation, entered into a three (3) year, secondary instant ticket printing services contract with the Massachusetts State Lottery Commission. The contract, which followed a competitive procurement, is scheduled to commence in July 2009 and has two one-year extension options.

In June 2009, GTECH Printing Corporation announced that the Arizona Lottery had chosen it for instant ticket printing services. The five (5) year contract, which followed a competitive procurement, will commence in January 2010 and provides for five one-year extension options.

In July 2009, after the close of the second quarter 2009, GTECH entered into a contract amendment with the Wisconsin Lottery to continue providing online lottery technology and services for an additional two (2) year period, commencing in June 2011.

In July 2009, after the close of the second quarter 2009, GTECH Printing Corporation announced that it has entered into a contract with Loteria Nacional de Nicaragua for instant ticket printing services. The two (2) year contract followed a competitive procurement.

### **Other Business Developments**

In June 2009, Lottomatica announced that it had become the first Italian operator to receive certification of compliance with the responsible gaming standards established by the European Lotteries Association.

In July 2009, after the close of the second quarter 2009, the shareholders resolved in ordinary session to adopt the 2009-2013 Share Allocation Plan and the 2009-2015 Stock Option Plan, both reserved for employees of Lottomatica and/or of its subsidiaries. Both plans had been previously announced and made available to the public.

The 2009-2013 Share Allocation Plan will be comprised of an aggregate maximum of 673,740 ordinary shares, subject to increase to correspond in terms of value to the gross total dividends and reserves actually distributed by Lottomatica to holders of ordinary shares in the period commencing on notification

to the beneficiaries of their participation in the plan to the actual allocation of shares. The Board of Directors will identify beneficiaries and set the maximum number of shares to allot to each one. The allocation of shares will be conditioned on Lottomatica's reaching a total consolidated EBITDA level for the combined financial years of 2009, 2010 and 2011, as well as meeting a certain ratio between consolidated net financial debt and consolidated EBITDA, which will be more specifically set by the Board of Directors. Distribution of shares will occur after shareholder approval of the annual accounts for the financial year ended December 31, 2011, with ability to partially postpone the distribution to 2013. The plan will terminate on December 31, 2013.

The 2009-2015 Stock Option Plan will be comprised of an aggregate maximum number of 1,852,785 options assigned. The Board of Directors will determine the number of options to be assigned to each beneficiary. Options will be assigned to beneficiaries in one or more tranches and will be exercisable at the end of the three-year vesting period. The exercise of options by the beneficiaries will be subject to Lottomatica's reaching a total consolidated EBITDA level for the combined financial years of 2009, 2010 and 2011, as well as meeting a certain ratio between consolidated net financial debt and consolidated EBITDA, which will be more specifically determined by the Board of Directors. The plan will terminate on December 31, 2015.

### **Managerial Developments**

In April 2009, Lottomatica announced that its Board of Directors had accepted the resignation of Lorenzo Pelliccioli as Chief Executive Officer of the Group, and unanimously approved his recommendation of Marco Sala as the new Group CEO. Mr. Pelliccioli will remain as Chairman. It was also announced that Renato Ascoli, Head of the Business Division at Lottomatica, was named General Manager of Lottomatica responsible for the Italian market.

## ENVIRONMENTAL COMMITMENTS

### Lottomatica's Environment Commitments in Italy

The activities normally managed by the Lottomatica Group in Italy can be defined as having low environmental impact. Nevertheless the Company recognizes the importance of supporting efforts on environmental issues together with those already undertaken in other areas of corporate social responsibility. Therefore, since 2008 Lottomatica has undertaken to finalize its own environmental policy and has commenced programs of monitoring and reducing the environmental consequences of its activities and products. The Group's programs are primarily related to locations in Italy and the United States, where 60% of the workforce is concentrated, but its commitments are relevant to all locations worldwide.

#### *The Environmental Initiatives of Lottomatica*

In early 2009 Lottomatica identified the main impacts of its 2008 activities and those areas in which to focus in developing the environmental policy of Lottomatica Italia. On the basis of findings from this phase of analysis and preliminary evaluation, it is in the course of defining its environmental policy and a plan of action for the mitigation and safeguarding of the environment.

A first step, already taken and whose consolidation will be a priority in 2009, is the establishment of a systematic process and a structured collection and analysis of environmental data in order to make the measurement of performance reliable and efficient.

#### *The Identification of Impacts*

The main environmental impacts of Lottomatica's activities are associated with use of paper as a raw material, energy consumption and transport of persons and goods. The company is also responsible for consumption of water resources and for waste generation. These impacts are due to the activities of corporate offices, to instant ticket and other printing activities by Lottomatica's subsidiary PCC Giochi e Servizi S.p.A., and to the management activities of the business.

### Environmental Impacts

#### Use of resources

- Paper
- Combustible materials
- Electricity
- Water
- Atmospheric emissions
- Waste water discharges
- Waste production

### Reduction Actions

- Use of recycled or environmentally friendly paper
- Reduction in the consumption of paper
- Energy efficiency (quality and quantity of energy)
- Increase waste separation
- Activity awareness of stakeholders

### *Identification of Areas of Intervention*

As a result of the identification of impacts and its initial analysis of the available data, the Company has identified the following areas of intervention in which it can improve its environmental commitment during 2009.

### Knowing and Managing

- Structuring an efficient and reliable process for collecting and analyzing environmental data
- Extending the investigation of the impacts related to aspects of business management
- Analyzing the mobility of employees (home/office and work travels)

### Reducing the Impacts

- Efficient use of office paper and choice of ecological paper
- Increasing waste collection in the offices
- Introduction of rules for the efficient use of electricity

### Involvement and Awareness

- Spread of best practices for an environmentally friendly office
- Information on the environmental impacts of the Group's activities
- Active involvement of employees in the theme of mobility management

### **GTECH's Environmental Commitments**

GTECH is committed to minimizing its impact on the environment as it carries out its activities around the world and continually strives to improve its environmental goals.

### *Guiding Principles*

GTECH Corporation is committed to:

- Conducting our operations in a manner that protects the environment, our employees and our neighbors.
- Complying with all laws, regulations and permits applicable to our products and operations, and with our own more stringent standards whenever necessary to implement this policy.

- Applying continual improvement and pollution prevention principles to cost-effectively reduce the environmental impacts of our manufacturing processes and of our products.
- Establishing and regularly reviewing environmental objectives and targets.
- Making available to the public the environmental performance of our operations.
- Ensuring that our employees have the knowledge, resources and authority to implement these guiding principles.
- Continuing GTECH's compliance with the RoHS (Restriction of Hazardous Substances) regulations implemented by the European Parliament and Council Directive on the Restrictions of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (2002/95/EC), in order to:
  - Protect human health and the environment by restricting the use of certain hazardous substances in new equipment; and
  - Complement the Waste Electrical and Electronic Equipment (WEEE) Directive (2002/96/EC).

In 2008, GTECH implemented a new corporate initiative named "GREEN: A GTECH Pledge", with the straightforward and simple mission statement: *To help reduce waste and protect the environment*. This program is intended to promote environmentally-friendly habits at all GTECH sites and subsidiaries worldwide, and is undertaking to increase awareness by its employees on the best practices of energy saving and resource conservation, recycling procedures and overall protection of the environment. GTECH created a "Green Committee" comprised of employees who will continually look for ways to save energy and promote environmental responsibility.

In its Rhode Island facilities, the environmental measures that have been taken by GTECH include the following:

- Recycling of white paper and cardboard; hardware in information technology and in manufacturing; metals and cardboard in the production process; lamps and fluorescent tubes; grease; bottles and cans; and batteries;
- Intelligent management of market fluctuations when purchasing energy used at its premises;
- Elimination of all Styrofoam products at its cafes, including ceasing use of disposable and paper beverage cups and replacement of them with recyclable and reusable mugs;
- Reducing paper usage by programming all copy machines to print documents double-sided;
- Reducing use of colored ink by printing in black and white where possible;
- Distributing information to new employees via electronic media, as opposed to paper handouts;
- Installing timers to shut down high-energy use areas overnight;
- Initiating a pilot program to test new automatic computer energy conservation settings, in preparation for installing on all company computers;
- Partnering with local recyclers to collect and recycle used personal and business computers and electronics;
- Installation of a secure bike rack to encourage employee commuting by bicycle/scooter; and



- A GREENovation Contest that offered rewards to GTECH employees for innovative ideas implemented as part of the GREEN GTECH pledge.

In building new facilities, GTECH has sought to use energy saving lighting systems, air conditioning plants, electrical circuits and materials with a high energy efficiency factor. Its new Data Processing Center in West Greenwich, Rhode Island was designed according to these parameters.

GTECH's manufacturing facilities comply with all applicable laws and regulations, including RoHS. They do not generate any harmful waste, whether chemical or in the air. Further, GTECH has converted from non-biodegradable bubble wrap and Styrofoam peanuts to biodegradable packaging material for shipment of certain equipment such as spare parts.

GTECH's instant ticket printing subsidiary, GTECH Printing Corporation (GPC), uses 100% recyclable paper, none of which are designated as hazardous waste. Its printing facility exceeds the compliance of all state and federal air and water regulatory bodies, and its primary and backup facilities do not discharge any process liquids. GPC has:

- Eliminated the use of all solvent based overprint inks with the conversion to water-based systems;
- Replaced all solvent-based graphic inks with Ultraviolet Cured graphic ink systems;
- Developed and implemented the use of a 100% water based system for base coat and overprint coating systems;
- Replaced all solvent-based security seal and release varnishes with UV-curable systems;
- Replaced its solvent based plate making system with an all digital process; and
- Entered into agreements to recycle 100% of its offset printing plates.

As a result, GPC has reduced its Volatile Organic Compounds (VOC) emissions to less than 20% of the current maximum operating limit allowed, and in fact has reduced its emitted VOCs even further with the development of a water based black scratch off system.

# Tables of Customer Contracts

**Table 1 Italian Concessions**

The table below sets forth Lottomatica's Italian Concessions as of June 30, 2009.

<u>Holder</u>	<u>Purpose</u>	<u>Date of Commencement of Current Contract<sup>1</sup></u>	<u>Date of Expiration of Current Contract</u>	<u>Current Extension Options<sup>2</sup></u>
<i>Lottomatica</i>	Activation and operation of the network for the Lotto Game	March 1993	June 2016 <sup>3</sup>	Not renewable
<i>Consorzio Lotterie Nazionali</i>	Operation of the National Lotteries for instant and periodic drawings	October 2003	March 14, 2010 for lotteries with periodic drawings – May 30, 2010 for lotteries with instant drawings	Renewable
<i>Consorzio Lotterie Nazionali</i>	Experimental Operation – as central operator – of the on-line Scratch and Win Lotteries	November 2006	October 2009	Not Applicable
<i>Lottomatica Videolot Rete S.p.A.</i>	Activation and operation of the network for the telematic operation of legalized amusement with price machine (Video Lotteries)	July 2004	October 2010	Renewable only for 1 year at AAMS discretion
<i>Lottomatica Scommesse S.r.l.</i>	Activation and operation of the network for sports gaming, toto betting and sports betting, operated through interactive channel also for the operation of Skill Games. N. 4032	March 2007	June 2016	Not renewable
<i>Lottomatica Scommesse S.r.l.</i>	Activation and operation of the new horse gaming, toto betting and horse betting. N. 4313.	March 2007	June 2016	Not renewable

<u>Holder</u>	<u>Purpose</u>	<u>Date of Commencement of Current Contract<sup>1</sup></u>	<u>Date of Expiration of Current Contract</u>	<u>Current Extension Options<sup>2</sup></u>
<i>Lottomatica Scommesse S.r.l.</i>	Activation and operation of sports betting. Sixteen concessions <sup>4</sup>	March 2009 (only no. 3146) May 2009	June 2012	Not renewable
<i>Lottomatica Scommesse S.r.l.</i>	Activation and operation of horse betting. Eleven concessions <sup>5</sup>	May 2009	June 2012	Not renewable
<i>Toto Carovigno S.p.A.</i>	Activation and operation of horse betting. Concession no. 1100	January 2007	June 2012	Not renewable
<i>Toto Carovigno S.p.A.</i>	Activation and operation of sports betting. Two concessions <sup>6</sup>	April and August 2007	June 2012	Not renewable
<i>L.S. ALPHA S.r.l.</i>	Activation and operation of horse betting. Seven concessions <sup>7</sup>	November and December 2008	June 2012	Not renewable
<i>L.S. ALPHA S.r.l.</i>	Activation and operation of sports betting. Nine concessions <sup>8</sup>	November 2008	June 2012	Not renewable
<i>LABET S.r.l.</i>	Activation and operation of the network for sports gaming, toto betting and sports betting, operated through interactive channel also for the operation of Skill Games. N. 4113	June 2009	June 2016	Not renewable
<i>LABET S.r.l.</i>	Activation and operation of horse betting. Twelve concessions <sup>9</sup>	June 2009	June 2012	Not renewable
<i>LABET S.r.l.</i>	Activation and operation of sports betting. Seventeen concessions <sup>10</sup>	June 2009	June 2012	Not renewable

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<sup>1</sup> Reflects the date upon which the contract became effective.

<sup>2</sup> Reflects extensions available to the governmental authority under the same terms as the current contract.

<sup>3</sup> As discussed in Note 31 to the Notes to the Consolidated Financial Statements concerning litigation, the indicated expiration date is under dispute with AAMS.

<sup>4</sup> Concessions no. 3146, 3155, 3165, 3169, 3180, 3184, 3192, 3199, 3264, 3480, 3674, 3672, 3705, 3732, 3733 and 3742.

<sup>5</sup> Concessions no. 1038, 1045, 1051, 1055, 1056, 1058, 1062, 1132, 1137, 1239 and 1246.

<sup>6</sup> Concessions no. 3067 and 3673 also through interactive channel.

<sup>7</sup> Concessions no. 1014, 1089, 1095, 1101, 1106, 1120 and 1191.

<sup>8</sup> Concessions no. 3173, 3413, 3414, 3416, 3475, 3558, 3559, 3651 and 3751.

<sup>9</sup> Concessions no. 1349, 1360, 1361, 1363, 1381, 1382, 1392, 1395, 1531, 1533, 1536 and 1537.

<sup>10</sup> Concessions no. 3064, 3065, 3066, 3103, 3119, 3167, 3504, 3514, 3515, 3516, 3517, 3519, 3520, 3521, 3522, 3523 and 3621.

**Table 2 Facilities Management Contracts**

Unless otherwise indicated, the table below sets forth the lottery authorities with which GTECH had Facilities Management Contracts as of June 30, 2009 for the installation and operation of lottery systems, and as to which GTECH is the sole supplier of central computers and terminals and material services. The table also sets forth information regarding the term of each contract and, as of June 30, 2009, the approximate number of terminals installed in each jurisdiction.

<u>Jurisdiction</u>	<u>Approximate Number of Lottery Terminals Installed (1)</u>	<u>Date of Commencement of Current Contract*</u>	<u>Date of Expiration of Current Contract Term</u>	<u>Current Extension Options**</u>
United States:				
Arizona (2)	2,700	November 2005	August 2011	5 one-year
California	21,400	October 2003	October 2013	(3)
D.C. (4)	600	June 1999	November 2009	---
Florida	13,700	January 2005	March 2011	2 two-year
Georgia	8,800	September 2003	September 2013	---
Illinois	7,300	April 2000	October 2010	---
Kansas	1,900	July 2008	June 2018	---
Kentucky	2,800	April 1997	June 2011	---
Louisiana	2,800	June 1997	June 2010	---
Michigan	11,100	January 2009	January 2015	6 one-year
Minnesota	3,100	June 2002	February 2016	---
Missouri	4,600	December 2004	June 2012	3 one-year and additional 5 years
New Jersey	6,100	January 2009	January 2017	Up to 3 years
New York (5)	16,400	November 2000	February 2010	---
North Carolina	5,900	January 2006	March 2013	---
Ohio (6)	8,200	August 2000	June 2009	---
Oregon	3,500	October 2007	November 2015	3 one-year
Rhode Island	1,200	January 1997	June 2023	---
South Dakota (7)	50	August 2009 (7)	August 2014	5 one-year
Tennessee	4,700	January 2004	April 2015	---
Texas	17,300	October 2001	August 2011	---
Virginia	5,300	June 2006	October 2014	3 one-year or 1 three-year
Washington	4,600	July 2006	July 2012	4 years
West Virginia	1,700	June 2009	June 2014	2 one-year
Wisconsin	3,800	November 2003	June 2011 (8)	2 one-year
International:				
Anguilla				
-LILHCo	15	May 2007	May 2017	---

<u>Jurisdiction</u>	<u>Approximate Number of Lottery Terminals Installed (1)</u>	<u>Date of Commencement of Current Contract*</u>	<u>Date of Expiration of Current Contract Term</u>	<u>Current Extension Options**</u>
Antigua/ Barbuda -LILHCo	54	September 1996	September 2016	---
Argentina -Loteria National Sociedad del Estado (9)	900	November 1993	January 2010	---
-Boldt IPLC (9)	4,300	September 1993	November 2009	---
Barbados - LILHCo	240	June 2005	June 2023	---
Bermuda -LILHCo	1	---	---	Automatic annual renewal
Chile -Pollo Chilena de Beneficencia S.A.	2,500	September 2008	August 2016	Up to 24 months
China -Beijing Welfare Lottery	2,800	April 2004	December 2015	Automatic 3 one- year
-Shenzhen Welfare Lottery	300	February 2004	December 2015	---
Colombia -ETESA (10)	5,000	December 1999	January 2011	1 five-year
- Apuestas En Linea, S.A.	3,000	March 2007	September 2012	---
Czech Republic -SAZKA	7,000	October 1992	December 2017	---
Dominican Republic - Loto Real Del Cibao, C.X.A.	1,000	August 2008	20 years after start- up date	---

<u>Jurisdiction</u>	<u>Approximate Number of Lottery Terminals Installed (1)</u>	<u>Date of Commencement of Current Contract*</u>	<u>Date of Expiration of Current Contract Term</u>	<u>Current Extension Options**</u>
Ghana -- Pinbridge Ltd	100	June 2008	June 2018	Automatic renewal for 10 year period
Ireland -An Post Nat'l Lottery Company	3,700	June 2002	December 2010	---
Jamaica -Supreme Ventures Limited	1,100	November 2000	January 2016	---
Luxembourg -Loterie Nationale (11)	530	June 2001	October 2012	---
Mexico -Pronosticos Para La Asistencia Publica	9,400	September 2005	September 2012	2 one-year
Morocco -La Societe de Gestion de la Loterie Nationale and La Marocaine des Jeux et Les Sports	2,000	August 1999	August 2010	Two year extension option
Nigeria -National Sports Lottery plc.	2,000	November 2008	December 2016 (12)	10 years (12)
Poland -Totalizator Sportowy	10,800	May 2001	December 2011	1 one-year
Slovak Republic -TIPOS a.s.	2,200	March 1996	December 2011	---



<u>Jurisdiction</u>	<u>Approximate Number of Lottery Terminals Installed (1)</u>	<u>Date of Commencement of Current Contract*</u>	<u>Date of Expiration of Current Contract Term</u>	<u>Current Extension Options**</u>
St. Kitts/Nevis -LILHCo	45	April 1996 February 2004 (13)	April 2016 February 2014 (13)	--- 1 ten year (13)
St. Maarten -LILHCo	47	September 2007	September 2017	1 ten-year (14)
Taiwan -Taiwan Sport Lottery Corporation (15)	970	April 2008	December 2013	---
Trinidad & Tobago -National Lotteries Control Board	800	December 1993	September 2011	---
Turkey -Turkish National Lottery (16)	4,000	February 1996	(16)	(16)
United Kingdom -The National Lottery (17)	27,300	February 2009	January 2019	---
U.S. Virgin Islands -LILHCo	60	December 2001	December 2011	2 five-year

\* Reflects the date upon which the contract became effective.

\*\*Reflects extensions available to the lottery authority under the same terms as the current contract. Lottery authorities occasionally negotiate extensions on different terms and conditions.

- (1) Total does not include instant-ticket validation terminals or instant ticket vending machines.
- (2) GTECH and the Arizona Lottery have entered into a contract effective January 10, 2010 for the provision of an instant ticket management and distribution system and related services. The agreement will be for a 5 year term with 5 one-year extension options.
- (3) At the end of the final extension option period, the contract will remain in effect under the same terms and conditions until either party provides at least 2 years notice of termination.

- (4) Operated by Lottery Technology Enterprises, a joint venture in which GTECH has a 1% interest, and to which GTECH supplies lottery goods and services.
- (5) In March 2009, GTECH was chosen as the preferred bidder to negotiate an integrated services contract with the New York Lottery to provide new online lottery solutions and services. The finalization of that contract is subject to approval by the Attorney General and the State Comptroller. System conversion under the new contract is expected to occur in June 2010. The term of that contract would be for a seven year period following system conversion and would include an option by the Lottery to extend for an additional three years.
- (6) GTECH's contract with the Ohio Lottery Commission for the provision of an online gaming system expired on June 30, 2009, the last day of the second quarter 2009.
- (7) GTECH has entered into a contract with the South Dakota Lottery to provide a new online lottery central system, terminals, and ongoing lottery and marketing consultancy services. The term of the contract will commence in August 2009, after the close of the second quarter 2009.
- (8) Effective July 2009, after the close of the second quarter 2009, GTECH and the Wisconsin Department of Revenue, Lottery Division, amended the contract to extend the term to June 2012. The amendment further provides that effective June 2012, the term of the contract will be extended to June 2013.
- (9) Under these contractual arrangements, the lottery authorities purchased the lottery system and related software license from GTECH at the commencement of the respective contracts.
- (10) GTECH's contract with the Colombia ETESA lottery authority is not a true facilities management contract in that title to the equipment vests in ETESA at the end of the term.
- (11) The Luxembourg lottery authority can extend the software license granted by GTECH for up to 10 years after the end of the initial term and any extensions of the contract. No further extensions may be exercised after October 2012.
- (12) GTECH's contract expires on the date of expiry of the National Sports Lottery's license, which is in December 2016 with an option to extend for 10 years.
- (13) Due to a form of devolution within the political structure of the twin island federation of St. Kitts and Nevis, there is a separate license term for the island of Nevis which is not synchronous with the term applicable in St. Kitts.
- (14) The extension option for this contract may be exercised on mutual agreement of the parties.
- (15) Operated by Taiwan Sport Lottery Corporation, a joint venture in which GTECH has a 24.5% interest and to which GTECH supplies lottery goods and services.
- (16) The term of the contract with the Turkey lottery authority renews for successive one-year extension terms unless either party gives timely notice of non-renewal. In addition, the Turkey lottery authority has the option to assume responsibility for the provision of certain lottery services at any time after the second anniversary of system start-up.
- (17) Operated by Camelot Group plc on a facilities management basis.

**Table 3 Product Sales Contracts**

The table below lists certain of GTECH's direct and indirect customers that since January 2007 have purchased (or have agreed to purchase) from GTECH new online systems, software and/or terminals and equipment in connection with the expansion or replacement of existing lottery systems. It does not include jurisdictions in which GTECH has a facilities management contract with the lottery authorities unless the product sale is set forth in a separate contract.

<u>Jurisdiction</u>	<u>Customer</u>
Argentina	Boldt – Instituto Provincial de Loterias y Casinos de la Provincia de Buenos Aires
Australia	New South Wales Lotteries Corporation Lotterywest (f/k/a Western Australia Lotteries Commission) Lotteries Commission of South Australia
Belarus	Sport-Pari
Belgium	Loterie Nationale de Belgique
Canada	British Columbia Lottery Corporation Western Canada Lottery Corporation
Denmark	Danske Spil A/S
Finland	Veikkaus Oy
France	La Francaise des Jeux
Georgia	Scientific Games Inc.
Germany	WestLotto Sachsische Lotto – Gmbh Loterie Treuhandgesellschaft mbH Thuringen
Indiana	Hoosier Lottery
Israel	Mifal Hapayis
Lithuania	UAB Olifėja
Luxembourg	Loterie Nationale
Massachusetts	Massachusetts State Lottery Commission
Mexico	Pronosticos para la Asistencia Publica
New Zealand	New Zealand Lotteries Commission
Pennsylvania	Scientific Games OES Online Entertainment Systems, Inc.
Poland	Totalizator Sportowy Sp. Zo.o
Portugal	Santa Casa de Misericordia de Lisboa
Singapore	Singapore Pools (Pte) Ltd.
Spain	Organizacion Nacional de Ciegos Espanoles
Switzerland	Loterie de la Suisse Romande
Ukraine	Ukraine National Lottery
United Kingdom	Camelot Group plc
Virginia	Virginia Lottery

**Table 4 ITVM Contracts**

The table below sets forth the lottery authorities with which GTECH has ITVM Facilities Management Contracts ("FMCs"). This table also provides (except where noted by footnote) historical information respecting the number of ITVMs that are currently in service, under various ITVM Product Sales Contracts ("PSCs"). Finally, the table below sets forth information regarding the term of each FMC, as well as the approximate number of ITVMs installed in each FMC jurisdiction, as of June 30, 2009.

<u>Jurisdiction</u>	<u>FMC or PSC</u>	<u>Approximate Number of ITVMs In Service</u>	<u>Date of Commencement of Current FMC Contract*</u>	<u>Date of Expiration of Current FMC Contract Term</u>	<u>Current Extension Options**</u>
Arizona	(1)	750	--	--	--
California	PSC	4,200	--	--	--
Florida	(1)	0 (2)	--	--	--
France	PSC	1,160	--	--	--
	PSC	440	--	--	--
Georgia	(1)	230	--	--	--
Iceland	PSC	25	--	--	--
Illinois	FMC	3,470	July 2004	September 2010	1 three-year
Indiana	PSC	1,200			
Italy	PSC	500	--	--	--
Kentucky	FMC	1,500	December 2007	December 2010 (3)	2 one-year
Luxembourg	FMC	130	September 2005	October 2012	--
Maine	(4)	150	September 2004	June 2011	--
Maryland	PSC	850	--	--	--
Massachusetts	PSC	2,200	--	--	--
Michigan	(1)	1,350	--	--	--
Minnesota	(1)	110	--	--	--
Missouri	FMC	620	March 2007	June 2012	--
New Hampshire	PSC	250	June 2005	June 2010	--
New Jersey	(1)	200	--	--	--
New York	(5)	5,200	(5)	(5)	--
North Carolina	FMC	660	January 2006	March 2013	--
Ohio	FMC	1,500	July 2003	December 2009	--
Oregon	PSC	500	--	--	--
Pennsylvania	PSC	3,800	--	--	--
Rhode Island	(1)	150	--	--	--
Switzerland	PSC	100	--	--	--
Tennessee	(1)	600	--	--	--

<u>Jurisdiction</u>	<u>FMC or PSC</u>	<u>Approximate Number of ITVMs In Service</u>	<u>Date of Commencement of Current FMC Contract*</u>	<u>Date of Expiration of Current FMC Contract Term</u>	<u>Current Extension Options**</u>
Texas	(1)	1,320	September 2003	August 2011	-- 3 one-year or 1 three-year
Virginia	(6)	2,000	June 2004	June 2011	3 one-year or 1 three-year
Washington	FMC	1,000	November 2004	November 2010	--
Wisconsin	FMC	500	June 2004	June 2011	2 one-year
Slovenia	FMC	(7)	May 2009	(6)	--

\* Reflects the date upon which the contract became effective.

\*\*Reflects extensions available to the lottery authority under the same terms as the current contract. Lottery authorities occasionally negotiate extensions on different terms and conditions.

- (1) Represents ITVMs installed under an on-line lottery Facilities Management Contract. See Facilities Management Contracts table above for additional information.
- (2) Shipment of terminals is due to commence in August 2009.
- (3) The contract contains a different term for the lease of the equipment than for the contract term itself, running from the date of acceptance of the equipment with 2 one-year extensions at the option of the Kentucky Lottery Corporation. The current date of expiration of the equipment lease is March 2011.
- (4) GTECH's contract with the Maine Department of Administrative & Financial Services, Bureau of Alcoholic Beverages & Lottery Operations, is not a traditional facilities management contract, but rather is a lease agreement for a monthly fee in which GTECH provides related services.
- (5) GTECH has entered into a contract to supply maintenance services for approximately 4,100 ITVMs which are owned by the New York lottery authority.
- (6) The Virginia Lottery entered into a seven-year contract with Oberthur Gaming Technologies Corporation (OGT) under which GTECH has subcontracted to provide 1,500 ITVMs and management of warehousing and distribution of instant tickets. Additionally, 200 ITVMs have been provided by GTECH under the Facilities Management Contract which is described in Table 2.
- (7) GTECH and Loteria Slovenije, d.d. entered into a pilot agreement for the provision of 5 ITVMs for a term ending 15 weeks after installation of the ITVMs has been completed.

# Consolidated Financial Statements and Footnotes

June 30, 2009

**LOTTOMATICA GROUP AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

<i>(thousands of euros)</i>	<i>Notes</i>	June 30, 2009	December 31, 2008
<b>ASSETS</b>			
<b>Non-current assets</b>			
Systems, equipment and other assets related to contracts, net	5	719,684	758,717
Property, plant and equipment, net	6	89,612	86,023
Goodwill	7	3,097,542	3,086,297
Intangible assets, net	8	811,862	853,146
Investments in associates		7,576	6,093
Other non-current assets	9	23,292	21,380
Non-current financial assets		1,827	390
Deferred income taxes		235,626	235,421
<b>Total non-current assets</b>		<u>4,987,021</u>	<u>5,047,467</u>
<b>Current assets</b>			
Inventories	10	135,789	129,560
Trade and other receivables	11	671,663	773,595
Other current assets	9	67,489	65,160
Current financial assets		9,800	20,288
Income taxes receivable		5,214	5,654
Cash and cash equivalents	12	66,063	109,274
<b>Total current assets</b>		<u>956,018</u>	<u>1,103,531</u>
Non-current assets classified as held for sale	13	7,375	7,456
<b>TOTAL ASSETS</b>		<u>5,950,414</u>	<u>6,158,454</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		152,287	152,287
Share premium		1,139,071	1,139,071
Treasury shares		(65,964)	(73,184)
Retained earnings		87,842	95,647
Other reserves	14	263,920	295,174
		<u>1,577,156</u>	<u>1,608,995</u>
<b>Non-controlling interests</b>		<u>40,059</u>	<u>58,428</u>
<b>Total equity</b>		<u>1,617,215</u>	<u>1,667,423</u>
<b>Non-current liabilities</b>			
Long-term debt, less current portion	15	2,582,137	2,573,802
Deferred income taxes		427,723	441,409
Long-term provisions		27,744	27,042
Other non-current liabilities	16	53,483	48,339
Non-current financial liabilities		95,291	134,604
<b>Total non-current liabilities</b>		<u>3,186,378</u>	<u>3,225,196</u>
<b>Current liabilities</b>			
Accounts payable		689,481	800,653
Short-term borrowings	15	22,340	60,848
Other current liabilities	16	270,481	278,751
Current financial liabilities		41,482	12,741
Current portion of long-term debt	15	27,358	61,109
Short-term provisions		2,639	2,276
Income taxes payable		93,040	49,457
<b>Total current liabilities</b>		<u>1,146,821</u>	<u>1,265,835</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>5,950,414</u>	<u>6,158,454</u>

**LOTTOMATICA GROUP AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED INCOME STATEMENTS**

	Notes	For the six months ended June 30	
		2009	2008
<i>(thousands of euros)</i>			
Service revenue		1,027,306	890,189
Product sales		71,344	37,561
<b>Total revenue</b>	4	<u>1,098,650</u>	<u>927,750</u>
Raw materials, services and other costs		491,834	390,355
Personnel		215,284	189,888
Depreciation, amortization and impairment		167,704	143,112
Capitalization of internal construction costs - labor and overhead		(37,471)	(45,580)
<b>Total costs</b>		<u>837,351</u>	<u>677,775</u>
<b>Operating income</b>	4	261,299	249,975
Interest income		1,812	7,095
Equity loss		(1,033)	(622)
Other income		811	2,543
Other expense		(1,952)	(979)
Foreign exchange loss, net	17	(845)	(14,195)
Interest expense	18	(78,130)	(85,771)
		<u>(79,337)</u>	<u>(91,929)</u>
<b>Income before income tax expense</b>		181,962	158,046
Income tax expense	19	<u>62,776</u>	<u>54,526</u>
<b>Net income</b>		<u>119,186</u>	<u>103,520</u>
Attributable to:			
Owners of the parent		93,995	77,977
Non-controlling interests		<u>25,191</u>	<u>25,543</u>
		<u>119,186</u>	<u>103,520</u>
<b>Earnings per share/ADRs</b>			
Basic - net income attributable to owners of the parent		€ 0.63	€ 0.51
Diluted - net income attributable to owners of the parent		€ 0.63	€ 0.51



**LOTTOMATICA GROUP AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED INCOME STATEMENTS**

<i>(thousands of euros)</i>	Notes	For the three months ended June 30	
		2009	2008
Service revenue		485,828	453,253
Product sales		30,575	25,952
<b>Total revenue</b>	4	516,403	479,205
Raw materials, services and other costs		242,993	212,554
Personnel		103,096	98,713
Depreciation, amortization and impairment		84,194	74,667
Capitalization of internal construction costs - labor and overhead		(19,982)	(22,169)
<b>Total costs</b>		410,301	363,765
<b>Operating income</b>	4	106,102	115,440
Interest income		864	3,103
Equity loss		(760)	(622)
Other income		307	2,015
Other expense		(852)	(344)
Foreign exchange loss, net	17	(12,025)	(3,114)
Interest expense	18	(36,034)	(43,100)
		(48,500)	(42,062)
<b>Income before income tax expense</b>		57,602	73,378
Income tax expense	19	24,225	25,290
<b>Net income</b>		33,377	48,088
Attributable to:			
Owners of the parent		22,098	35,456
Non-controlling interests		11,279	12,632
		33,377	48,088
<b>Earnings per share/ADRs</b>			
Basic - net income attributable to owners of the parent		€ 0.15	€ 0.23
Diluted - net income attributable to owners of the parent		€ 0.15	€ 0.23

**LOTTOMATICA GROUP AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

<i>(thousands of euros)</i>	<i>Notes</i>	For the six months ended June 30	
		2009	2008
<b>Net income for the period</b>		<u>119,186</u>	<u>103,520</u>
Net gain on interest rate swaps (cash flow hedges)		16,334	3,925
Income tax expense		<u>(6,956)</u>	<u>(1,503)</u>
		9,378	2,422
Amortization of gain on interest rate swap on discontinued cash flow hedge		(285)	(285)
Net loss on derivative instruments (cash flow hedges)	24	(3,025)	(1,861)
Income tax benefit		<u>1,067</u>	<u>500</u>
		(1,958)	(1,361)
Net loss on available-for-sale financial assets		(70)	-
Net loss on translation of foreign operations		(25,926)	(96,234)
Income tax benefit (expense)		<u>(3,131)</u>	<u>15,144</u>
		<u>(29,057)</u>	<u>(81,090)</u>
<b>Other comprehensive loss for the period, net of tax</b>		<u>(21,992)</u>	<u>(80,314)</u>
<b>Total comprehensive income for the period, net of tax</b>		<u>97,194</u>	<u>23,206</u>
Attributable to:			
Owners of the parent		72,003	(2,337)
Non-controlling interests		<u>25,191</u>	<u>25,543</u>
		<u>97,194</u>	<u>23,206</u>

**LOTTOMATICA GROUP AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

<i>(thousands of euros)</i>	Notes	For the three months ended June 30	
		2009	2008
<b>Net income for the period</b>		<u>33,377</u>	<u>48,088</u>
Net gain on interest rate swaps (cash flow hedges)		13,720	26,946
Income tax expense		<u>(5,930)</u>	<u>(9,688)</u>
		7,790	17,258
Amortization of gain on interest rate swap on discontinued cash flow hedge		(143)	(143)
Net loss on derivative instruments (cash flow hedges)	24	(8,466)	(293)
Income tax benefit		<u>3,214</u>	<u>198</u>
		(5,252)	(95)
Net loss on available-for-sale financial assets		(57)	-
Net gain (loss) on translation of foreign operations		(93,587)	19,130
Income tax benefit (expense)		<u>20,255</u>	<u>(923)</u>
		<u>(73,332)</u>	<u>18,207</u>
<b>Other comprehensive income (loss) for the period, net of tax</b>		<u>(70,994)</u>	<u>35,227</u>
<b>Total comprehensive income (loss) for the period, net of tax</b>		<u>(37,617)</u>	<u>83,315</u>
Attributable to:			
Owners of the parent		(48,896)	70,683
Non-controlling interests		<u>11,279</u>	<u>12,632</u>
		<u>(37,617)</u>	<u>83,315</u>

**LOTTOMATICA GROUP AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Notes	For the six months ended	
		June 30	
		2009	2008
<i>(thousands of euros)</i>			
<b>Operating activities</b>			
Income before income tax expense		181,962	158,046
Adjustments to reconcile income before income tax expense to net cash flows			
Depreciation and impairment	5, 6	120,185	102,890
Intangibles amortization and impairment	8	48,488	40,309
Other amortization		(969)	(87)
Interest income		(1,812)	(7,095)
Interest expense	18	78,130	85,771
Unrealized foreign exchange loss	17	555	12,376
Share-based payment expense (contra-expense)	20	(2,119)	6,986
Brazil escrow		-	15,680
Other non-cash items		3,309	7,670
Income tax paid		(56,045)	(83,351)
<b>Cash flows before changes in operating assets and liabilities</b>		<b>371,684</b>	<b>339,195</b>
Changes in operating assets and liabilities:			
Inventories		(6,333)	(63,571)
Trade and other receivables		97,414	(176,966)
Accounts payable		(102,208)	45,015
Advance payments from customers		(14,333)	18,988
Taxes other than income taxes		(7,493)	18,836
Other assets and liabilities		4,002	(4,916)
<b>Net cash flows from operating activities</b>		<b>342,733</b>	<b>176,581</b>
<b>Investing activities</b>			
Purchases of systems, equipment and other assets related to contracts		(82,056)	(68,474)
Acquisitions	3	(20,500)	(191,456)
Acquisitions - cash acquired	3	31	38,572
Purchases of property, plant and equipment	6	(10,605)	(6,351)
Purchases of intangible assets		(9,539)	(10,605)
Other investments		(3,597)	(3,460)
Loans receivable		(2,315)	-
Interest received		1,751	7,133
Toto Carovigno S.p.A. advance and escrow refund (payment)		4,621	(40,126)
Finsoft contingent consideration	23	-	(13,415)
Other		(4,409)	(897)
<b>Net cash flows used in investing activities</b>		<b>(126,618)</b>	<b>(289,079)</b>
<b>Financing activities</b>			
Interest paid		(105,868)	(102,599)
Dividends paid		(100,940)	(125,393)
Dividends paid - non-controlling interests		(43,560)	(31,005)
Principal payments on long-term debt		(52,529)	(340,482)
Net proceeds from (repayment of) short-term borrowings		(36,506)	18,394
Proceeds from issuance of long-term debt		78,743	450,404
Proceeds from exercise of stock options		-	1,287
Treasury share purchases		-	(39,156)
Other		(236)	606
<b>Net cash flows used in financing activities</b>		<b>(260,896)</b>	<b>(167,944)</b>
Net decrease in cash and cash equivalents		(44,781)	(280,442)
Effect of exchange rate changes on cash		1,570	1,373
Cash and cash equivalents at the beginning of the period		109,274	434,065
<b>Cash and cash equivalents at the end of the period</b>	12	<b>66,063</b>	<b>154,996</b>

**LOTTOMATICA GROUP AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended June 30, 2009

	Attributable to owners of the parent					Total	Non-controlling Interests	Total Equity
	Issued Capital	Share Premium	Treasury Shares	Retained Earnings	Other Reserves (Note 14)			
<i>(thousands of euros)</i>								
Balance at January 1, 2009	152,287	1,139,071	(73,184)	95,647	295,174	1,608,995	58,428	1,667,423
Net income for the period	-	-	-	93,995	-	93,995	25,191	119,186
Other comprehensive loss	-	-	-	-	(21,992)	(21,992)	-	(21,992)
Total comprehensive income (loss)	-	-	-	93,995	(21,992)	72,003	25,191	97,194
Dividend distribution (€0.68 per share)	-	-	-	(100,940)	-	(100,940)	-	(100,940)
Appropriation of 2008 income in accordance with Italian law	-	-	-	(77)	77	-	-	-
Share-based payment (Note 20)	-	-	-	-	(2,119)	(2,119)	-	(2,119)
Shares issued under stock award plans	-	-	7,220	-	(7,220)	-	-	-
Dividend distribution	-	-	-	-	-	-	(43,560)	(43,560)
Put/call option arising from business combination	-	-	-	(783)	-	(783)	-	(783)
Balance at June 30, 2009	<u>152,287</u>	<u>1,139,071</u>	<u>(65,964)</u>	<u>87,842</u>	<u>263,920</u>	<u>1,577,156</u>	<u>40,059</u>	<u>1,617,215</u>

**LOTTOMATICA GROUP AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended June 30, 2008 (Restated)

	Attributable to owners of the parent					Total	Non-controlling Interests	Total Equity
	Issued Capital	Share Premium	Treasury Shares	Retained Earnings	Other Reserves (Note 14)			
<i>(thousands of euros)</i>								
Balance at January 1, 2008	151,899	1,574,956	-	75,471	(114,277)	1,688,049	45,142	1,733,191
Net income for the period	-	-	-	77,977	-	77,977	25,543	103,520
Other comprehensive loss	-	-	-	-	(80,314)	(80,314)	-	(80,314)
Total comprehensive income (loss)	-	-	-	77,977	(80,314)	(2,337)	25,543	23,206
Dividend distribution (€0.825 per share)	-	(56,471)	-	(68,922)	-	(125,393)	-	(125,393)
Treasury share purchase plan	-	(456,926)	-	-	456,926	-	-	-
Treasury shares purchased (2,146,560 shares)	-	39,156	(39,156)	-	(39,156)	(39,156)	-	(39,156)
Appropriation of 2007 income in accordance with Italian law	-	-	-	(77)	77	-	-	-
Shares issued upon exercise of stock options	103	1,184	-	-	-	1,287	-	1,287
Share-based payment (Note 20)	-	-	-	-	6,986	6,986	-	6,986
Shares issued under stock award plans	155	-	-	-	(155)	-	-	-
Dividend distribution	-	-	-	-	-	-	(31,005)	(31,005)
Other movements in equity	-	-	-	215	(31)	184	521	705
Balance at June 30, 2008	<u>152,157</u>	<u>1,101,899</u>	<u>(39,156)</u>	<u>84,664</u>	<u>230,056</u>	<u>1,529,620</u>	<u>40,201</u>	<u>1,569,821</u>

## LOTOMATICA GROUP AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Corporate information

Lottomatica S.p.A. is one of the leading gaming operators in the world based on total wagers and, through its subsidiary GTECH Corporation, is a leading provider of lottery and gaming technology solutions worldwide. The Group operates in the publicly regulated gaming market consisting of online, instant and traditional lotteries, sports pools, fixed-odds and pari-mutuel betting and machine gaming. Our principal activities are described in Note 4. On July 2, 2009, after the close of the second quarter of 2009, the shareholders changed the company name from Lottomatica S.p.A. to Lottomatica Group S.p.A.

In these notes, the term "Lottomatica" refers to Lottomatica S.p.A., the parent entity and its subsidiaries excluding GTECH; the term "GTECH" refers to GTECH Corporation and its subsidiaries; and the terms "Group," "we," "our," and "us" refer to Lottomatica and all subsidiaries included in the interim consolidated financial statements.

Lottomatica is a joint stock company incorporated and domiciled in the Republic of Italy, and its registered office is located at Viale del Campo Boario, Rome, Italy.

Lottomatica is majority owned by the De Agostini Group, a century-old publishing, media, and financial services company and is publicly traded on the Italian Stock Exchange under the trading symbol "LTO". Lottomatica has a Sponsored Level 1 American Depository Receipt (ADR) program listed on the United States over the counter market under the trading symbol "LTTOY".

The interim consolidated financial statements for the six months ended June 30, 2009 were approved for issuance in accordance with a resolution of the Board of Directors on July 30, 2009.

#### 2.1 Basis of preparation and accounting policies

##### *Basis of preparation*

The interim consolidated financial statements for the three and six months ended June 30, 2009 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. As such, they do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of December 31, 2008.

The interim consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (€000) (except share and per share data) unless otherwise indicated. Information for the three and six months ended June 30, 2009 and 2008 is unaudited and for the year ended December 31, 2008 is audited. The Group presents its cash flows using the indirect method.

The interim consolidated financial statements for June 30, 2009 are consistent with the December 31, 2008 presentation.

##### *Significant accounting policies*

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2008, except for the adoption of new and amended Standards and Interpretations as of January 1, 2009 noted below. Adoption of these Standards and Interpretations did not have a material effect on the financial position or performance of the Group.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2.1 Basis of preparation and accounting policies (continued)**

***Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements***

The amendment to IFRS 1 allows an entity to determine the "cost" of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognized in the income statement in the separate financial statement and will have to be applied prospectively.

***IFRS 2 Share-Based Payment (Revised)***

The revised Standard clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled because a non-vesting condition is not satisfied.

***IFRS 7 Financial Instruments: Disclosures***

The revised Standard requires additional disclosure about fair value measurement and liquidity risk.

***IFRS 8 Operating Segments***

This Standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The Standard replaces IAS 14 Segment Reporting.

***IAS 1 Presentation of Financial Statements (Revised)***

The revised Standard requires owner and non-owner changes in equity to be separated. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

***IAS 23 Borrowing Costs (Revised)***

The revised Standard requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

***IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation***

The revised Standards allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified features.



**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2.1 Basis of preparation and accounting policies (continued)**

**Improvements to IFRSs**

In May 2008 the IASB issued its first omnibus of amendments to its standards, primarily with a view of removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any material impact on the financial position or performance of the Group.

***IAS 1 Presentation of Financial Statements***

Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group amended its accounting policy accordingly and analyzed whether Management's expectation of the period of realization of financial assets and liabilities differed from the classification of the instrument. This did not result in any reclassification of financial instruments between current and non-current in the statement of financial position.

***IAS 16 Property, Plant and Equipment***

IAS 16 replaced the term "net selling price" with "fair value less costs to sell".

***IAS 23 Borrowing Costs***

IAS 23 revised the definition of borrowing costs to consolidate the two types of items that are considered components of "borrowing costs" into one, which is the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.

***IAS 38 Intangible Assets***

IAS 38 requires expenditures on advertising and promotional activities to be recognized as an expense when the Group either has the right to access the goods or has received the service. The reference to there being rarely, if ever, persuasive evidence to support an amortization method of intangible assets other than a straight-line method has been removed.

The amendments to the following standards below did not have any impact on the accounting policies, financial position or performance of the Group.

- ***IFRS 7 Financial Instruments: Disclosures***
- ***IAS 8 Accounting Policies, Change in Accounting Estimates and Errors***
- ***IAS 10 Events after the Reporting Period***
- ***IAS 18 Revenue***
- ***IAS 19 Employee Benefits***
- ***IAS 20 Accounting for Government Grants and Disclosures of Government Assistance***
- ***IAS 27 Consolidated and Separate Financial Statements***
- ***IAS 28 Investments in Associates***
- ***IAS 29 Financial Reporting in Hyperinflationary Economies***
- ***IAS 31 Interest in Joint Ventures***
- ***IAS 34 Interim Financial Reporting***
- ***IAS 36 Impairment of Assets***
- ***IAS 39 Financial Instruments: Recognition and Measurement***
- ***IAS 40 Investment Property***
- ***IAS 41 Agriculture***

**LOTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2.2 Significant accounting judgments, estimates and assumptions**

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amount of the asset or liability affected in the future.

**Judgments**

In the process of applying the Group's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognized in the interim consolidated financial statements:

***Finance and operating lease commitments***

The Group leases the GTECH world headquarters facility (land and building) in Providence, Rhode Island, USA. The Group determined that the present value of the future minimum lease payments for the building amounts to substantially all of the fair value relating to the Group's portion of the building and therefore accounts for its portion of the building as a finance lease. The Group also determined that since title to the land will never transfer to the Group, the land is accounted for as an operating lease.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

***Impairment of Systems, Equipment and Other Assets Related to Contracts***

The carrying values of systems, equipment and other assets related to contracts are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. This requires management to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of systems, equipment and other assets related to contracts at June 30, 2009 and December 31, 2008 was €719.7 million and €758.7 million, respectively. Further details are provided in Note 5.

***Impairment of Goodwill***

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at June 30, 2009 and December 31, 2008 was €3.1 billion and €3.1 billion, respectively. Further details are provided in Note 7.

***Impairment of Intangible Assets***

The Group determines whether intangible assets with indefinite useful lives are impaired at least on an annual basis. This requires management to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of intangible assets at June 30, 2009 and December 31, 2008 was €811.9 million and €853.1 million, respectively. Further details are provided in Note 8.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2.2 Significant accounting judgments, estimates and assumptions (continued)**

***Share-based payment transactions***

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments on the date they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them.

***Deferred Tax Assets***

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. The carrying value of recognized tax losses and unrecognized tax losses at June 30, 2009 was €50.2 million and €6.4 million, respectively. The carrying value of recognized tax losses and unrecognized tax losses at December 31, 2008 was €45.4 million and €3.7 million, respectively.

**3. Business combinations**

**Acquisitions in 2009**

The Group's business combination activity during the first six months of 2009 is summarized as follows:

<i>(thousands of euros)</i>	Labet	Europa Gestione	Other	Total
Cash purchase price	15,075	-	6,380	21,455
Cash acquisition costs	144	149	622	915
Cash acquisition cost	15,219	149	7,002	22,370
Payable to acquired companies	9,836	14,633	1,893	26,362
Receivable from acquired companies	-	-	211	211
Non-cash acquisition cost	9,836	14,633	2,104	26,573
Total acquisition cost	<u>25,055</u>	<u>14,782</u>	<u>9,106</u>	<u>48,943</u>
Cash acquisition cost	15,219	149	7,002	22,370
Cash acquisition cost paid in 2008	<u>(1,324)</u>	<u>(134)</u>	<u>(412)</u>	<u>(1,870)</u>
Cash acquisition cost paid in 2009	13,895	15	6,590	20,500
Net cash acquired	-	-	(31)	(31)
Net cash outflow	<u>13,895</u>	<u>15</u>	<u>6,559</u>	<u>20,469</u>

## LOTTOMATICA GROUP AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3. Business combinations (continued)

Strategically, business combination activity in the Italian market consists of investments to exploit growth opportunities in the Sports Betting and Gaming Solutions segments. The aim is to acquire additional sports betting rights or to increase our directly-managed gaming machine base (amusement with prize machines). In keeping with this strategy, the material business combination activity that occurred during the first six months of 2009 is described below.

On June 25, 2009, Lottomatica acquired 100% of the shares of Labet, an Italian entity that is engaged in the sports betting business for a cash purchase price of €15.1 million.

On June 4, 2009, Lottomatica acquired 100% of the shares of Europa Gestione, an Italian entity that owns and operates amusement with prize machines.

#### *Other*

Other acquisitions during the first six months of 2009 primarily relate to the January 7, 2009 acquisition of 100% of the shares of Topolino S.r.l. ("Topolino"), an Italian entity that owns and operates amusement with prize machines, for a purchase price of €3.5 million.

#### Acquisitions in 2008

##### *Atronic*

On January 31, 2008, GTECH acquired a 50% controlling interest in the Atronic group of companies ("Atronic") owned by Paul and Michael Gauselmann (the "Gauselmanns") for €20 million, which was previously paid into escrow in October 2006. Atronic is a video gaming machine manufacturer and also develops video machine games and customized solutions for dynamic gaming operations. On May 13, 2008, GTECH paid €32 million for the remaining 50% interest in Atronic and also paid €37.2 million to the Gauselmanns related to amounts owed to the Gauselmanns by Atronic, which is included in current portion of long-term debt at the January 31, 2008 acquisition date.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3. Business combinations (continued)**

The purchase accounting for Atronic was finalized in January 2009. The following table summarizes the final fair values of Atronic's assets acquired and liabilities assumed at the date of the acquisition (in thousands of euros):

	Fair Value	Carrying Value
	<u>          </u>	<u>          </u>
<b>Identifiable assets and liabilities on the date of acquisition</b>		
Systems, equipment and other assets relating to contracts, net	18,317	16,003
Property, plant and equipment, net	13,156	12,738
Intangible assets, net	37,120	4,299
Other non-current assets	3,622	3,622
Deferred income taxes	549	491
Current assets	77,375	69,692
Total assets acquired	<u>150,139</u>	<u>106,845</u>
Long-term debt, less current portion	80,084	80,084
Deferred income taxes	1,201	1,165
Long-term provisions	1,085	1,085
Short-term borrowings	11,499	11,499
Current portion of long-term debt	43,040	43,626
Other current liabilities	39,507	40,828
Total liabilities assumed	<u>176,416</u>	<u>178,287</u>
Fair value of net liabilities acquired	<u>(26,277)</u>	<u>(71,442)</u>
Goodwill arising on acquisition	44,812	
Escrow payment in 2006 (a)	20,000	
Payment in excess of fair value (a)	14,710	
Total acquisition cost	<u>53,245</u>	
Goodwill arising on acquisition:		
At June 30, 2009	44,812	
At December 31, 2008	47,858	
Change in goodwill due to finalization of purchase accounting	<u>(3,046)</u>	

(a) The escrow payment in 2006 and the payment in excess of fair value were both fully offset by reserves established in the August 29, 2006 purchase accounting related to the acquisition of GTECH. The payment in excess of fair value resulted in €0.3 million of excess reserves which was included in other income in our consolidated income statement at December 31, 2008.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**4. Segment information**

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group is comprised of the following five business segments:

- Lottery segment (traditional and instant) – operates and provides a full range of services, technology and products to government sponsored online, instant and traditional lotteries.
- Sports Betting segment – operates and provides retail, internet, call center, and mobile technology products and services, including fixed odds sports betting, pari-mutuel betting, live event betting, totalizator betting, and sports pools.
- Gaming Solutions segment – operates and provides solutions, products and services relating to video lottery terminals ("VLTs") and systems for VLTs for the government sponsored market and video and traditional mechanical reel slots machines and systems for the commercial gaming markets.
- Interactive segment – provides digitally-distributed, multi-channel gaming entertainment products and services, including sports betting, lottery, bingo, poker, casino games, and quick games, as well as retail solutions for the real-time transaction and information systems for the sports-betting market.
- Commercial Services segment - performs high-volume transaction processing of non-lottery commercial transactions such as prepaid cellular telephone recharges, bill payments, electronic tax payments, utility payments, and retail-based programs.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**4. Segment information (continued)**

The following tables present revenue and operating income (loss) information regarding the Group's business segments for the three and six months ended June 30, 2009 and 2008, respectively. All operating income (loss) is from continuing operations. Prior period amounts have been reclassified to conform to the current year presentation.

	For the three months ended			
	June 30, 2009		June 30, 2008	
	Third-party revenue	Operating income/(loss)	Third-party revenue	Operating income/(loss)
<i>(thousands of euros)</i>				
<b>Operating Segment</b>				
Lottery	365,316	121,084	355,738	134,144
Sports Betting	32,921	(550)	37,669	3,439
Gaming Solutions	70,104	2,518	51,214	(10,136)
Interactive	25,219	(2,346)	12,433	(1,030)
Commercial Services	22,843	5,851	22,151	6,775
Unallocated (a)	-	(20,455)	-	(17,752)
	<u>516,403</u>	<u>106,102</u>	<u>479,205</u>	<u>115,440</u>

	For the six months ended			
	June 30, 2009		June 30, 2008	
	Third-party revenue	Operating income/(loss)	Third-party revenue	Operating income/(loss)
<i>(thousands of euros)</i>				
<b>Operating Segment</b>				
Lottery	766,603	262,595	714,990	278,689
Sports Betting	96,437	21,783	70,336	8,324
Gaming Solutions	137,416	(297)	85,749	(16,829)
Interactive	52,031	4,097	14,963	(1,541)
Commercial Services	46,163	13,232	41,712	14,933
Unallocated (a)	-	(40,111)	-	(33,601)
	<u>1,098,650</u>	<u>261,299</u>	<u>927,750</u>	<u>249,975</u>

(a) Unallocated segment operating loss represents general, administrative, and corporate expenses that relate to the Group as a whole and which cannot be directly attributed or allocated to segments on a reasonable basis.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Systems, equipment and other assets related to contracts, net

<i>(thousands of euros)</i>	Land and Buildings	Terminals and Systems	Furniture and Equipment	Contracts in Progress	Total
<b>Net book value</b>					
Balance at January 1, 2009	18,370	613,380	47,427	79,540	758,717
Acquisitions	79	628	57	-	764
Additions	388	32,308	3,235	50,375	86,306
Depreciation and impairment	(2,053)	(105,517)	(7,002)	-	(114,572)
Disposals	-	(288)	(65)	(78)	(431)
Foreign currency translation	(5)	(10,007)	(322)	3,392	(6,942)
Transfers	-	100,437	2,023	(102,399)	61
Other	-	(4,218)	(1)	-	(4,219)
Balance at June 30, 2009	<u>16,779</u>	<u>626,723</u>	<u>45,352</u>	<u>30,830</u>	<u>719,684</u>
<b>Balance at January 1, 2009</b>					
Cost	34,640	1,220,551	76,387	79,540	1,411,118
Accumulated depreciation	(16,270)	(607,171)	(28,960)	-	(652,401)
Net book value	<u>18,370</u>	<u>613,380</u>	<u>47,427</u>	<u>79,540</u>	<u>758,717</u>
<b>Balance at June 30, 2009</b>					
Cost	35,100	1,320,252	80,182	30,830	1,466,364
Accumulated depreciation	(18,321)	(693,529)	(34,830)	-	(746,680)
Net book value	<u>16,779</u>	<u>626,723</u>	<u>45,352</u>	<u>30,830</u>	<u>719,684</u>



**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**6. Property, plant and equipment, net**

<i>(thousands of euros)</i>	<u>Land and Buildings</u>	<u>Furniture and Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
<b>Net book value</b>				
Balance at January 1, 2009	31,304	32,097	22,622	86,023
Additions	5	5,471	5,129	10,605
Depreciation and impairment	(794)	(4,819)	-	(5,613)
Disposals	(30)	(186)	-	(216)
Foreign currency translation	(244)	(251)	(622)	(1,117)
Transfers	-	26,837	(26,898)	(61)
Other	-	(9)	-	(9)
Balance at June 30, 2009	<u>30,241</u>	<u>59,140</u>	<u>231</u>	<u>89,612</u>
<b>Balance at January 1, 2009</b>				
Cost	35,842	50,881	22,622	109,345
Accumulated depreciation	<u>(4,538)</u>	<u>(18,784)</u>	<u>-</u>	<u>(23,322)</u>
Net book value	<u>31,304</u>	<u>32,097</u>	<u>22,622</u>	<u>86,023</u>
<b>Balance at June 30, 2009</b>				
Cost	35,502	76,528	231	112,261
Accumulated depreciation	<u>(5,261)</u>	<u>(17,388)</u>	<u>-</u>	<u>(22,649)</u>
Net book value	<u>30,241</u>	<u>59,140</u>	<u>231</u>	<u>89,612</u>

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**7. Goodwill**

<i>(thousands of euros)</i>	June 30, 2009	December 31, 2008
Balance at beginning of period	3,086,297	2,793,186
Acquisitions (Note 3):		
Labet	25,005	-
Europa Gestione	14,782	-
Boss Media	-	96,124
Atronic	-	47,858
Toto Carovigno	-	33,625
St. Minver	-	23,960
Royal Gold	-	16,065
Other	8,148	14,012
	47,935	231,644
Adjustments:		
Foreign currency translation	(31,076)	107,550
Revisions to fair value of Atronic assets and liabilities acquired	(3,046)	-
Revisions to fair value of other assets and liabilities acquired	236	-
Subsequent changes in fair value of contingent liabilities	(2,804)	2,267
CLS-GTECH Company Limited	-	367
Impairment	-	(48,717)
	(36,690)	61,467
Balance at end of period	3,097,542	3,086,297

Goodwill of €47.9 million arising from acquisitions during the first six months of 2009 primarily relates to the Labet and Europa Gestione acquisitions which occurred on June 25, 2009 and June 4, 2009, respectively (See Note 3). Goodwill related to these acquisitions are provisional because they are based on preliminary estimates and assumptions. Revisions to the fair values will be recorded when the Group receives final information, including appraisals and other analyses, but not later than one year from their respective acquisition dates.

Revisions to fair value of Atronic assets and liabilities acquired resulted from the finalization of the Atronic purchase accounting, which occurred during January 2009.

Goodwill related to the Toto Carovigno and Royal Gold acquisitions are provisional because they are based on preliminary estimates and assumptions. Revisions to the fair values, which may be significant, will be recorded when the Group receives final information, including appraisals and other analyses, but not later than August 28, 2009 and December 5, 2009 for these acquisitions, respectively. Goodwill related to the St. Minver and Finsoft acquisitions are provisional as the costs of the acquisitions include contingent consideration. See Note 23.

The Group reviews goodwill for impairment annually, during its fourth quarter ending on December 31, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. There were no events or changes in circumstances that required a goodwill impairment review during the first six months of 2009. The €48.7 million of goodwill impairment losses recorded during 2008 was related to the Gaming Solutions business segment.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**8. Intangible assets, net**

<i>(thousands of euros)</i>	June 30, 2009	December 31, 2008
Balance at beginning of period	853,146	740,613
Intangible assets acquired during the year:		
Purchase business combination related:		
Customer contracts	-	64,811
Trademarks	-	26,715
Capitalized computer software	-	30,559
Networks	-	19,360
Licenses	-	1,387
Other	-	1,235
	-	144,067
All other intangible assets acquired:		
Sports betting rights and horse racing betting rights	5,924	5,105
Patents	2,645	7,420
Concessions and licenses	474	2,572
Other	340	3,342
	9,383	18,439
Total intangible assets acquired	9,383	162,506
Revisions to fair value of assets and liabilities acquired	3,036	-
Foreign currency translation	(5,215)	24,068
Customer contracts - CLS-GTECH	-	15,250
Amortization and impairment	(48,488)	(89,291)
Balance at end of period	811,862	853,146

Revisions to fair value of assets and liabilities acquired primarily resulted from the finalization of the Atronic purchase accounting, which occurred during January 2009. See Notes 3 and 7 for additional information.

Purchase business combination related intangible assets in 2008 principally resulted from the Atronic, Boss Media, St. Minver and Toto Carovigno acquisitions. At June 30, 2009, the excess of acquisition costs over the fair value of Labet, Europa Gestione and Royal Gold's assets and liabilities assumed have been allocated entirely to goodwill pending final information, including appraisals and other analyses.

Intangible assets related to the Toto Carovigno acquisition are provisional because they are based on preliminary estimates and assumptions. Revisions to the fair values, which may be significant, will be recorded when the Group receives final information, including appraisals and other analyses, but not later than August 28, 2009.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**9. Other assets (non-current and current)**

<i>(thousands of euros)</i>	June 30, 2009	December 31, 2008
<b>Other non-current assets</b>		
Long-term customer receivables	7,682	8,971
Long-term deferred asset	4,975	-
Deposits	3,240	3,235
Long-term prepaid expenses	2,723	2,725
Share of non-current assets of joint ventures	1,803	1,974
Sales-type lease receivables	1,478	1,842
Other	1,391	2,633
	<u>23,292</u>	<u>21,380</u>

<i>(thousands of euros)</i>	June 30, 2009	December 31, 2008
<b>Other current assets</b>		
Other receivables	26,578	26,263
Value-added tax receivable	14,113	15,043
Prepaid expenses	12,492	10,048
Other tax receivables	9,339	10,239
Share of other current assets of joint ventures	2,208	1,416
Other	2,759	2,151
	<u>67,489</u>	<u>65,160</u>

**10. Inventories**

<i>(thousands of euros)</i>	June 30, 2009	December 31, 2008
Raw materials	27,855	28,419
Work in progress	50,707	50,633
Finished goods	57,227	50,508
	<u>135,789</u>	<u>129,560</u>

**LOTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**11. Trade and other receivables**

<i>(thousands of euros)</i>	June 30, 2009	December 31, 2008
Trade receivables	457,258	445,111
Receivables from intermediaries	211,805	325,139
Related party receivables	1,937	2,689
Sales-type lease receivables	663	656
	<u>671,663</u>	<u>773,595</u>

Receivables from intermediaries represent amounts due from tobacconists, bars, petrol stations, newspaper stands and motorway restaurants in which Lottomatica provides third-party processing services related to their commercial services network. Trade receivables and receivables from intermediaries are non-interest bearing.

**12. Consolidated net financial position**

<i>(thousands of euros)</i>	June 30, 2009	December 31, 2008
Cash on hand	462	392
Cash at bank	65,601	108,882
<b>Cash and cash equivalents</b>	<u>66,063</u>	<u>109,274</u>
<b>Current financial receivables</b>	9,800	20,288
Short-term borrowings	22,340	60,848
Capital Securities	15,426	46,491
Boss Media contingent liability	14,847	-
Other	38,567	27,359
<b>Current financial debt</b>	<u>91,180</u>	<u>134,698</u>
<b>Net current financial debt</b>	15,317	5,136
GTECH Senior Credit Facilities	1,418,981	1,359,888
Capital Securities	731,853	730,525
LTO Term Loan Facility	354,035	353,354
Atronic related debt	67,767	69,793
Interest rate swaps	55,411	73,740
LTO Revolving Credit Facility	-	50,000
Boss Media contingent liability	-	14,252
Other	49,381	56,854
<b>Non current financial debt</b>	<u>2,677,428</u>	<u>2,708,406</u>
<b>Net financial position</b>	<u>2,692,745</u>	<u>2,713,542</u>
<b>Total indebtedness included in net financial position</b>	<u>2,631,835</u>	<u>2,695,759</u>

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**13. Non-current assets classified as held for sale**

In August 2008, the Group classified certain property acquired in connection with its acquisition of Atronic (Gaming Solutions segment) located in Scottsdale, Arizona, USA as held for sale. Upon the direction of management, the property is being actively marketed for sale at a price that is reasonable given the change in market conditions. The major classes of assets held for sale are as follows:

<i>(thousands of euros)</i>	June 30, 2009	December 31, 2008
Building	3,957	5,360
Land	3,499	4,668
	7,456	10,028
Foreign currency translation	(81)	-
Asset impairment loss	-	(2,572)
Non-current assets classified as held for sale	7,375	7,456

The Group recognized a €2.6 million impairment loss (€1.6 million net of tax benefit) on the remeasurement to fair value less costs to sell for this property during the fourth quarter of 2008.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**14. Other reserves**

<i>(thousands of euros)</i>	Legal Reserve	Stock Option and Restricted Stock Reserve	Share- Based Payment Reserve	Ex Art 2349 Reserve	Net Unrealized Gains/ (Losses) Reserve	Translation Reserve	Treasury Share Reserve	Total
Balance at January 1, 2009	30,380	34,066	26,540	1,834	(43,987)	(135,755)	382,096	295,174
Fair value of interest rate swaps	-	-	-	-	9,378	-	-	9,378
Amortization of unrecognized gain on interest rate swap	-	-	-	-	(285)	-	-	(285)
Unrecognized net loss on derivative instruments	-	-	-	-	(1,958)	-	-	(1,958)
Unrecognized net loss on available for sale investment	-	-	-	-	(70)	-	-	(70)
Foreign currency translation	-	-	-	-	-	(29,057)	-	(29,057)
Appropriation of 2008 income in accordance with Italian law	77	-	-	-	-	-	-	77
Share-based payment	-	-	(2,119)	-	-	-	-	(2,119)
Shares issued under stock award plans	-	(1,836)	(5,384)	-	-	-	-	(7,220)
Balance at June 30, 2009	<u>30,457</u>	<u>32,230</u>	<u>19,037</u>	<u>1,834</u>	<u>(36,922)</u>	<u>(164,812)</u>	<u>382,096</u>	<u>263,920</u>

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**14. Other reserves (continued)**

<i>(thousands of euros)</i>	Legal Reserve	Stock Option and Restricted Stock Reserve	Share- Based Payment Reserve	Ex Art 2349 Reserve	Net Unrealized Gains/ (Losses) Reserve	Translation Reserve	Treasury Share Reserve	Total
Balance at January 1, 2008	30,303	25,536	22,034	1,989	(4,187)	(189,952)	-	(114,277)
Fair value of interest rate swaps	-	-	-	-	2,422	-	-	2,422
Amortization of unrecognized gain on interest rate swap	-	-	-	-	(285)	-	-	(285)
Unrecognized net loss on derivative instruments	-	-	-	-	(1,361)	-	-	(1,361)
Foreign currency translation	-	-	-	-	-	(81,090)	-	(81,090)
Treasury share purchase plan	-	-	-	-	-	-	456,926	456,926
Treasury shares purchased	-	-	-	-	-	-	(39,156)	(39,156)
Appropriation of 2007 income in accordance with Italian law	77	-	-	-	-	-	-	77
Share-based payment	-	-	6,986	-	-	-	-	6,986
Shares issued under stock award plans	-	5,156	(5,156)	(155)	-	-	-	(155)
Other movements in equity	-	-	-	-	-	(31)	-	(31)
Balance at June 30, 2008	<u>30,380</u>	<u>30,692</u>	<u>23,864</u>	<u>1,834</u>	<u>(3,411)</u>	<u>(271,073)</u>	<u>417,770</u>	<u>230,056</u>



**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**15. Debt**

<i>(thousands of euros)</i>	June 30, 2009	December 31, 2008
<b>Long-term debt, less current portion</b>		
GTECH Senior Credit Facilities	1,418,981	1,359,888
Capital Securities	731,853	730,525
LTO Term Loan Facility	354,035	353,354
LTO Revolving Credit Facility	-	50,000
Other	67,858	69,893
	<u>2,572,727</u>	<u>2,563,660</u>
Share of non-current debt of joint ventures	9,410	10,142
	<u>2,582,137</u>	<u>2,573,802</u>
<b>Short-term borrowings</b>		
Short-term borrowings	20,579	59,866
Share of short-term borrowings of joint ventures	1,761	982
	<u>22,340</u>	<u>60,848</u>
<b>Current portion of long-term debt</b>		
Capital Securities	15,426	46,491
LTO Term Loan Facility	1,568	601
GTECH Senior Credit Facilities	127	2,565
LTO Revolving Credit Facility	22	95
Other	7,793	9,461
	<u>24,936</u>	<u>59,213</u>
Share of current portion of long-term debt of joint ventures	2,422	1,896
	<u>27,358</u>	<u>61,109</u>
<b>Total indebtedness</b>	<u>2,631,835</u>	<u>2,695,759</u>

***GTECH Senior Credit Facilities***

GTECH is a party to an agreement with a syndicate of financial institutions for senior unsecured credit facilities (the "GTECH Senior Credit Facilities") which expire on August 29, 2012. The GTECH Senior Credit Facilities are unsecured and unsubordinated and are fully and unconditionally guaranteed by Lottomatica, GTECH Holdings Corporation ("Holdings"), GTECH Rhode Island Corporation ("GTECH Rhode Island") and Lottomatica International Hungary Kft. ("Lottomatica Hungary") (Holdings, GTECH Rhode Island and Lottomatica Hungary are collectively referred to herein as the "Other Guarantors"). In May 2008, the agreement for the GTECH Senior Credit Facilities was amended to, among other matters, convert the US\$250 million guaranty facility into a US\$250 million revolving credit facility.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**15. Debt (continued)**

The GTECH Senior Credit Facilities consist of the following facilities (US dollars in thousands):

	Committed amount available		Amount
	December 31, 2008	June 30, 2009	borrowed at June 30, 2009
Term Facility A	1,310,950	1,310,950	1,310,950
Term Facility B	421,650	421,650	421,650
Revolver A	250,000	250,000	70,000
Revolver B	250,000	250,000	220,324
	<u>2,232,600</u>	<u>2,232,600</u>	<u>2,022,924</u>

All amounts under the GTECH Senior Credit Facilities are borrowed in US dollars except for €135.0 million (\$190.8 million at the June 30, 2009 exchange rate) that was borrowed under Revolver B.

The GTECH Senior Credit Facilities require that GTECH repay Term Facility A and Term Facility B (Term Facility A and Term Facility B are collectively referred to as the "GTECH Term Facilities") pursuant to the following schedule (US dollars in thousands):

2010	42,600
2011	210,000
2012	<u>1,480,000</u>
Total	<u>1,732,600</u>

Interest is generally payable three months in arrears at rates determined by reference to LIBOR plus a margin based on the Group's ratio of total net debt to earnings before interest, taxes, depreciation and amortization, and the Group's senior unsecured long-term debt rating. A facility fee is payable quarterly at a rate of 0.18% per annum on the total available commitment of Revolver A and Revolver B.

The GTECH Senior Credit Facilities have covenants and restrictions including, among other things, requirements relating to the maintenance of certain financial ratios, limitations on capital expenditures and acquisitions, and limitations on dividends. Violation of these covenants may result in the full principal amount of the GTECH Senior Credit Facilities becoming immediately payable upon written notice. At June 30, 2009 and December 31, 2008, we were in compliance with all covenants and restrictions.

Debt issuance costs associated with the GTECH Senior Credit Facilities are being amortized over approximately six years beginning September 2006.

***Capital Securities***

In May 2006, Lottomatica issued €750 million of subordinated interest-deferrable capital securities due March 2066 (the "Capital Securities"). The Capital Securities have a fixed coupon rate of 8.25% payable annually through March 31, 2016 and thereafter have a variable interest rate of six-month EURIBOR plus 505 basis points payable semi-annually. The Capital Securities have received a rating equal to a BB and Ba3 by Standard & Poor's Rating Service and Moody's Investors Service Limited, respectively. The Capital Securities are listed on the Luxembourg Stock Exchange.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**15. Debt (continued)**

The Capital Securities are redeemable at maturity, at par value after March 31, 2016, upon the occurrence of certain tax events, through open market purchases, by public cash tender offer, or if a change of control event occurs.

Debt issuance costs associated with the Capital Securities are being amortized over ten years beginning May 2006.

The Capital Securities allow Lottomatica to optionally defer coupon payments and mandates deferral of coupon payments if Lottomatica is in breach of the interest coverage ratio as defined in the Capital Securities agreement. Under circumstances described in the Capital Securities trust deed, Lottomatica is required to settle deferred coupon payments in cash or equity.

The terms of the Capital Securities require Lottomatica to authorize the issuance of ordinary shares in accordance with a resolution approved by Lottomatica shareholders. At each annual general meeting, the value of the ordinary shares authorized for issuance must be at least equivalent to the coupon payments due during the following two-year period. As of December 31, 2008, the authorization was in place for the issuance of capital up to €170 million. Coupon payments over the next two years are approximately €124 million.

***LTO Term Loan Facility***

In December 2008, Lottomatica entered into an agreement with a syndicate of financial institutions for a €360 million senior unsecured term loan facility (the "LTO Term Loan Facility"). The LTO Term Loan Facility expires on November 10, 2013. The LTO Term Loan Facility is unsecured and unsubordinated and is fully and unconditionally guaranteed by GTECH and the Other Guarantors.

The LTO Term Loan Facility requires that Lottomatica make payments pursuant to the following schedule (euros in thousands):

2011	132,000
2012	132,000
2013	96,000
Total	<u><u>360,000</u></u>

Interest is generally payable quarterly or semi-annually in arrears at rates determined by reference to EURIBOR plus a margin based on the Group's ratio of total net debt to earnings before interest, taxes, depreciation and amortization, and the Group's senior unsecured long-term debt rating.

The LTO Term Loan Facility has covenants and restrictions including, among other things, requirements relating to the maintenance of certain financial ratios, limitations on capital expenditures and acquisitions, and limitations on dividends. Violation of these covenants may result in the full principal amount becoming immediately payable upon written notice. At June 30, 2009 and December 31, 2008, we were in compliance with all covenants and restrictions.

Debt issuance costs associated with the LTO Term Loan Facility are being amortized over approximately five years beginning November 2008.

As of June 30, 2009, €360 million is outstanding under the LTO Term Loan Facility.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**15. Debt (continued)**

***LTO Revolving Credit Facility***

In May 2008, Lottomatica entered into an agreement with a syndicate of financial institutions for a €300 million senior unsecured revolving credit facility (the "LTO Revolving Credit Facility"). The LTO Revolving Credit Facility expires on August 29, 2012. The LTO Revolving Credit Facility is unsecured and unsubordinated and is fully and unconditionally guaranteed by GTECH and the Other Guarantors.

Interest is generally payable monthly in arrears at rates determined by reference to EURIBOR plus a margin based on the Group's ratio of total net debt to earnings before interest, taxes, depreciation and amortization, and the Group's senior unsecured long-term debt rating. A facility fee is payable quarterly at a rate of 0.28% per annum on the total available commitment of the LTO Revolving Credit Facility.

The LTO Revolving Credit Facility has covenants and restrictions including, among other things, requirements relating to the maintenance of certain financial ratios, limitations on capital expenditures and acquisitions, and limitations on dividends. Violation of these covenants may result in the full principal amount becoming immediately payable upon written notice. At June 30, 2009 and December 31, 2008, we were in compliance with all covenants and restrictions.

Debt issuance costs associated with the LTO Revolving Credit Facility are being amortized over approximately four years beginning May 2008.

***Other***

Other debt is primarily comprised of debt associated with the acquisition of Atronic on January 31, 2008.

***Letters of Credit***

In connection with certain customer contracts, we are required to issue letters of credit for the benefit of our customers. The letters of credit primarily secure our performance under the customer contracts. At June 30, 2009, €479.2 million of letters of credit were outstanding with a weighted average annual cost of 0.66%.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**16. Other liabilities (non-current and current)**

<i>(thousands of euros)</i>	June 30, 2009	December 31, 2008
<b>Other non-current liabilities</b>		
Deferred revenue	23,821	18,321
Contingent liabilities related to GTECH acquisition	15,717	15,169
Staff severance fund	7,841	7,755
Other	6,104	7,094
	<u>53,483</u>	<u>48,339</u>
	June 30, 2009	December 31, 2008
<b>Other current liabilities</b>		
Accrued expenses	93,816	71,403
Taxes other than income taxes	49,881	58,872
Deferred revenue	48,249	53,619
Employee compensation	46,781	49,956
Advance payments from customers	23,091	36,726
Advance billings	8,440	7,383
Other	223	792
	<u>270,481</u>	<u>278,751</u>

**17. Foreign exchange loss, net**

<i>(thousands of euros)</i>	For the three months ended June 30,		For the six months ended June 30,	
	2009	2008	2009	2008
Realized foreign exchange loss	(100)	(1,161)	(290)	(1,819)
Unrealized foreign exchange loss	(11,925)	(1,953)	(555)	(12,376)
	<u>(12,025)</u>	<u>(3,114)</u>	<u>(845)</u>	<u>(14,195)</u>

Unrealized foreign exchange loss were incurred on the following:

<i>(thousands of euros)</i>	For the three months ended June 30,		For the six months ended June 30,	
	2009	2008	2009	2008
GTECH euro denominated debt	(6,516)	-	(6,052)	-
Polish zloty loan	(4,258)	(3,211)	6,043	(10,712)
Other	(1,151)	1,258	(546)	(1,664)
	<u>(11,925)</u>	<u>(1,953)</u>	<u>(555)</u>	<u>(12,376)</u>

**GTECH euro denominated debt**

GTECH's revenue concentration from European countries has increased in recent years. As a result, GTECH has borrowed in euro under the GTECH Senior Credit Facilities to better match future cash flows. Unrealized foreign exchange loss incurred on these euro denominated borrowings resulted from fluctuations in the US dollar to euro exchange rate.

**LOTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**17. Foreign exchange loss, net (continued)**

***Polish zloty loan***

During 2007, in connection with GTECH's sale of POLCARD S.A. to First Data International, GTECH's Polish subsidiary, GTECH Polska Sp. z o.o. ("GTECH Polska"), loaned Polish zloty 255.6 million (at market interest rates) to GTECH Global Services Corporation Limited ("GGSC"), whose functional currency is the US dollar. On May 28, 2009, GGSC repaid Polish zloty 230.0 million of this loan using the proceeds of a non-cash dividend from GTECH Polska. Unrealized foreign exchange loss incurred on this loan resulted from fluctuations in the Polish zloty to US dollar exchange rate.

**18. Interest expense**

The Group incurred interest expense on the following components of debt:

<i>(thousands of euros)</i>	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Capital Securities	(16,090)	(15,920)	(32,139)	(31,968)
GTECH Senior Credit Facilities	(14,611)	(17,805)	(30,409)	(36,992)
LTO Term and Revolving Facilities	(4,331)	(585)	(9,251)	(585)
4.80% Bonds	-	(4,418)	-	(8,858)
Other	(1,002)	(4,372)	(6,331)	(7,368)
	<u>(36,034)</u>	<u>(43,100)</u>	<u>(78,130)</u>	<u>(85,771)</u>

See Note 15 for details of the debt facilities.

**19. Income tax**

The significant components of income tax expense are as follows:

<i>(thousands of euros)</i>	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
<b>Current</b>				
Italy	30,137	35,661	73,191	72,112
Foreign	5,624	4,762	10,877	8,520
Total Current	<u>35,761</u>	<u>40,423</u>	<u>84,068</u>	<u>80,632</u>
<b>Deferred</b>				
Italy	870	(4,261)	1,656	(7,093)
Foreign	(12,406)	(10,872)	(22,948)	(19,013)
Total Deferred	<u>(11,536)</u>	<u>(15,133)</u>	<u>(21,292)</u>	<u>(26,106)</u>
Income tax expense	<u>24,225</u>	<u>25,290</u>	<u>62,776</u>	<u>54,526</u>

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**20. Share-based payment plans**

The expense (contra-expense) recognized during the year arising from employee share-based payment plans and included in personnel in our consolidated income statement was as follows:

<i>(thousands of euros)</i>	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Equity settled share-based payment	(5,887)	4,209	(2,119)	6,986
Cash settled share-based payment	-	-	-	-
	<u>(5,887)</u>	<u>4,209</u>	<u>(2,119)</u>	<u>6,986</u>

The Group has three types of equity-settled share-based payment plans for employees: performance based stock options; performance based restricted shares; and time based restricted shares. In order for stock options and shares to vest under the performance based plans, employees are required to remain in service to the Group and the Group must satisfy performance conditions relating to the Group's EBITDA (earnings before interest, taxes, depreciation and amortization) and net financial debt. The time based plan is not subject to performance conditions.

During the second quarter of 2009, modifications were made to the performance conditions of certain of our performance based plans. These modifications, along with adjustments for current vesting expectations, resulted in the net reduction of stock compensation expense for the three and six month periods ended June 30, 2009. The modifications did not result in any incremental fair value required to be recognized as cost.

**21. Related party disclosures**

<i>(thousands of euros)</i>	June 30, 2009	December 31, 2008
<b>Accounts payable</b>		
De Agostini Group	<u>7,574</u>	<u>24,903</u>

The De Agostini Group includes De Agostini S.p.A ("De Agostini"), the majority shareholder of Lottomatica and De Agostini Editore S.p.A, a subsidiary of De Agostini.

**LOTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**22. Litigation**

**Lottomatica's Italian Business**

***1. Lotto Game Concession: Lottomatica/AAMS Arbitration – Stanley International Betting Limited Appeal – Sisal Appeal***

Pursuant to the arbitration clause set out in article 30 of the Lotto Concession, Lottomatica initiated an arbitration proceeding to ascertain the effective date of said Concession. Lottomatica asked the arbitration panel to ascertain and state that the effective starting date of the Lotto concession is June 8, 1998 (date in which the Permanent Representation of Italy at the European Union in Brussels was notified by the European Commission that the infringement procedure no. 91/0619 was closed) and that, as a result, the final expiration date of the Lotto Concession is June 8, 2016.

Lottomatica had reached said conclusion as a result of the ministerial decree dated November 8, 1993 that envisaged the concession to be enforced only subject to the condition that the EU Commission deem the concession not to be in violation of the provisions of the Treaty of Rome.

The arbitration panel accepted Lottomatica's request by lodging its award on August 1, 2005. AAMS challenged the arbitration award before the Rome Court of Appeal pursuant to art. 828 of the Italian code of civil procedure by serving a deed to defending counsel on December 15, 2005 and to Lottomatica on December 30, 2005. The first hearing was held on April 20, 2006, and was adjourned to January 28, 2010 to hear the conclusions.

On January 18, 2008, upon AAMS's request to anticipate said hearing, the Court of Appeal has anticipated the hearing date to January 15, 2009.

On January 15, 2009 Lottomatica appeared before the Court of Appeal and requested that the file be suspended on the grounds that the same file is pending ruling before the TAR (Regional Administrative Court) of Lazio. Lottomatica specified in its response to the charges brought forth by AAMS that it is of the opinion that they are groundless.

On the July 2, 2009 hearing, the Court of Appeal decided to postpone the discussion of the conclusions of the case at issue due to the big number of cases pending before the Court itself.

On June 18, 2007, Stanley International Betting Limited filed an appeal before the TAR of Lazio to AAMS and Lottomatica asking for the cancellation and/or disapplication of the Lotto Game concession deeds because in violation of the rules regarding the tacit renewal of public contracts, as well as the April 19, 2007 notice with which AAMS rejected the plaintiff's motion to jointly operate the Lotto Game on the assumption that the concession is still effective for Lottomatica. The TAR of Lazio has not yet set a date for the hearing to discuss the case at issue.

The Counsels assisting the Company are of the opinion that the challenge initiated by Stanley is groundless.

On July 13, 2007 Sisal filed with AAMS and Lottomatica an appeal under article 25 of Law no. 241 of August 7, 1990, before the TAR of Lazio requesting that their right to access documents relating to the awarding of the Lotto Concession, the subsequent extensions and/or renewals, the AAMS - Lottomatica arbitration award and the correspondence between AAMS and the European Commission be ascertained.



**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**22. Litigation (continued)**

Sisal argued to have learned only in recent months of the arbitration award setting the expiration date for the Lotto Concession to 2016 in favor of Lottomatica, and to have then filed with AAMS a formal request for access aimed at obtaining copies of the aforementioned documents on May 11, 2007. AAMS never responded to said request.

Lottomatica duly appeared at the October 10, 2007 hearing, during which Sisal stated that it was not interested in pursuing the appeal anymore due to another challenge it was about to serve.

On October 12, 2007 Sisal served an appeal on AAMS and Lottomatica before the TAR of Lazio for the annulment of the provision indicated in the July 9, 2007 notice setting out that AAMS ignored the request made by plaintiff for the concession relating to the Lotto game operation, as well as of any prior, consequent deed relating and/or connected to the aforementioned AAMS notice and, in particular, of the Ministerial Decree dated March 17, 1993 and any subsequent and related deed including the renewal of the Lotto Concession in favor of Lottomatica. Stanley has intervened in the appeal in support of Sisal. Lottomatica has made an appearance in the case at issue. To date, no date has yet been set for the hearing for debate.

On November 19, 2007 the TAR of Lazio ordered AAMS to lodge the documents relating to the awarding of the Lotto Concession within 60 days. Specifically, AAMS must lodge the following: assignment deeds and the renewal and/or extension of the concession to the prosecuting Company, a copy of the arbitration award of AAMS vs. Lottomatica, and the deeds issued by the European Community regarding the matter in issue.

Counsels are of the opinion that the challenge brought forth by Sisal is groundless.

**2. Ticket One S.P.A. Litigation**

On August 12, 2003, Ticket One S.p.A. ("Ticket One"), which operates in the services business sector primarily in the ticketing services area, filed a suit with the TAR of Lazio (Regional Administrative Court) against Lottomatica and Lottomatica Italia Servizi to obtain, among other things, an order requiring Lottomatica to offer its network to third parties under the same conditions as those offered to a Lottomatica subsidiary, Lottomatica Italia Servizi S.p.A. ("LIS").

Before serving the appeal dated March 12, 2003, Ticket One had asked Lottomatica for the right to use its network. Lottomatica rejected Ticket One's request.

On December 3, 2003, Ticket One also commenced civil proceedings before the Court of Appeal of Rome, substantially repeating the same claims made in the administrative proceedings before the TAR of Lazio. In addition, Ticket One requested €10 million in damages for alleged unfair competition and illegal use of the network by Lottomatica and LIS, and an order enjoining them from committing any further acts of unfair competition and, alternatively, access to Lottomatica's electronic network.

Lottomatica and LIS responded to both lawsuits and, since Ticket One had filed the same claims with two different courts, filed an appeal with the Supreme Court sitting in joint session, requesting a preliminary proceeding to resolve the issue of jurisdiction and the suspension of the proceedings.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**22. Litigation (continued)**

At the hearing on June 24, 2004, the TAR of Lazio accepted the request filed by Lottomatica and Lottomatica Italia Servizi S.p.A. and suspended the proceeding, arranging for the documents to be sent to the Supreme Court of Cassation. The Supreme Court declared Lottomatica and LIS's appeal to be inadmissible on February 9, 2006.

As a result of the Supreme Court's declaration, Ticket One motioned for a hearing which was set to October 28, 2009.

According to the opinion of Lottomatica's counsels the request to set the hearing brought forth by Ticket One is insufficient and therefore it is not possible to proceed.

As for the procedure before the Court of Appeal, the Civil Judge after reserving on the request of suspension of the proceeding raised by Lottomatica and LIS, by order dated July 28, 2004 rejected it and postponed the hearing to June 21, 2006. At this hearing, where admitted witnesses were to be deposed, the Judge declared a suspension because of the merger of Lottomatica into NewGames S.p.A. On June 23, 2006, Ticket One presented a petition to revoke the suspension decision. On October 27, 2006, the Court of Rome revoked the decision whereby the action had come to a halt and postponed the hearing to January 26, 2007 for the examination of witnesses.

The testimonies of Elisabetta Cragnotti (former SS Lazio soccer team manager) and Fabrizio Conti (Milan Indoor Tennis Championship organizer) were heard on January 26, 2007. At the July 5, 2007 hearing the Judge, having taken note of Ticket One's waiver to depose additional witnesses, upon the parties' request adjourned the case to the December 18, 2008 hearing for stating his conclusions. As of the December 18, 2008 hearing, the Judge has closed the presentation of the arguments by the parties and Lottomatica is waiting for the final ruling to be issued.

**3. Instant and Traditional Lotteries**

Lottomatica participated, as a representative of a temporary joint venture, in the call for tenders organized by the AAMS for the management of the national Traditional and Instant Lotteries. In a letter dated July 30, 2001, the AAMS informed Lottomatica that the tender had been awarded to the aforesaid joint venture (comprised of Scientific Games, Arianna 2001 S.p.A., Poligrafico Calcografica & Cartevalori S.p.A., Eis, Tecnost Sistemi S.p.A. and Servizi Base 2001 S.p.A, in addition to Lottomatica).

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**22. Litigation (continued)**

The award of the concession to the joint venture has been the subject of a number of challenges by the other participants to the tender as summarized below:

- a) appeal brought by Sisal: Sisal abandoned this suit at the April 10, 2002 hearing, therefore this action may be considered definitively concluded;
- b) appeal filed by the Consortium (comprised of Autogrill, GTech Corporation, Oberthur Gaming Technologies S.a.S. and others). The appeal was delisted on October 28, 2004, and has been declared expired by the Council of State on March 30, 2007, since no motion for scheduling a hearing has been filed within the required term;
- c) appeal of the Esultalia Consortium, (comprised of Snai, Venturini e C S.p.A., Poste Italiane S.p.A. and Ente ETI): Poste Italiane S.p.A. and ETI intervened in an *ad adiuvandum* appeal filed by Snai and Venturini with the purpose of contesting the award of the tender on July 30, 2001. At the May 14, 2003 hearing, Poste Italiane S.p.A. and ETI requested that the case be delisted. On July 21, 2003, Snai and Venturini notified all parties involved that they intended to forgo the appeal, making the award unappealable, after which the concession agreement was signed by the Lottomatica temporary joint venture. In December 2002, Snai, Venturini, Poste Italiane and ETI asked the AAMS to award the contract to them. In a letter dated January 21, 2003, the AAMS responded that it could not award the contract to them prior to the resolution of the dispute. This letter was then challenged by Snai and Venturini on grounds that are additional to the previously filed appeal, and by Poste Italiane S.p.A. and ETI in a separate appeal. On July 17, 2003, Poste Italiane S.p.A. and ETI filed a motion to schedule a hearing to resolve the dispute having as object the January 21, 2003 deed under which the Administration refused to proceed with the awarding in favor of the Esultalia Consortium. On July 25, 2003, Poste Italiane S.p.A. and ETI requested the AAMS to not make the awarding until the administrative judge rendered his decision.

In the opinion of Lottomatica, upon advice from its counsel, the appeal by Poste Italiane S.p.A. and ETI cannot have any effect on the award to RTI Lottomatica of the operation of Instant and Traditional Lotteries, which occurred following the abandonment of the main action by Snai and Venturini and is thus unappealable.

In point of fact, the appeal by Poste Italiane S.p.A. and ETI is against the AAMS letter of January 21, 2003 to not proceed with the awarding and not against the awarding itself. Again in the opinion of the counsels assisting Lottomatica, the invitation made by Poste Italiane S.p.A. and ETI heads into a completely different direction with respect to that affirmed in the appeal, i.e. to not further delay the awarding. As a result, the separate appeal by Poste Italiane S.p.A. and ETI can only end with the case being dismissed.

Further, as already confirmed by Lottomatica counsels, the deadline has passed for Poste Italiane S.p.A. and ETI to contest the awarding to the Lottomatica temporary joint venture, with the result that they cannot continue with the lawsuit.

## LOTOMATICACA GROUP AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 22. Litigation (continued)

##### 4. Summons to Formula Giochi Shareholders

On October 26, 2005, the companies Karissa Holding S.A., Cored International S.A., Mr. Massimo Maci and shareholders of Formula Giochi S.p.A. in liquidation (operating in the gaming collection and wagering market) served summons on Lottomatica and Sisal, on their own behalf and subrogation for the Formula Giochi, to appear on January 30, 2006 before the Court of Appeal of Rome. The plaintiffs requested the assessment of the liability of Lottomatica and Sisal S.p.A. for engaging in the anticompetitive conduct enjoined by the order of the Authority of November 23, 2004, which conduct, the plaintiffs allege, was responsible for (i) their inability to sell their stake for €3.0 million and (ii) Formula Giochi S.p.A.'s inability to enter the gaming and wagering market, which caused the business value of Formula Giochi to decrease by €34.2 million. The plaintiffs also requested, on their own behalf and subrogation for the Formula Giochi, that Lottomatica and Sisal S.p.A. be ordered, jointly and severally, to pay directly to the plaintiffs' damages totaling €37.2 million in the aggregate.

On January 10, 2006 Lottomatica presented before the court that apart from a number of prejudicial issues concerning, *inter alia*, plaintiff legitimacy, the documents of the proceedings initiated by the Italian Competition and Market Supervisory Authority (the "Authority") do not indicate that Lottomatica's conduct was prejudicial and detrimental to Formula Giochi. Conversely, the documents in the trial dossier, literally transposed in the Authority order to close the case, and in particular, the statements made during the November 10, 2003 hearing by the managing director of Formula Giochi, show that "*the dissolution of the recently established third pole*" derives from causes that are not related to Lottomatica.

Lottomatica duly appeared on January 10, 2006. Formula Giochi S.p.A. appeared through its receiver at the January 30, 2006 hearing. At the February 6, 2006 hearing the Appeal Court granted the parties 30 days to submit their remarks. By order of March 15, 2006 the Court of Appeal granted the parties 30 days to file their briefs as well as to state and amend their claims, objections and conclusions already made in addition to 30 more days for their replies.

In a brief dated March 31, 2006, Karissa and others, by presenting their motions consequent to the occurred appearance of Formula Giochi S.p.A. have acknowledged the entrance into a settlement agreement between the same Formula Giochi and Sisal S.p.A. to settle the lawsuit pending between them. This agreement envisaged payment of €0.5 million to Formula Giochi.

In a brief duly filed by Lottomatica, Lottomatica asserted that Karissa Holding S.A.'s active legitimacy no longer existed following the appearance of Formula Giochi, as well as the non-admissibility of the action by Formula Giochi, to be added to the already-formulated preliminary and merit objections.

It was noted how, in the merit, the €0.5 million settlement between Sisal and Formula Giochi against claims by the latter amounting to €34.0 million provided an idea of Formula Giochi's claims, so much so that it attributed the failure of the third pole to Sisal, who had a Director, in common with Formula Giochi. Such circumstances do not exist for Lottomatica, which had no relations with Sisal with regard to Formula Giochi (as shown by the Authority order), nor with Formula Giochi itself.

On November 29, 2006, the Court of Appeals, accepting the request made by the opposing party, designated Angelo Novellino as expert witness in order to estimate any damages. The hearing has been postponed to February 19, 2007 for the swearing and queries formulation.

## LOT TOMATICA GROUP AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 22. Litigation (continued)

After hearing the expert witness's testimony, the Court of Appeals admitted the following queries:

- (a) the profits which Formula Giochi would have earned if it had had access to the gaming market according to conservative criteria which took into account the company's size, its ability to penetrate the market and its investment capacities;
- (b) whether Formula Giochi had suffered any damages from the inability to present itself as an operator other than Sisal and Lottomatica in the Italian gaming market;
- (c) if the response to point 2 was positive, whether it was possible to quantify the damages suffered by Formula Giochi for having missed said opportunity, referring to valid economic parameters and according to rational methods leading to statistically plausible conclusions, and a prudent evaluation.

The expert opinion presented on February 21, 2008 included:

- *"the financial reports of Formula Giochi and its subsidiaries demonstrate that at the launch of the strategic plan in March 2003 the group did not generate revenues and was in a liquidity crisis which resulted in serious financial tensions", "the group was in need of an immediate injection of over €4 million only to cover the losses incurred in 2002 and was therefore not able to independently undertake an operation in the ex Coni gaming market".* The expert witness further includes that based on the economic information supplied by Lottomatica regarding the management of ex Coni games, the Formula Giochi group would not have generated any profits if it had been granted free access to the ex Coni gaming market;
- *"the absence of Formula Giochi from the ex Coni games tender resulted from the group's financial difficulties, the lack of authorization of the strategic plan and the lack of financial support from the shareholders".*

The expert witness included that Lottomatica and Sisal did not cause any damage to Formula Giochi and that it was the company's financial and economic difficulties which prevented the company from participating in the ex CONI games tender.

Due to the extremely favorable outcome of the expert opinion, Lottomatica and its legal representatives retained that it was not necessary to deposit their reasoning regarding the expert opinion.

At the June 9, 2008 hearing the Court of Appeals reserved any observations regarding some objections presented by Formula Giochi pertaining to the expert witness testimony. The Court of Appeals claimed that the objections should be however included during the decision-making process. The closing hearing has been set to October 4, 2010.

#### 5. Appeal Concerning Network Tender

On October 27, 2005, the joint venture composed of Albacom-Fastweb served an appeal on Lottomatica before the TAR of Lazio challenging the tender process relating to, and seeking the annulment, after suspension, of a contract for data transmission services on the private Lotto network operated by Lottomatica in favor of Telecom Italia; and requested that Lottomatica be sentenced to pay damages.

Lottomatica filed an appearance requesting that the claims made by plaintiff be rejected.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**22. Litigation (continued)**

At the hearing of November 23, 2005, the JV Albacom-Fastweb withdrew its suspension request. The hearing was scheduled for October 11, 2006, at which Lottomatica filed a motion to suspend the hearing due to the merger of Lottomatica into NewGames S.p.A. The appeal was sent for a decision specifically highlighting the cause of the suspension, on which the TAR of Lazio reserved to decide. On October 11, 2006 the TAR of Lazio decided to interrupt after taking note of the merger of Lottomatica into NewGames S.p.A.

On January 9, 2007 the RTI Albacom – Fastweb notified resumption of the proceeding. According to the legal counsel of Lottomatica, the resumption of the appeal was notified late. Furthermore, on November 4, 2008 Fastweb notified its withdrawal from the appeal.

**6. "LAS VEGAS" Instant Lottery Petitions**

Non-winning "Las Vegas" instantaneous lotteries (Scratch and Win) tickets have been presented to the Consorzio Lotterie Nazionali (National Lottery Consortium) for payment starting from April 2006.

To date 415 petitions and 102 requests for injunctive payments have been presented to the Consorzio Lotterie Nazionali for a total sum of €5.8 million. There have also been numerous requests for out-of court payments. All the claims (whether in or out of court) are identical in all the payment requests of non-winning tickets. The players claim that according to their interpretation of the Game Regulations established with the Finance Ministry Decree of February 16, 2005, the amounts corresponding to the winnings indicated in the various areas of the tickets are paid every time cards with symbols from 10 to K appear even if the regulations state that all the cards must have the same points. As a matter of fact, the players argue that cards from 10 to K are worth the same in all French card games.

The Consortium deems these requests to be unfounded in that they do not follow the Game Regulations which explicitly describe the qualifications of a winning ticket.

To date, the following rulings have been issued:

- a) 121 rulings fully accepting the reasons put forward by the counsels assisting the Consorzio Lotterie Nazionali during the trial;
- b) 15 rulings in which, although rejecting the main claim to pay winning tickets, the Judge accepted the damage compensation claim for deceptive advertising in the notices printed on the back of the tickets (about €250.00 per position);
- c) 29 rulings which rejected the main claim to pay winning tickets, but the Consortium was sentenced to reimburse the cost of the tickets, in addition to damage payment (about €300.00 per position), for it was not proven during the trial that the game regulations had been put up in the individual retailers' premises;
- d) 79 rulings accepted payment of the prize amount in addition to claim compensation.

With regard to unfavorable rulings, the Consortium instructed its counsels to file an appeal.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**22. Litigation (continued)**

**7. AAAvanti vs. Lottomatica Italia Servizi**

On August 1, 2005 the company known as AAAvanti S.r.l. brought a case against Lottomatica Italia Servizi S.p.A. before the Civil Court of Rome regarding non-compliance with the ticketing contract related to the 1st Festival Internazionale di Musica ed Arte Contemporanea operated by Lottomatica Italia Servizi S.p.A. and entered into on June 6 – 8, 2006. Due to the aforesaid non-compliance, the company AAAvanti requested reparations for exemplary damages totaling €0.5 million. Lottomatica Italia Servizi S.p.A. appeared contesting the *ex adverso* conclusions. The first presentation hearing was held on February 16, 2006. After ascertaining cross-examination correctness, the Judge scheduled a hearing for October 10, 2006. On the hearing of October 10, 2006 the Judge decided to postpone to May 4, 2007 and thus giving until March 5, 2007 to deposit the new requests and until April 20, 2007 to bring in the evidence.

At the December 18, 2007 hearing, the Court postponed the case to May 29, 2009 for final ruling.

The LIS legal counsel is of the opinion that the case may have a negative outcome.

**8. Santa Cecilia Ticketing Office Tender**

The Santa Cecilia National Academy Foundation launched a public tender on the European Union Official Journal of September 14, 2008 for the management of its online ticketing services for events organized by the Foundation. The tender was to be awarded to the participant presenting the most economical advantageous offer.

The Evaluation Commission evaluated the various offers during an open session on May 9, 2008. The outcome of said evaluated resulted in LIS being temporarily awarded the tender with 99/100 points compared to the 79/100 points received by ATI Ticket One.

On June 30, 2008, Ticket One, as pilot company of the joint venture, filed an appeal before the Administrative Tribunal of Lazio for the annulment of the awarding of the tender in favor of LIS.

The Administrative Tribunal suspended the award by issuing Decree no. 3254/08 and set a hearing to July 9, 2008. LIS filed an appeal against Ticket One and requested that it be excluded because it did not satisfy the tender conditions according to Article 38, letters b and c, of Legislative Decree no. 163/06.

On the July 9, 2008 hearing, though considering the appeal brought forth by LIS to be grounded, the TAR of Lazio nevertheless confirmed the appeal brought forth by Ticket One and set the merit hearing to October 8, 2008. As a result of this court order, LIS presented its appeal before the Council of State. At the September 30, 2008 hearing the Council of State denied LIS's grounds for appeal.

Ticket One presented an additional appeal on September 24, 2008. Due to the proximity to the merit hearing, both LIS and the Santa Cecilia Foundation requested that the hearing be postponed. The Administrative Tribunal accepted the request and a new merit hearing was set for December 17, 2008.

The ruling issued by the TAR of Lazio on the December 17, 2008 hearing admitted the appeal brought forth by Ticket One and consequently suspended the contested awarding of the tender to LIS.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**22. Litigation (continued)**

On March 10, 2009 the Council of State admitted the appeal brought forth by the Santa Cecilia National Academy Foundation and consequently suspended the ruling issued by the TAR of Lazio. The merit hearing was set for June 5, 2009.

The Council of State accepted the appeals brought forth by both Santa Cecilia National Academy Foundation and Lottomatica Italia Servizi on June 5, 2009.

**9. TOTOBIT – Navale Assicurazioni Arbitration**

Totobit Informatica Software e Sistemi S.p.A. ("Totobit"), a company of the Lottomatica Group, within the scope of its business activities enters into contracts regarding IT services (cellular phone top-ups) with third party retailers.

On January 23, 2002 Totobit executed with Navale Assicurazioni S.p.A. an insurance policy in order to guarantee the fulfillment of payment obligations under the corresponding contracts regarding the above mentioned activities performed by the retailers. The policy had a 3 year duration beginning from January 28, 2002.

According to the policy provisions, any breach on the part of the retailers may be reported by Totobit to Navale Assicurazioni within and not later than 3 months of the policy's annual expiration; the guarantee outside this deadline would no longer be valid. On November 22, 2004 Navale Assicurazioni sent Totobit a notice informing the same that the policy would be terminated effective as of January 28, 2005, thus blocking the settlement of claims allegedly reported late by Totobit for a total of €1.5 million. In view of said missed payment, the arbitration proceeding was initiated on November 8, 2005.

In the hearing of May 24, 2006, the Panel approved the expert witness Mr. Enrico Proia to make a technical-accounting review of the documents produced by Totobit on request by Navale Assicurazioni, and scheduled the following hearing for June 7, 2006.

On January 22, 2007 the Arbitration Panel partly accepted the requests made by Totobit and ruled Navale Assicurazioni S.p.A. to pay the sum of €239,911.66.

The amount refers exclusively to enforcement actions prior to April 28, 2005. The Panel partly accepted the counterclaim of Navale Assicurazioni S.p.A. regarding some requests of payment made by Totobit. The arbitration proceeding resulted in the sentencing of Totobit to pay the sum of €200,654.19. Half the arbitration procedure expenses are equally divided between both parties; the other half is to be borne by Totobit.

Lottomatica and its counsels lodged the appeal for the sentencing in question. At the June 6, 2008 hearing the Court of Appeals of Rome set the pre-trial evidentiary hearing to November 18, 2011.



**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**22. Litigation (continued)**

***10. Videolotteries Litigation on the AAMS Authorization***

Following the modifications made by the 2006 Budget Law to article 110, section 6 of the R.D. no. 773 of 1931 (Consolidated Public Safety Act) – where appropriate gaming machine is defined as that connected to the data transmission network as per article 14-*bis*, section 4 of Presidential Decree no. 640 of 1972 – AAMS confirmed with the communications of October 25 and November 2, 2005 that all the gaming machines which had been authorized for activation, but not connected to the data transmission network managed by the concessionaires, had to be removed from the retailing premises where they were located and placed in the warehouse after launching the blockage procedure. Furthermore, on June 1, 2006 AAMS notified all the concessionaires that as of July 1, 2006 it would have revoked the permits related to the non connected gaming machines with a fine ranging from €1,000 to €6,000 for each gaming machines which said resulted to be unconnected for more than 30 days, as foreseen in article 110, section 9, let. c) of the Consolidated Public Safety Act (TULPS).

Article 110 of TULPS provides that the secondary sanctions for the above violations results in the lack of authorization from AAMS to the violator for a period of 5 years.

In order to enforce the above mentioned laws, AAMS sent its own inspectors to ensure that the adjustments were adhered to. In the cases where the owner of the terminals did not carry out the necessary modifications and where AAMS held it was also the concessionaire's responsibility and fault, it has filed a claim, including Lottomatica Videolot Rete S.p.A., for having "*permitted the use of terminals which do not conform to the prescriptions as in the previously stated point 6*". The above mentioned measures taken by AAMS have been objected to by Lottomatica Videolot Rete S.p.A., mostly for the assumption that the Concessionaire is not the owner of the gaming machines, and although in some instances it is aware of a gaming machines being disconnected, does not have control of the points of sale and thus cannot remove the gaming machines without incurring in criminal charges. Lottomatica Videolot Rete S.p.A. can only persuade the owner (street operators) to do so with written notices (as it has always done), or in the case that the terminal is connected regularly to the network but launched the game previous to the 30 days prior to the inspection date.

Consistent with the defense brief presented by Lottomatica Videolot Rete S.p.A., the latter has gone ahead with the issuance for the dismissal of the case.

The objections presented by Lottomatica Videolot Rete S.p.A. that have not been accepted by AAMS have resulted in payment injunction measures. Lottomatica Videolot Rete S.p.A. has appealed said injunctions before the Small Claims Court.

***11. Appeals Concerning the AAMS Tender for the Awarding of Sporting Rights***

On February 26, 2007, Aycons, Società Consortile a Responsabilità Limitata ("Aycons"), served a notice of appeal to the TAR of Lazio challenging the Decree of December 21, 2006 published in the Official Journal of the Italian Republic (G.U.R.I.) no. 300, ordinary supplement no. 248 on December 28, 2006, which finally awarded the point of sale rights for sporting games as well as the activation of the online sporting game network.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**22. Litigation (continued)**

Lottomatica, on behalf of a company to be incorporated, was awarded the following: the concession of the gaming rights according to article 38, section 2 and 4 of the Legislative Decree no. 223/06, the sale rights according to article 38, section 2 of the Legislative Decree no. 223/06 which was then converted to Law no. 248 of August 4, 2006 and the rights to activate the online sporting game network.

On April 16, 2007, through a filing reporting additional reasons, Aycons served a notice to Lottomatica requesting the suspension of (i) the notice of February 23, 2007 (registry number 2007/6087/Uff.10°/Conc) with which AAMS communicated to Lottomatica Scommesse S.r.l. the final award of the concession and (ii) the "agreement for the concession of the public games as awarded to Lottomatica Scommesse S.r.l."

Aycons claims that Lottomatica, as sole stockholder of the company to be established, in violation of article 4.2 of the Tender, still held 35% of the Cogetech share capital on the expiry date for the presentation of the tender participation application (October 20, 2006) through its subsidiary GTech.

On March 16, 2007 Lottomatica appeared before the court denying Aycons's claim and submitted documents demonstrating that GTech (100% owned by Lottomatica), further to Authorisation from AAMS, had sold its share of Cogetech on October 16, 2006 and therefore before the said deadline of October 20, 2006. As a result, when Lottomatica presented its application to participate in the tender, there was no connection with and/or control of Cogetech by Lottomatica.

As of yet, Aycons has not requested to set a merit hearing and it can therefore be deduced that the plaintiff will not continue the case.

The tender at issue was also challenged before the TAR of Sicily by Jackbet S.r.l., King Bet S.r.l. and Agenzia Ippica dello Stretto s.n.c. With regard to said appeal, Lottomatica proposed to have a preliminary decision issued by the Council of State.

By ruling of July 10, 2007, the Council of State, accepting the reasons proposed by Lottomatica, declared the TAR of Lazio to have jurisdiction. As of yet, a discussion hearing of the appeal has not been set.

***12. Request for Conclusions from the Audit Department on the Setting-Up and Operation of a Screen-Based Gaming Management Network***

On June 1, 2007, based on the data provided by So.Ge.I.(the AAMS IT Department ) to the Tax Police which the latter sent to the Audit Department, the Regional Public Prosecutor's office at the Lazio Jurisdictional section of the Audit Department, served Lottomatica Videolot Rete S.p.A., and all other nine concessionaires for the screen-based operation of legal gaming (new slot), an invitation to submit their briefs with regard to an investigation on possible damages to the state treasury.

The regional Prosecutor contested that Lottomatica Videolot Rete S.p.A., in conjunction with some AAMS officials, inaccurately did not fulfill a number of obligations relating to the concession and failed to comply with certain service levels. The damage to the state treasury supposedly caused by Lottomatica Videolot Rete S.p.A., in conjunction with said AAMS officials, is alleged to add up to approximately €4.0 billion.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**22. Litigation (continued)**

Lottomatica Videolot Rete S.p.A. filed its brief on June 27, 2007, arguing to have always complied with its obligations as concessionaire and requesting the dismissal of the case.

On January 8, 2008, the Regional Public Prosecutor for the Audit Department served notice to Lottomatica Videolot Rete S.p.A. regarding the charges brought forth. The deed has no effect on Lottomatica Videolot Rete S.p.A. and its Counsel's position, both of whom consider the charges to be unfounded.

The first hearing before the Audit Department has been set to December 4, 2008.

The TAR of Lazio ruling issued on April 1, 2008 suspended the measures through which AAMS required the concessionaire Lottomatica Videolot Rete S.p.A. to pay the €4.0 billion fine for the alleged failure to comply with the obligations relating to the concession.

The suspension of said fine was issued because no preliminary investigations had been carried by AAMS regarding alleged unfulfilled obligations of the concessionaires and, consequently, the request for payment for such an amount without prior ascertainment that it was actually due was illegitimate.

With regards to the indications set forth by the above mentioned TAR ruling, AAMS, with letters dated as of May 23 and 27, 2008 communicated to start the investigation with reference to the inaccurately fulfilling the online activation and management obligations relating to the concession and failure to comply with service levels.

On June 6, 2008, AAMS disputed the violation by Lottomatica Videolot Rete S.p.A. of the obligations set forth in Article 3, section 1, letter b) and letter d) and section 2 and 3 of the Concession.

On July 11, 2008 Lottomatica Videolot Rete challenged the request for payment formalized by AAMS.

Specifically:

- Lottomatica Videolot Rete S.p.A. claimed that the appeal brought forth by AAMS regarding the alleged failure to comply with the obligations to launch the online network within 65 (sixty-five) days of releasing the list of concessionaires is unfounded. Lottomatica Videolot Rete S.p.A. notified AAMS on September 13, 2004 of the activation of said network and the positive outcome of the control carried out on October 11, 2004;
- With reference to the request regarding the alleged failure to comply with the obligations to complete the activation of the online network, the report lodged by Lottomatica Videolot Rete S.p.A. recalls the opinion issued by the State Council of November 13, 2007 and December 4, 2007 which confirmed that the launching and first activation of the communication systems by the Concessionaires immediately resulted to be more complex than originally expected and that such complexities were completely unforeseeable. For the above reasons Lottomatica Videolot Rete S.p.A. cannot be considered to have not complied with the rules issued by AAMS. Any possible failure to comply with "formal" requirements must be attributed to third parties.

After having received Lottomatica Videolot Rete's responses, AAMS applied the fines below on September 2, 2008 and October 1 and 16, 2008:

- a) €33,490.00 for the failure to comply with the timing obligations to launch the online network;
- b) €152,768.00 for the failure to comply with the obligations to complete the activation of the online network;
- c) €216,565.00 for the failure to comply with the obligations to connect the remaining 5% of the gaming machines.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**22. Litigation (continued)**

The Lottomatica Videolot Rete has filed the appeals against the above stated fines before the Administrative Tribunal (TAR) of Lazio and in addition it has also contested the jurisdiction of the Audit Department by filing a motion before the Supreme Court of Cassation. The TAR of Lazio set the hearing to discuss the motions filed by Lottomatica Videolot Rete to January 28, 2009. The hearing date was then postponed to June 24, 2009. The ruling is expected.

At the December 4, 2008 hearing, the Audit Department ruling was suspended until the Supreme Court of Cassation was able to review the motion filed by Lottomatica Videolot Rete.

It must be noted that the VI Commission (Finance) of the House of Representatives by resolution dated July 26, 2007, in view of the need to take timely action on the games sector, particularly with regard to operation of gaming machines, also in light of the initiatives of the aforementioned Audit Department, obtained Government commitment to adopting all the necessary initiatives for the immediate review of the concession agreements relating to gaming machines, also envisaging the possible application of sanctions in compliance with the principles of reasonableness and proportionality.

Further to this resolution, AAMS, together with all concessionaires, organized a round table aimed at implementing all that is set out in the said resolution. Further to said resolution, an agreement was reached on the changes to be made to the concession agreement.

The revised agreement was submitted to the Ministry for the required Council of State opinion. In the hearings of November 13 and December 4, 2007, the Council of State stated favorable opinion regarding the adjustments to the concession agreement. Specifically, the Council of State shared and agreed with the proposal for a new system to apply the fines on behalf of AAMS which result according to "reasonable" and "proportional" principles and with direct reference to the ascertained incompleteness and actual damages received.

Said revised agreement has been signed by both AAMS and Lottomatica Videolot Rete S.p.A. on March 13, 2008. The modifications introduced refer specifically to the circumstances in which the fines must be applied according to "reasonable" and "proportional" principles and with direct reference to the ascertained incompleteness and actual damages received. Furthermore, the application of fines in case of delayed payment to the Tax Authorities has been cancelled.

**13. SUPERENALOTTO Tender**

On October 24, 2007, Stanley International Betting Limited served an appeal on AAMS, Lottomatica, Sisal and Snai before the TAR of Lazio asking for the annulment, further to suspension, of the deeds of the tender launched by AAMS on June 29, 2007 for granting the exclusive concession for operating SuperEnalotto. Stanley believes that the tender deeds are in conflict with European Community rules and principles with regards to freedom of establishment and service provision.

A similar appeal, which however has not been served on Lottomatica but to AAMS and Sisal, was filed by Index Group. On November 21, 2007, the TAR of Lazio declared the appeal brought forth by Stanley to be inadmissible and rejected it based on merit. Stanley contested the TAR of Lazio's ruling before the Council of State, presenting again the same arguments as presented before the TAR and requested the suspension of the tender deeds.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**22. Litigation (continued)**

During this time, the bidders (Sisal, Lottomatica and Snai) were summoned by AAMS for the conclusion of the tender awarding procedure.

On January 26, 2008, upon the completion of opening of the envelopes containing the economic offers, the tender was awarded to Sisal S.p.A. On February 11, 2008 Stanley appealed the awarding procedure.

On July 8, 2008 the Council of State denied the appeal issued by Stanley and claimed the reasons set forth by said appeal to be inadmissible.

The award of the tender was also challenged by Snai who claimed of errors in the valuations carried out by the Tender Award Commission.

On June 6, 2008 Lottomatica filed an appeal with the TAR of Lazio challenging the April 2, 2008 AAMS communication (protocol no. 2008/12798/giochi/Ena) in which Lottomatica was notified of the definitive awarding of the tender to Sisal. With said appeal, Lottomatica challenged the offer presented by Sisal. Stanley included its statement in the appeal brought forth by Lottomatica. Snai has filled its own separate appeal.

At the October 8, 2008 hearing, the TAR of Lazio postponed the negotiation for the preliminary motion brought forth by Lottomatica to October 22, 2008 in order to obtain all necessary deeds relating to the awarding procedure (the discussion of the same preliminary motion brought forth by Snai was set for the same date).

The award of the tender to Sisal was also challenged by Snai on the grounds of erroneous evaluations carried out by the Commission. The TAR of Lazio issued a court order on June 4, 2008 requesting the tender documentation from AAMS. The hearing was postponed to October 22, 2008.

On October 22, 2008 the TAR of Lazio issued a court order granting Lottomatica and Snai the opportunity to examine all tender deeds.

The January 14, 2009 hearing set to discuss the merit was postponed to May 27, 2009 upon the request by both parties.

On April 16, 2009 AAMS sent Lottomatica an official copy of Decree of April 7, 2009 which constituted a specific Committee to control the anomalies in the offer presented by Sisal. Said Committee communicated the conclusion of its review and evaluation of the offer in question on May 25, 2009. In addition AAMS notified Lottomatica on June 23, 2009 of the Decree of June 10, 2009 with which the final review of the tender award to Sisal was completed with a positive outcome.

AAMS presented the said conclusions regarding the offer presented by Sisal at the May 27, 2009 hearing. Consequently, Lottomatica counsels motioned for an extension in order to prepare further grounds. SNAI has already submitted additional claims against the above mentioned evaluation of the Sisal offer. Lottomatica is doing the same.

The April 16, 2009 appeal brought forth by Lottomatica requested the TAR of Lazio to ascertain its right to review the administrative documents requested on February 24 and March 19, 2009 (Sisal and points of sale contract and AAMS authorization, as well as documentation regarding AAMS review). AAMS denied Lottomatica access to said documents on March 20, 2009. The TAR of Lazio set the hearing to discuss the matter on June 10, 2009. The ruling is expected.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**22. Litigation (continued)**

***14. Online Instant Lotteries***

On April 13, 2006 AAMS issued a decree providing for a preliminary experimental phase for the collection of online lottery wagers via internet, television, terrestrial digital channels and satellite. Given that the National Lottery Consortium operates the traditional and instant lotteries, it was selected by AAMS to manage the experimental technical and organizational system for the production and sale of online lotteries. Said decree further granted the role of intermediary to the entities with the concessions to operate gaming, sports pools and betting.

The trial period was set with a duration of 18 (eighteen) months effective as of the launch date of the first online lottery. AAMS was given the option whether to extend the trial period up to another 18 (eighteen) months. The trial period was in fact extended on March 20, 2008 with the issuing of a decree by the Gaming General Director of AAMS.

Sisal Match Point S.p.A, Intralot Italia S.p.A. and Eurobet Italia S.r.l. separately appealed said decree before the TAR of Lazio and requested the issuing of a precautionary measure.

The three plaintiffs claim that AAMS violated both Italian and European regulations by extending the trial period of the online lotteries without a public tender given that said lotteries were not included in the concession signed with the National Lottery Consortium on October 14, 2003.

The National Lottery Consortium stated that the concession in question is still valid and that the online instant lotteries offer the same games through a new channel. Therefore given that instant lotteries are included in the Consortium's activity then the online instant lotteries should thus be operated by the same Consortium.

The discussion hearing of the precautionary measure was set to September 24, 2008 during which the TAR of Lazio deferred directly to the merit discussion set for January 28, 2009.

At the January 28, 2009 hearing, the TAR of Lazio closed the presentation of the arguments by the parties.

The TAR of Lazio denied the appeal brought forth by INTRALOT ITALIA S.p.A., EUROBET ITALIA S.r.l. and SISAL MATCH POINT S.p.A. on January 28, 2009. The ruling was appealed before the Supreme Court by SISAL MATH POINT S.p.A. The hearing to discuss the matter will take place on July 28, 2009.

The decree extending the trial period of the online instant lotteries was also appealed by Snai S.p.A. on the grounds of the illegitimacy of the Authorities activities given that Snai is also a concessionaire and that it was neither notified nor included in the measure.

According to Snai, the lack of participation in and procedure of the regulation would "reflect on the correct yielding of the power to prolong [the trial period] under both a judicial and legal profile."

On September 11, 2008 the TAR of Lazio denied the suspension request brought forth by Snai.

LOTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**22. Litigation (continued)**

**15. Toto Carovigno - Snai Arbitration**

**1<sup>st</sup> Arbitration (Carovigno)**

Following the acquisition of the company branch SCL of F.lli Tarricone & C., Toto Carovigno replaced SCL in the contract between the latter and Snai entered into on February 25, 2000. With reference to the CONI concession no. 354 – code 3673, the contract regulated the administration of services supporting the collection of sports betting wagers in the municipalities of Castrovillari, Carovigno and S. Vito dei Normanni.

In April 2004, Toto Carovigno interrupted the online connection with Snai who declared it to be in breach of contract. Snai filed an arbitration procedure which was closed on January 31, 2006 with the ruling stating that Toto Carovigno was obliged to execute the contract with Snai insofar as it was still in vigor. Toto Carovigno was ordered to compensate any damages incurred by Snai up to December 31, 2005.

Snai filed second arbitration procedure against Toto Carovigno according to Article 13 of the contract in question. The arbitration procedure (a) communicated the nomination of Giancarlo Castagni as the arbiter for Snai, (b) reserved the specific formulation of the issues in question in the arbitration procedure according to the terms conceded by the Arbitration Panel, and (c) requested the termination of the contract and the payment of damages incurred as of December 31, 2005 until the expiry of Concession no. 354 – code 3673 (06/30/2012) for Snai's estimated loss in revenues for a total of €455,756.00.

On November 8, 2008 Toto Carovigno communicated the nomination of Stefano Sbordoni as its arbiter. Mauro Cortopassi was nominated President of the Arbitration Panel.

At the hearing of October 20, 2008, the Arbitration Panel requested to be informed by AAMS of the total sports betting volume in relation to Concession no. 354 – code 3673 since April 2004. The Arbitration Panel did not set the date for the following hearing. To date, AAMS has not responded to the requested placed by the Arbitration Panel.

On April 11, 2009 Toto Carovigno and Sisal signed an agreement with which Sisal withdrew the request for damages in favor of a forfeit sum of €200,000.00.

**2<sup>nd</sup> Arbitration (Gussago)**

Following the acquisition of the company branch from Donato Bianchi, Toto Carovigno replaced the latter in the contract dated October 11, 1999 with Snai. With reference to Concession 3067, the contract regulated the administration of services supporting the collection of sports betting wagers in the municipality of Gussago.

In July 2006, Toto Carovigno interrupted the online connection with Snai who declared it to be in breach of contract. Snai filed an arbitration procedure against Toto Carovigno according to Article 13 of the contract in question. The arbitration procedure (a) communicated the nomination of Giancarlo Castagni as the arbiter for Snai, (b) reserved the specific formulation of the issues in question in the arbitration procedure according to the terms conceded by the Arbitration Panel, and (c) requested the termination of the contract and the payment of damages incurred as of July 2006 until the expiry of Concession no. 3067 (06/30/2012) for Snai's estimated loss in revenues for a total of €86,265.00.

Toto Carovigno communicated the nomination of Stefano Sbordoni as its arbiter. Antonio Giannoni was nominated President of the Arbitration Panel.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**22. Litigation (continued)**

The ruling issued by the Arbitration Panel on December 1, 2008 obliged Toto Carovigno to pay damages to Snai for €64,169.24 net of interests.

Said damages have been paid.

**3<sup>rd</sup> Arbitration (Gussago Ippica)**

Following the acquisition of the company branch from Donato Bianchi, Toto Carovigno replaced the latter in the contract dated October 11, 1999 with Snai. With reference to Concession 1100, the contract regulated the administration of services supporting the collection of sports betting wagers in the municipality of Gussago.

In November 2006, Toto Carovigno interrupted the online connection Snai who declared it to be in breach of contract. Snai filed an arbitration procedure against Toto Carovigno according to Article 13 of the contract in question which was then lodged on January 15, 2009. The arbitration procedure (a) communicated the nomination of Giancarlo Castagni as the arbiter for Snai, (b) requested the termination of the contract and the payment of damages incurred as of November 2006 until the expiry of Concession no. 1100 (06/30/2012) for Snai's estimated loss in revenues for a total of €45,726.00.

On April 11, 2009 Toto Carovigno and Sisal signed an agreement with which Sisal withdrew the request for damages in favor of a forfeit sum of €20,000.00.

**GTECH's Business**

***1. CEF Contract Proceedings***

**Background**

In January 1997, Caixa Economica Federal ("CEF"), the operator of Brazil's National Lottery, and Racimec Informática Brasileira S.A. ("Racimec"), the predecessor of GTECH Brazil entered into a four-year contract pursuant to which GTECH Brazil agreed to provide on-line lottery services and technology to CEF (the "1997 Contract"). In May 2000, CEF and GTECH Brazil terminated the 1997 Contract and entered into a new agreement (the "2000 Contract") obliging GTECH Brazil to provide lottery goods and services and additional financial transaction services to CEF for a contract term that, as subsequently extended, was scheduled to expire in April 2003. In April 2003, GTECH Brazil entered into an agreement with CEF (the "2003 Contract Extension") pursuant to which: (a) the term of the 2000 Contract was extended into May 2005, and (b) fees payable to GTECH Brazil under the 2000 Contract were reduced by 15%. On August 13, 2006, all agreements between GTECH and CEF terminated in accordance with their terms.

**Criminal Allegations Against Certain Employees And Related SEC Investigation**

In late March 2004, federal attorneys with Brazil's Public Ministry (the "Public Ministry Attorneys") recommended that criminal charges be brought against nine individuals, including four senior officers of CEF, Antonio Carlos Rocha, the former Senior Vice President of GTECH and President of GTECH Brazil, and Marcelo Rovai, then GTECH Brazil's marketing director and currently employed at GTECH's site in Chile.



**LOTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**22. Litigation (continued)**

The Public Ministry Attorneys had recommended that Messrs. Rocha and Rovai be charged with offering an improper inducement in connection with the negotiation of the 2003 Contract Extension, and co-authoring, or aiding and abetting, certain allegedly fraudulent or inappropriate management practices of the CEF management who agreed to enter into the 2003 Contract Extension. Neither GTECH nor GTECH Brazil is the subject of this criminal investigation, and under Brazilian law, entities cannot be subject to criminal charges in connection with this matter.

In June 2004, the judge reviewing these charges prior to their being filed refused to initiate the criminal charges against the nine individuals but instead granted a request by the Brazilian Federal Police to continue the investigation which had been suspended upon the recommendation of the Public Ministry Attorneys that criminal charges be brought. The Brazilian Federal Police subsequently ended their investigation and presented a report of their findings to the court. This report did not recommend that indictments be issued against Messrs. Rocha or Rovai, or against any current or former employee of GTECH or GTECH Brazil. The Public Ministry Attorneys have since requested that the Brazilian Federal Police reopen their investigation. GTECH understands that investigations by the Brazilian Federal Police are ongoing, including an investigation respecting the award of, and performance under, the 1997 Contract and the 2000 Contract.

GTECH is cooperating fully with the investigations by Brazilian authorities and has encouraged Messrs. Rocha and Rovai to do the same.

In addition, GTECH conducted an internal investigation of the 2003 Contract Extension under the supervision of the independent directors of GTECH Holdings Corporation. The investigation did not reveal any reason to believe that any of GTECH or GTECH Brazil's current or former employees had committed any criminal offences.

Notwithstanding the favourable resolution of the Brazilian Federal Police's initial investigation, on June 21, 2006, a special investigating panel of the Brazilian congress issued a report and voted, among other things, to ask the Public Ministry Attorneys to indict 84 individuals, including one current and three former employees of GTECH Brazil, alleging that the individuals helped GTECH Brazil to illegally obtain the 2003 Contract Extension. GTECH found nothing in the congressional report to cause it to believe that any present or former employee of GTECH or GTECH Brazil committed any criminal offence in connection with obtaining the 2003 Contract Extension.

The U.S. SEC began an informal inquiry in February 2004, which formal inquiry became a formal investigation in July 2004, into the Brazilian criminal allegations against Messrs. Rocha and Rovai, and GTECH's involvement in the facts surrounding the 2003 Contract Extension, to ascertain whether there has been any violation of United States law in connection with these matters. In addition, in May 2005, representatives of the United States Department of Justice asked to participate in a meeting with GTECH and the SEC. GTECH has cooperated fully with the SEC and the United States Department of Justice with regard to these matters, including by responding to their requests for information and documentation.

GTECH has found no evidence that GTECH, GTECH Brazil, or any of their current or former employees, has violated any United States law, or is otherwise guilty of any wrongdoing in connection with these matters.

**LOTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**22. Litigation (continued)**

**Civil Action By The Public Ministry Attorneys**

In April 2004 the Public Ministry Attorneys initiated a civil action in the Federal Court of Brasilia against GTECH Brazil; 17 former officers and employees of CEF; the former president of Racimec; Antonio Carlos Rocha; and Marcos Andrade, another former officer of GTECH Brazil. This civil action alleges that the defendants acted illegally in entering into, amending and performing, the 1997 Contract, and the 2000 Contract.

This lawsuit seeks to impose damages equal to the sum of all amounts paid to GTECH Brazil under the 1997 Contract and the 2000 Contract, and certain other permitted amounts, minus GTECH's proven investment costs. The applicable statute also permits the assessment of interest and, in the discretion of the court, penalties of up to three times the amount of the damages imposed. GTECH estimates that through the date of the lawsuit, GTECH Brazil received under the 1997 Contract and the 2000 Contract a total of approximately 1.5 billion Brazilian Reals (or approximately €543.72 million at currency exchange rates in effect as of June 30, 2009). In addition, although it is unclear how investment costs would be determined for purposes of this lawsuit, GTECH estimates that its investment costs through the date of the lawsuit were approximately between 1.2 billion and 1.4 billion Brazilian Reals (or approximately between €434.97 million and €507.47 million at currency exchange rates in effect as of June 30, 2009) in aggregate; however, these investment costs could be disputed by CEF, and are ultimately subject to approval by the court.

GTECH has been advised by Brazilian counsel that these proceedings are likely to take several years, and could take longer than 15 years in certain circumstances to litigate through the appellate process to final judgment. GTECH believes that these claims are groundless.

**TCU Audit**

In June 2005, the Federal Court of Accounts ("TCU") issued a preliminary report (the "TCU Audit Report") with respect to GTECH Brazil's contracts with CEF. While GTECH Brazil has not been formally served with a copy of the TCU Audit Report, GTECH understands that its central allegations are that the 1997 Contract was improperly transferred from Racimec to GTECH Brazil; it was accorded certain payment increases respecting financial services transactions that were not contemplated by the procurement process respecting the 1997 Contract or otherwise permitted under applicable Brazilian law; and the 2003 Contract Extension was entered into a manner inconsistent with Brazilian law and the procurement process respecting the 1997 Contract. The TCU Audit Report alleges that as a result of these considerations, CEF overpaid GTECH Brazil under the 1997 Contract and the 2000 Contract. The TCU Audit Report seeks payment from GTECH of a base amount determined on a preliminary basis by TCU to be approximately 400 million Brazilian Reals (approximately €144.99 million at currency exchange rates in effect as of June 30, 2009).

GTECH believes that these claims are without merit. GTECH further believes that the claims and determinations of the TCU Audit Report will, in essence, be merged into the civil action instituted by the Public Ministry Attorneys described above, and are accordingly unlikely to represent an independent potential source of liability for GTECH.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**22. Litigation (continued)**

**2. ICMS Tax**

On July 26, 2005, the State of São Paulo challenged GTECH Brazil for classifying the remittances of printing ribbons, rolls of paper and wagering slips ("Consumables") to lottery outlets in Brazil as non-taxable shipments. The tax authorities disagree with that classification and argue that these Consumables would be subject to ICMS tax as opposed to the lower rate ISS tax that GTECH Brazil paid. The tax authorities argue that in order for printed matter to be considered non-taxable it has to be "personalized." To be considered personalized, the Consumables must be intended for the exclusive use of the one ordering them. GTECH Brazil filed its defense against the Tax Assessment Notice, which was dismissed. GTECH Brazil filed an Ordinary Appeal and a Special Appeal to the Court of Taxes and Fees, both of which were not granted. The State Treasury of São Paulo has filed a tax foreclosure to collect the tax obligation. GTECH Brazil is preparing to file an appeal of this matter with the First District Court of the State Treasury (Barueri). Prior to filing the appeal, it is likely that GTECH Brazil will be required to provide security for the tax obligation in the event it is unsuccessful in the appeal. GTECH Brazil has been advised by Brazilian counsel that these proceedings are likely to take several years, and could take longer than seven years to litigate through the appellate process to final judgment. GTECH Brazil believes that these claims are groundless.

**3. Import Duties**

In 1998, the Brazilian Internal Revenue Service ("BIRS") provided SB Industria e Comercio Ltda. ("SB"), a subsidiary of GTECH, with notice of a tax assessment of 17.8 million Brazilian Reals (or approximately €6.45 million at currency exchange rates in effect at June 30, 2009) for improperly claiming tax credits in 1996 and 1997. On October 27, 1998, SB filed its defense in an administrative proceeding that the taxes were not due because during the applicable period, SB manufactured and assembled terminals in a tax free zone in the State of Amazonas. The administrative lower court has twice rejected the BIRS's documents. GTECH has been advised that the matter was determined favorably to SB in the lower administrative court but that GTECH's advisors in Brazil believe that the BIRS filed an appeal and a decision at the appellate level is pending. GTECH believes that the claims by the BIRS are groundless.

## LOTOMATICA GROUP AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 23. Commitments and contingencies

##### Commitments

###### *Acquisition of Finsoft Limited*

On July 2, 2007, we acquired Finsoft Limited ("Finsoft"), a provider of real-time transaction and information management systems for the commercial sports-betting market for a cash purchase price of £29.6 million (€43.9 million at the July 2, 2007 exchange rate). In addition, in consideration of performance targets which were met in 2008, contingent consideration of £10.3 million (€13.4 million) was paid on May 27, 2008. If such targets are met in 2010, a further £18.5 million (€21.5 million at the June 30, 2009 exchange rate) would be paid.

###### *Acquisition of Dynamite Design and Marketing Limited*

On April 1, 2008, Boss Media, a GTECH subsidiary, acquired 100% of Dynamite Design and Marketing Limited, a developer and supplier of unique, innovative online interactive betting games for £5.9 million in cash (€7.4 million at the April 1, 2008 exchange rate). In addition, if certain performance targets are met, contingent consideration of up to £4.1 million (€4.7 million at the June 30, 2009 exchange rate) would be paid between January 1, 2009 and June 30, 2010.

###### *Acquisition of St Enodoc Holdings Limited*

On April 30, 2008, GTECH acquired 90% of Gibraltar-based St Enodoc Holdings Limited and its subsidiaries including St. Minver Limited (collectively "St. Minver"), the leading provider of end-to-end white label gaming services for £23.8 million in cash (€30.4 million at the April 30, 2008 exchange rate). In addition, in consideration of performance targets that were met in 2008, contingent consideration of £4.5 million (€5.7 million) was paid on October 15, 2008. If such targets are met in 2009, up to an additional £6.3 million (€7.3 million at the June 30, 2009 exchange rate) would be paid during the second half of 2009.

###### *CLS-GTECH Company Limited*

On December 19, 2007, GTECH Global Services Corporation Ltd. ("GGSC") acquired 50% of Tabcorp International Hong Kong Limited, subsequently renamed CLS-GTECH Company Limited ("CLS-GTECH"), for the purpose of providing a nationwide KENO system for Welfare lotteries throughout China. CLS-GTECH had been formed as a joint venture between TabCorp International No.1 Pty Limited ("Tabcorp") and China LotSynergy Limited ("CLS") in 2005, and had launched a trial of the KENO system. CLS acquired Tabcorp's interest in the partnership immediately after which GTECH acquired a 50% interest in the joint venture for US\$20 million (€13.9 million at the December 19, 2007 exchange rate). In addition, GGSC has made a capital commitment to CLS-GTECH of AUD\$7.5 million (€4.5 million at the December 19, 2007 exchange rate) in the form of a promissory note to be repaid at the discretion of the CLS-GTECH board of directors. On August 11, 2008, the outstanding commitment remaining under the promissory note was converted from AUD\$6.4 million to US\$5.4 million. At June 30, 2009, the outstanding commitment was US\$3.8 million (€2.7 million at the June 30, 2009 exchange rate). The investment in CLS-GTECH has been accounted for under proportionate consolidation in the Group's financial statements.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**23. Commitments and contingencies (continued)**

**Guarantees and indemnifications**

***Loxley GTECH Technology Co., LTD guarantee***

GTECH has a 49% interest in Loxley GTECH Technology Co., LTD ("LGT"), which is accounted for using proportionate consolidation. LGT is a corporate joint venture that was formed to provide an online lottery system in Thailand. On March 29, 2005, in order to assist LGT with obtaining the financing they required to enable them to perform under their obligation to operate the online lottery system in Thailand, GTECH guaranteed, along with the 51% shareholder in LGT, loans and performance bonds from trade finance facilities made to LGT by an unrelated commercial lender (collectively the "Facilities").

GTECH is jointly and severally liable with the other shareholder in LGT for this guarantee. GTECH would be required to perform under the guarantee should LGT fail to make interest or principal payments in accordance with the terms and conditions of the Facilities. GTECH's guarantee obligations commenced in July 2005 and will terminate six months following the start-up of the on-line lottery system in Thailand. The maximum amounts guaranteed and the outstanding balances at June 30, 2009 are as follows:

<i>(in millions)</i>	Principal Amount in Loans		Performance Bonds from Trade Finance Facilities	
	Baht	€	Baht	€
Maximum amounts guaranteed by GTECH	1,925.0	40.0	455.0	9.5
Amounts outstanding at June 30, 2009	1,180.0	24.5	375.0	7.8

At June 30, 2009, the carrying amount of the liability for GTECH's obligations under this guarantee is €0.5 million, which is included in current financial liabilities in the consolidated balance sheet. A corresponding asset of €0.5 million is included in current financial assets in the consolidated balance sheet.

***Lottery Technology Enterprises guarantee***

GTECH has a 1% interest in Lottery Technology Enterprises ("LTE"), a joint venture between GTECH and District Enterprise for Lottery Technology Applications of Washington, D.C. ("DELTA"). The joint venture agreement terminates on December 31, 2012. LTE holds a 10-year contract (which expires in November 2009) with the District of Columbia Lottery and Charitable Games Control Board. Under Washington, D.C. law, by virtue of our 1% interest in LTE, GTECH may be jointly and severally liable, with DELTA, for the obligations of the joint venture.

***Commonwealth of Pennsylvania indemnification***

GTECH will indemnify the Commonwealth of Pennsylvania and any related state agencies for claims made relating to the state's approval of GTECH's manufacturer's license in the Commonwealth of Pennsylvania.

**LOTTOMATICA GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**24. Components of other comprehensive income**

<i>(thousands of euros)</i>	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Derivative instruments (cash flow hedges):				
Gains (losses) arising during the period	(7,837)	302	(3,639)	(657)
Less: reclassification adjustments for gains (losses) included in the income statement	(629)	(595)	614	(1,204)
	<u>(8,466)</u>	<u>(293)</u>	<u>(3,025)</u>	<u>(1,861)</u>

**EXHIBIT 3C-ter**

**Certification of the first half financial statements, pursuant to Article 81-ter of the Consob Regulations no. 11971 of May 14, 1999 with any following amendments**

1. The undersigned Marco Sala, Managing Director and Chief Executive Officer, and Stefano Bortoli, Chief Financial Officer and Manager in charge of drawing up corporate reports and financial documents of Lottomatica Group S.p.A., taking into account Article 154-bis, Section 3 and 4 of the Legislative Decree no. 58 of February 24, 1998, certify:

- the adequacy – with respect to the characteristic of Lottomatica, and;
- the effective application,

of the administrative and accounting procedures relating to the preparation of simplified half-year financial statements throughout the half year period ended June 30, 2009.

2. With reference to the above, the following relevant aspects were noticed: No material issues were identified.

3. It is further certified that:

3.1 the simplified half-year financial statements:

- a. are prepared in accordance to the applicable international accounting standards adopted by the European Community pursuant to the European Regulation (CE) no. 1606/2002 of July 19, 2002, of the European Parliament and Council;
- b. correspond to the accounting books and entries;
- c. are suitable to offer truthful and accurate representations of the assets, financial position and result of operations of the issuer and of the Group consolidated companies.

3.2 The interim operating and financial report provides information regarding material events occurred during the first half of the financial year and their impact on simplified half-year financial statements, as well as a description of the main risks and uncertainties for the second half of the year and on relevant related-party transactions.

Date: \_\_\_\_\_, 2009

Managing Director and C.E.O

C.F.O and Manager in charge of drawing up  
corporate reports and financial documents

.....  
Marco Sala

.....  
Stefano Bortoli

# Lottomatica Group and Subsidiaries



**List of Lottomatica Group S.p.A. Subsidiaries**

<u>Name</u>	<u>Jurisdiction</u>	<u>Share Capital**</u>	<u>Ownership %</u>	<u>Shareholder</u>
Consorzio Lotterie Nazionali	Italy	16,000	63	Lottomatica
Lottomatica Italia Servizi S.p.A.	Italy	2,820	100	Lottomatica
Lottomatica Scommesse S.r.l.	Italy	20,000	100	Lottomatica
Lottomatica Videolot Rete S.p.A.	Italy	3,226	100	Lottomatica
SED Multitel S.r.l.	Italy	800	100	Lottomatica
Lottomatica Videolot Gestione S.p.A.	Italy	120	100	Lottomatica
Lottomatica Sistemi S.p.A.	Italy	5,165	100	Lottomatica
Lottomatica International S.r.l.	Italy	100	100	Lottomatica
Totobit Informatica Software e Sistemi S.p.A.	Italy	3,043	100	Lottomatica Italia Servizi S.p.A.
CartaLIS IMEL S.p.A.	Italy	10,000	85	Lottomatica Italia Servizi S.p.A.
Toto Carovigno S.p.A.	Italy	500	100	Lottomatica Scommesse S.r.l.
Lottomatica Bingo S.r.l.	Italy	50	100	Lottomatica Scommesse S.r.l.
L.S. Alpha S.r.l. (1)	Italy	118	95	Lottomatica Scommesse S.r.l.
LABET S.r.l. (2) **	Italy	100	100	Lottomatica Scommesse S.r.l.
Royal Gold S.r.l. (3)	Italy	99	100	Lottomatica Videolot Rete S.p.A.
Europa Gestione S.r.l. (4)	Italia	50	100	Lottomatica Videolot Rete S.p.A.
Tulipano S.r.l. (5) **	Italia	20	100	Lottomatica Videolot Rete S.p.A.
Topolino Service S.r.l. (6) **	Italy	10	100	Lottomatica Videolot Rete S.p.A.
PCC Giochi e Servizi S.p.A.	Italy	21,000	100	Lottomatica Sistemi S.p.A.
LIS Finanziaria S.p.A.	Italy	1,000	100	Totobit Informatica S.p.A.
TTS S.r.l.	Italy	100	100	Totobit Informatica S.p.A.
Consorzio Lottomatica Giochi Sportivi	Italy	100	90	Lottomatica.(85%); Totobit Informatica S.p.A.(5%)
Lottomatica International Hungary <i>Korlátolt</i>	Hungary	1,250	100	Lottomatica International S.r.l. (80%); Lottomatica (20%)

<b>List of Lottomatica Group S.p.A. Subsidiaries</b>				
<b><u>Name</u></b>	<b><u>Jurisdiction</u></b>	<b><u>Share Capital**</u></b>	<b><u>Ownership %</u></b>	<b><u>Shareholder</u></b>
<i>Felelősségű Társaság (KFT)</i>				
Invest Games S.A.	Luxembourg	31,000	100	Lottomatica
Edrin Ltd. (7)	United Kingdom	19	100	Lottomatica Scommese S.r.l.
GTECH Holdings Corporation	Delaware, USA	1,133,545.651	100	Lottomatica (77.8712%); Invest Games S.A. (22.1288%)

## **NOTES**

Unless otherwise noted, the consolidation method for all subsidiaries listed above is line by line basis.

\* All Share Capital amounts are stated in local currency amounts and in thousand

\*\* Companies not consolidated and carried at cost

(1) On December 5, 2008, Lottomatica Scommese S.r.l. acquired 95% of LS Alpha S.r.l.'s interest participation.

(2) On June 25, 2009, Lottomatica Scommese S.r.l. acquired 100% of LABET S.r.l.'s interest participation.

(3) On December 5, 2008, Lottomatica Videolot Rete S.p.A. acquired 100% of Royal Gold S.r.l.'s interest participation.

(4) On June 4, 2009, Lottomatica Videolot Rete S.p.A. acquired 100% of Europa Gestione S.r.l.'s interest participation from Eurobet.

(5) On June 12, 2009, Lottomatica Videolot Rete S.p.A. acquired 100% of Tulipano S.r.l.'s interest participation from Euromatic S.r.l.

(6) On January 7, 2009, Lottomatica Videolot Rete S.p.A. acquired 100% of Topolino Service S.r.l.'s interest participation.

(7) On November 3, 2008, Lottomatica Scommese S.r.l. created a new English company, Edrin Ltd.

**List of GTECH Holdings Corporation Subsidiaries**

<u>Name</u>	<u>Jurisdiction</u>	<u>Share Capital**</u>	<u>Ownership %</u>	<u>Shareholder</u>
GTECH Corporation	Delaware, USA	*	100	GTECH Holdings Corporation
Aitken Spence GTECH (Private) Limited	Sri Lanka	33,660	50	GTECH Global Services Corporation Limited
Anguilla Lottery and Gaming Company, Ltd.	Anguilla	10	100	Leeward Islands Lottery Holding Company, Inc.
Antigua Lottery Company, Ltd.	Antigua	*	100	Leeward Islands Lottery Holding Company, Inc.
Atronic Americas, LLC (5)	Nevada, USA	13.3	100	GTECH Corporation
Atronic Argentina, S.R.L.	Argentina	30	80	Atronic International GmbH
Atronic Asia Limited	Hong Kong	10	100	Atronic Austria Holding AG
Atronic Australien GmbH (5)	Germany	1,120	100	GTECH Global Services Corporation Limited
Atronic Australia Pty. Ltd.	Australia	2,000	100	Atronic Australien GmbH
Atronic Austria GmbH	Austria	300	100	Atronic Austria Holding AG
Atronic Austria Holding AG	Austria	300	100	Atronic International GmbH
Atronic International GmbH	Germany	302	100	GTECH German Holdings Corporation GmbH
Atronic Nevada, LLC	Nevada, USA	10	100	Atronic Americas, LLC
Atronic Peru S.A.	Peru	*	98	Atronic International GmbH
Atronic Russa o.o.o.	Russia	3,018.2	50	Atronic Austria Holding AG
Atronic Systems B.V.	The Netherlands	18	100	Atronic International GmbH
Atronic Systems, Inc.	Nevada, USA	*	100	Atronic Systems B.V.
Atronic Systems GmbH	Austria	36.4	100	Grips Management GmbH
Atronic Systems S.A.M.	Monaco	150	100	Atronic Systems B.V.
Beijing GTECH Computer Technology Company Ltd.	China (PRC)	150	100	GTECH Foreign Holdings Corporation
BillBird S.A.	Poland	4,490.368	100	GTECH Global Services Corporation Limited
Boss Casinos N.V.	Curacao	67	100	Boss Media AB

**List of GTECH Holdings Corporation Subsidiaries**

<u>Name</u>	<u>Jurisdiction</u>	<u>Share Capital**</u>	<u>Ownership %</u>	<u>Shareholder</u>
Boss Media AB	Sweden	1,141.3	100	GEMed AB
Boss Media Antigua Ltd.	Antigua & Barbuda	77	100	Boss Media AB
Boss Holdings Ltd.	Malta	15	99.99	Boss Media AB
Boss Media Investments AB	Sweden	100	100	Boss Media AB
Boss Media Malta Casino Ltd.	Malta	80	99.99	Boss Holdings Ltd.
Boss Media Malta Poker Ltd.	Malta	40	99.99	Boss Holdings Ltd.
CLS-GTECH Australia Pty Ltd. (1)	Australia	*	100	Tranco Investment Limited
CLS-GTECH Company Limited (1)	British Virgin Islands	15,000	50	GTECH Global Services Corporation Limited
CLS-GTECH Technology (Beijing) Co., Ltd. (1)	China (PRC)	2,700	100	CLS-GTECH Company Limited
Cam Galaxy Group Ltd.	United Kingdom	100	100	GTECH Corporation
Caribbean Lottery Services, Inc.	U.S. Virgin Islands	*	100	Leeward Islands Lottery Holding Company, Inc.
Curacao Lottery Company, N.V.	Netherlands Antilles	200	100	Leeward Islands Lottery Holding Company, Inc.
D & D Electronic and Software GmbH	Austria	26	50	Atronic International GmbH
DataTrans Sp. z o.o.	Poland	50	100	GTECH Corporation (80%); GTECH Polska Sp. z o.o. (20%)
Data Transfer Systems, Inc.	Delaware, USA	*	100	GTECH Corporation
Dreamport, Inc.	Delaware, USA	*	100	GTECH Corporation
Dreamport do Brasil Ltda.	Brazil	3,434.133	100	Dreamport, Inc. (99.75%); GTECH Foreign Holdings Corporation (0.25%)
Dreamport Suffolk Corporation	Delaware, USA	*	100	GTECH Corporation
Dynamite Design & Marketing Limited	United Kingdom	*	100	Boss Media AB
East Luck Investments Limited (1)	British Virgin Islands	*	100	CLS-GTECH Company Limited
Europrint (Games) Ltd.	United Kingdom	20	100	Europrint Holdings Ltd.
Europrint Holdings Ltd.	United Kingdom	90.908	100	Cam Galaxy Group (40%); JSJ Ltd. (60%)

**List of GTECH Holdings Corporation Subsidiaries**

<u>Name</u>	<u>Jurisdiction</u>	<u>Share Capital**</u>	<u>Ownership %</u>	<u>Shareholder</u>
Europrint Promotions Ltd.	United Kingdom	*	100	Europrint Holdings Ltd.
Finsoft Limited	United Kingdom	1.172	100	GTECH Sports Betting Solutions Limited
GEMed AB	Sweden	100	87.45	GTECH Global Services Corporation Limited
Grips Management GmbH	Austria	83.1	100	Atronic Systems B.V.
Grips RSA	South Africa	*	100	Grips Management GmbH
GTECH Asia Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Australasia Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Avrasya Teknik Hizmetler Ve Musavirlik A.S.	Turkey	280,000,000	99.6	On-Line Lottery License and Lease B.V.
GTECH Brasil Ltda.	Brazil	96,582.428	100	GTECH Corporation (99.75%); GTECH Foreign Holdings Corporation (0.25%)
GTECH Colombia Ltda.	Colombia	6,884,500	100	GTECH Global Services Corporation Limited (99.998%); GTECH Comunicaciones Colombia Ltda. (.007%); Alvaro Gomez Munoz (.007%) (Nominee share)
GTECH Comunicaciones Colombia Ltda.	Colombia	10,000	100	GTECH Foreign Holdings Corporation (99.99%); Alvaro Rivas (.01%) (Nominee share)
GTECH Computer Systems Sdn Bhd	Malaysia	*	100	GTECH Corporation
GTECH Corporation	Utah, USA	*	100	GTECH Corporation
GTECH Cote d'Ivoire	Ivory Coast	1,000	100	GTECH Foreign Holdings Corporation
GTECH Czech Services s.r.o.	Czech Republic	1,000	100	GTECH Global Services Corporation Limited (98%); GTECH Ireland Operations Limited (2%)
GTECH Czech Republic, LLC	Delaware, USA	13,000	25	GTECH Corporation (25%)
GTECH Espana Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Europe	Belgium	1,250	100	GTECH Corporation (99.9%); GTECH Foreign Holdings Corporation (.1%)

**List of GTECH Holdings Corporation Subsidiaries**

<u>Name</u>	<u>Jurisdiction</u>	<u>Share Capital**</u>	<u>Ownership %</u>	<u>Shareholder</u>
GTECH Far East Pte Ltd	Singapore	25	100	GTECH Global Services Corporation Limited
GTECH Foreign Holdings Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH France SARL	France	50	100	GTECH Foreign Holdings Corporation
GTECH GmbH	Germany	500	100	GTECH Global Services Corporation Limited
GTECH German Holdings Corporation GmbH (5)	Germany	25	100	GTECH Corporation
GTECH Global Lottery S.L.	Spain	31	100	GTECH Global Services Corporation Limited
GTECH Global Services Corporation Limited	Cyprus	340,545.074	100	GTECH Corporation
GTECH Ireland Operations Limited	Ireland	100	100	GTECH Global Services Corporation Limited
GTECH Lanka (Private) Ltd.	Sri Lanka	1,000,000	100	GTECH Global Services Corporation Limited (99.9%); GTECH Corporation (.1%)
GTECH Latin America Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Management P.I. Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Mexico S.A. de C.V	Mexico	50,000	100	GTECH Corporation (99.656696%); GTECH Foreign Holdings Corporation (0.343297%); GTECH Latin America Corporation (0.000007%)
GTECH Northern Europe Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Polska Sp.z o.o.	Poland	47,445	100	GTECH Global Services Corporation Limited
GTECH Printing Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Rhode Island Corporation	Rhode Island, USA	*	100	GTECH Corporation
GTECH Slovakia Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Southern Africa (Pty) Ltd.	South Africa	*	100	GTECH Corporation
GTECH Sports Betting Solutions Limited	United Kingdom	*	100	GTECH Global Services Corporation Limited
GTECH Sweden AB	Sweden	*	100	GTECH Global Services Corporation

**List of GTECH Holdings Corporation Subsidiaries**

<u>Name</u>	<u>Jurisdiction</u>	<u>Share Capital**</u>	<u>Ownership %</u>	<u>Shareholder</u>
GTECH U.K. Limited	United Kingdom	200	100	GTECH Corporation
GTECH Ukraine	Ukraine	19,066.264	100	GTECH Asia Corporation (99%); GTECH Management P.I . Corporation (1%)
GTECH WaterPlace Park Company, LLC	Delaware, USA	*	100	GTECH Corporation
GTECH West Africa Lottery Limited (3)	Nigeria	10,000	100	GTECH Global Services Corporation Limited (75%); GTECH Ireland Operations Limited (25%)
GTECH West Greenwich Technology Associates GP, LLC	Delaware, USA	*	100	GTECH Corporation
GTECH Worldwide Services Corporation	Delaware, USA	*	100	GTECH Corporation
GTECHNOVA Holdings Limited (4)	Cyprus	*	100	GTECH Global Services Corporation Limited
Innoka Oy	Finland	20	81	GTECH Global Services Corporation Limited
Interactive Games International Ltd.	United Kingdom	*	100	Europrint Holdings Ltd.
International Poker Network Ltd.	Malta	40	99.99	Boss Holdings Ltd.
JSJ Ltd.	United Kingdom	690	100	GTECH Corporation
Leeward Islands Lottery Holding Company, Inc.	St. Kitts & Nevis	13,600.637	100	GTECH Global Services Corporation Limited
Lottery Equipment Company	Ukraine	87,747.8	100	GTECH Asia Corporation (99.994%); GTECH Management P.I . Corporation (.006%)
Loxley GTECH Technology Co., Ltd. (1)	Thailand	100,000	49	GTECH Global Services Corporation Limited (39%); GTECH Corporation (10%)
MIS International France SAS	France	40	100	Atronic Systems B.V.
On-Line Lottery License and Lease B.V.	Netherlands	90	100	GTECH Corporation
Online Transaction Technologies SARL à Associé Unique	Morocco	33,500	100	GTECH Foreign Holdings Corporation
Oy GTECH Finland Ab	Finland	8	100	GTECH Corporation
Prodigal Lottery Services, N.V.	Netherlands Antilles	10	100	Leeward Islands Lottery Holding Company, Inc.

**List of GTECH Holdings Corporation Subsidiaries**

<u>Name</u>	<u>Jurisdiction</u>	<u>Share Capital**</u>	<u>Ownership %</u>	<u>Shareholder</u>
Retail Display and Service Handlers, LLC	Delaware, USA	*	100	GTECH Corporation
SB Indústria e Comércio Ltda.	Brazil	4,138.646	100	GTECH Corporation (99.99%); GTECH Foreign Holdings Corporation (0.01%)
Siam GTECH Company Limited	Thailand	2,000	99.97	GTECH Corporation
Spielo Manufacturing ULC (5)	Nova Scotia	278,498	100	GTECH Global Services Corporation Limited
Spielo USA Incorporated (5)	Delaware, USA	75	100	GTECH Corporation
Springboard Technologies Private Limited	India	*	90	GTECH Global Services Corporation Limited
St. Enodoc Holdings Limited	Gibraltar	14.13	90	GTECH Global Services Corporation Limited
St. Endellion Limited (2)	Gibraltar	2	30	GTECH Global Services Corporation Limited
St. Kitts and Nevis Lottery Company, Ltd.	St. Kitts & Nevis	*	100	Leeward Islands Lottery Holding Company, Inc.
St. Minver Limited	Gibraltar	*	100	St. Enodoc Holdings Limited
St. Minver (UK) Limited	United Kingdom	*	100	St. Enodoc Holdings Limited
Taiwan Sport Lottery Corporation (2)	Republic of China	750,000	24.5	GTECH Global Services Corporation Limited
Technology Risk Management Services, Inc.	Delaware, USA	*	100	GTECH Corporation
Tranco Investment Limited (1)	Hong Kong	*	100	East Luck Investments Limited
Turks and Caicos Lottery Company Ltd.	Turks & Caicos	50	100	Leeward Islands Lottery Holding Company, Inc.
WebDollar AB	Sweden	100	100	Boss Media AB
West Greenwich Technology Associates, L.P.	Rhode Island, USA	*	100	GTECH Corporation (50%); GTECH West Greenwich Technology Associates GP, LLC (50%)

**NOTES**

Unless otherwise noted, the consolidation method for all subsidiaries listed above is line by line basis.

\* Share Capital is less than €1,000.

\*\* All Share Capital amounts are stated in local currency amounts and in thousands.



- (1) The Consolidation method is proportionate consolidation.
- (2) Accounted for by the equity method of accounting.
- (3) GTECH West Africa Lottery Limited was incorporated April 29, 2009 in Nigeria.
- (4) GTECHNOVA Holdings Limited was stricken off the Register under Cyprus Companies Law Cap. 113, Section 327 on April 29, 2009.
- (5) Ownership of this entity and its assets transferred to Lottomatica S.p.A. after the close of the second quarter 2009 on July 1, 2009.