

 **LOTTOMATICA**
GROUP
Responsibly Driving Global Gaming

FIRST QUARTER 2009 REPORT

**FOR THE PERIOD ENDING
MARCH 31, 2009**

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LOTTOMATICA S.p.A. Profile

Subject to the direction and coordination of De Agostini S.p.A.

Company Name	Lottomatica - Società per Azioni
Fiscal Code, VAT no. and no. of enrollment with the Register of enterprises of Rome	08028081001
Share Capital	As of March 31, 2009: € 159,278,775 authorized ordinary shares, €1.00 par value per share; no. 152,286,837 shares paid and subscribed
Registered Office	Roma - Viale del Campo Boario 56/d
Board of Directors (1)	
<i>Chairman, Managing Director and C.E.O.</i>	Mr. Lorenzo PELLICOLI
<i>Vice Chairman</i>	Mr. Robert DEWEY Jr. *
<i>Managing Director and General Manager</i>	Mr. Marco SALA
Board Members	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

* Denotes Independent Directors

** Denotes Lead Independent Director

Board of Statutory Auditors : (1)

<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

Independent Auditors

Reconta Ernst & Young S.p.A.

Members of the Executive Committee (2)

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

Members of the Audit and Compliance Committee (2)

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

Members of the Remuneration Committee (2)

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

Note:

- (1) As enacted by the shareholders at a meeting held on April 15, 2008.
- (2) As enacted by the Board of Directors at a meeting held on April 15, 2008.

LOTTOMATICA GROUP

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. 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 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 entity of the Group, has built an extensive distribution network in Italy, with approximately 241,100 terminals in about 100,000 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, through Lottomatica's Italian subsidiary Consorzio Lotterie Nazionali, 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 55 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 the global gaming industry, and its Atronic group of companies ("*Atronic*"). Lottomatica Videolot Rete operates on its networks approximately 51,000 amusement with prize machines. Atronic, a leading video gaming machine provider in Europe, Russia and Latin America, operates in the United States and is licensed in approximately 229 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 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; and
- its Interactive segment, where the Group provides digitally-distributed, multi-channel gaming entertainment products and services, including bingo, poker, casino games and quick games, and real-time transaction and information management systems for the commercial sports-betting market,

The Group has operations in more than 50 countries worldwide on six continents and has 7,558 employees.

For additional information on the Group, please go to its website at: www.lottomaticagroup.com.

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 in the first quarter of 2009 during this extremely challenging economic environment are positive. Year over year revenues were up 30% and earnings per share grew by an impressive 71%.

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 insure 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. 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 months ended March 31, 2009 and 2008.

<i>(thousands of euros)</i>	For the three months ended			
	March 31,		Increase (decrease)	
	2009	2008	€	%
Revenue	582,247	448,545	133,702	29.8
EBITDA	239,553	204,604	34,949	17.1
Operating income	155,197	134,535	20,662	15.4
EBIT	165,508	123,347	42,161	34.2
Net income	85,809	55,432	30,377	54.8
Diluted earnings per share	€ 0.48	€ 0.28	€ 0.20	71.4

CONSOLIDATED REVENUE

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

<i>(thousands of euros)</i>	For the three months ended			
	March 31,		Increase (decrease)	
	2009	2008	€	%
<i>By Segment</i>				
Lottery	401,288	359,252	42,036	11.7
Sports Betting	73,706	32,667	41,039	125.6
Gaming Solutions	67,313	34,535	32,778	94.9
Commercial Services	23,319	19,561	3,758	19.2
Interactive	17,395	2,530	14,865	>200.0
Elimination of intersegment revenues	(774)	-	(774)	-
Total revenue	<u>582,247</u>	<u>448,545</u>	<u>133,702</u>	<u>29.8</u>
<i>By Legal Entity</i>				
Lottomatica	319,229	253,325	65,904	26.0
GTECH	263,018	195,220	67,798	34.7
Total revenue	<u>582,247</u>	<u>448,545</u>	<u>133,702</u>	<u>29.8</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 systems, installation of new software and sales of lottery terminals and equipment in connection with the expansion of existing lottery 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 three months ended			
	March 31,		Increase (decrease)	
	2009	2008	€	%
Operating income	155,197	134,535	20,662	15.4
Depreciation, amortization and impairment	83,510	68,445	15,065	22.0
Other	846	1,624	(778)	(47.9)
EBITDA	<u>239,553</u>	<u>204,604</u>	<u>34,949</u>	<u>17.1</u>
Operating income	155,197	134,535	20,662	15.4
Equity loss	(273)	-	(273)	-
Other income	504	528	(24)	(4.5)
Other expense	(1,100)	(635)	(465)	(73.2)
Foreign exchange gain (loss), net	11,180	(11,081)	22,261	>200.0
EBIT	<u>165,508</u>	<u>123,347</u>	<u>42,161</u>	<u>34.2</u>

COMPARISON OF THE THREE MONTH PERIODS ENDED MARCH 31, 2009 AND 2008

Consolidated revenue for the three months ended March 31, 2009 increased 29.8% over the same period last year. Lottomatica's revenue increased 26.0% and GTECH's revenue increased 34.7%.

Lottomatica Revenue

Consolidated revenue for the three months ended March 31, 2009 and 2008 includes the following amounts for Lottomatica:

<i>(thousands of euros)</i>	For the three months ended			
	March 31,		Increase (decrease)	
	2009	2008	€	%
Lotto	93,307	97,098	(3,791)	(3.9)
Instant tickets	92,338	87,983	4,355	4.9
Other	716	555	161	29.0
Lottery	186,361	185,636	725	0.4
Sports Betting	73,706	32,667	41,039	125.6
Gaming Solutions	35,843	15,461	20,382	131.8
Commercial Services	23,319	19,561	3,758	19.2
Total revenue	319,229	253,325	65,904	26.0

Lotto

Lotto revenue declined 3.9% primarily due to a corresponding decline in Lotto wagers as detailed in the table below.

<i>(millions of euros)</i>	For the three months ended			
	March 31,		Increase (decrease)	
	2009	2008	Wagers	%
Lotto wagers				
Core wagers	1,299.2	1,377.8	(78.6)	(5.7)
Wagers for late numbers	134.4	109.5	24.9	22.7
	1,433.6	1,487.3	(53.7)	(3.6)

Instant tickets

Throughout the first three months of 2009, the strong performance in instant ticket sales continued. Instant ticket revenue increased 4.9% over the same period last year primarily due to higher sales of Scratch and Win tickets as detailed in the table below. The €119.6 million increase in instant ticket sales was principally driven by the success of new tickets (Prendi Tutto, Fai scopa, and Il Tesoro del Faraone) introduced during the first three months of 2009.

	For the three months ended			
	March 31,		Increase (decrease)	
	2009	2008	Amount	%
Scratch & Win tickets				
Total tickets sold (in millions)	677.3	678.7	(1.4)	(0.2)
Total sales (in millions)	€ 2,596.4	€ 2,476.8	€ 119.6	4.8
Average price point	€ 3.83	€ 3.65	€ 0.18	5.0

Sports Betting

Sports betting revenue increased €41.0 million in the first three months of 2009, a substantial increase over the same period last year due to the strong performance of fixed odds sports-betting operations that commenced on August 19, 2007 (19.4% market share as of March 31, 2009) as detailed in the table below. As of March 31, 2009, 1,166 fixed odds sports-betting and 530 sports pool points of sale locations were operational.

	For the three months ended			
	March 31,		Increase (decrease)	
	2009	2008	Wagers	%
<i>(millions of euros)</i>				
Sports Betting wagers				
Fixed odds sports betting wagers	294.0	143.1	150.9	105.5
Sports pool wagers	38.4	50.8	(12.4)	(24.4)
	332.4	193.9	138.5	71.4

Gaming Solutions

Gaming Solutions revenue increased €20.4 million in the first three months of 2009, a substantial increase over the same period last year, primarily driven by the increased placement of amusement with prize machines (AWP machines), resulting in a €266.2 million increase in wagers as detailed in the table below.

	For the three months ended			
	March 31,		Increase (decrease)	
	2009	2008	Amount	%
AWP wagers (in millions)	1,053.2	787.0	266.2	33.8
AWP machines installed	51,045	38,370	12,675	33.0

Commercial Services

Revenue from Commercial Services in the first three months of 2009 increased 19.2% 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 March 31, 2009 and 2008 includes the following amounts for GTECH:

<i>(thousands of euros)</i>	For the three months ended			
	March 31,		Increase (decrease)	
	2009	2008	€	%
United States	122,208	104,494	17,714	17.0
International	68,951	64,849	4,102	6.3
Lottery	191,159	169,343	21,816	12.9
Gaming Solutions	15,550	12,448	3,102	24.9
Interactive	16,314	1,820	14,494	>200.0
Elimination of intersegment revenues	(774)	-	(774)	-
Service revenue	222,249	183,611	38,638	21.0
Product sales (primarily Lottery)	40,769	11,609	29,160	>200.0
Total revenue	263,018	195,220	67,798	34.7

Lottery

United States lottery service revenue increased 17.0% primarily due to the strengthening of the US dollar against the euro.

International lottery service revenue increased 6.3% 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 increased 24.9% primarily due to one additional month of revenue from Atronic (which was acquired in January 2008) included in 2009 as compared to 2008.

Interactive

Interactive service revenue increased substantially over the same period last year due to the April 2008 acquisitions of Boss Media and St. Minver.

Product Sales

Product sales were €29.2 million higher during the first three months of 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 three months ended			
	March 31,		Increase (decrease)	
	2009	2008	€	%
Raw materials, services and other costs	248,841	177,801	71,040	40.0
Personnel	112,188	91,175	21,013	23.0
Depreciation, amortization and impairment	83,510	68,445	15,065	22.0
Capitalization of internal construction costs - labor and overhead	(17,489)	(23,411)	5,922	25.3
Total operating costs	427,050	314,010	113,040	36.0
Percentage of total revenue	73.3%	70.0%		

Consolidated operating costs detailed by legal entity are as follows:

<i>(thousands of euros)</i>	For the three months ended			
	March 31,		Increase (decrease)	
	2009	2008	€	%
Lottomatica	129,188	95,932	33,256	34.7
GTECH	119,653	81,869	37,784	46.2
Raw materials, services and other costs	248,841	177,801	71,040	40.0
Lottomatica	22,886	22,123	763	3.4
GTECH	89,302	69,052	20,250	29.3
Personnel	112,188	91,175	21,013	23.0
Lottomatica	17,813	14,140	3,673	26.0
GTECH	65,697	54,305	11,392	21.0
Depreciation, amortization and impairment	83,510	68,445	15,065	22.0
Lottomatica	-	-	-	-
GTECH	(17,489)	(23,411)	5,922	25.3
Capitalization of internal construction costs	(17,489)	(23,411)	5,922	25.3
Lottomatica	169,887	132,195	37,692	28.5
GTECH	257,163	181,815	75,348	41.4
Total operating costs	427,050	314,010	113,040	36.0

The €71.0 million increase in raw materials, services and other costs resulted from €33.2 million of higher costs incurred by Lottomatica along with €37.8 million of higher costs incurred by GTECH. The higher costs incurred by Lottomatica principally related to €5.9 million of variable costs associated with higher service revenue and €27.3 million of higher costs related to the substantial growth in revenue, principally in the Sports Betting and Gaming Solutions segments. Of this €27.3 million increase in costs, €17.1 million is due to outside service costs, €3.6 million of accounts receivable write-downs in the Gaming Solutions segment, €3.5 million of betting taxes which are a percentage of wagers, and €3.1 million of higher advertising and promotions costs. The higher costs incurred by GTECH principally related to the product sale cost associated with the sale of new lottery terminals to our customer in Denmark, along with one additional month of costs from Atronic (which was acquired in January 2008) in 2009 as compared to 2008 and a full quarter of costs in 2009 from Boss Media and St. Minver (which were acquired in April 2008).

The €21.0 million increase in personnel resulted from €0.8 million of higher costs incurred by Lottomatica along with €20.2 million of higher costs incurred by GTECH. The higher costs incurred by Lottomatica are principally comprised of costs related to higher service revenue from Italian operations. The higher costs incurred by GTECH principally related to one additional month of costs from Atronic in 2009 as compared to 2008 and a full quarter of costs in 2009 from Boss Media and St. Minver.

The Group has 7,558 employees worldwide comprised of the following personnel:

Personnel Description	Number of employees	
	As of March 31, 2009	First Quarter 2009 Average
Executives	394	391
Middle Management	946	948
All Other Permanent Employees	6,051	5,994
Employees with Temporary Employment Contracts	167	183
	<u>7,558</u>	<u>7,517</u>

The €15.1 million increase in depreciation, amortization and impairment resulted from €3.7 million of higher costs incurred by Lottomatica along with €11.4 million of higher costs incurred by GTECH. The higher costs incurred by Lottomatica principally related 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 strengthening of the US dollar against the euro, along with higher depreciation related to the expansion of existing lottery systems and a full quarter of costs in 2009 from Boss Media and St. Minver.

The €17.5 million of Capitalization of internal construction costs - labor and overhead (relating to the capitalization of GTECH labor and overhead costs during the construction phase of lottery system implementations) were principally comprised of spending on new lottery systems in the United Kingdom, Chile, Michigan and West Virginia. 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. Costs that relate to product sale contracts (approximately 14% of the €17.5 million) are recovered as payments are received under product sale contracts. As of March 31, 2009, we collected €22.6 million of advance payments from customers, primarily related to product sale contracts, representing approximately 43% of our associated product sale inventory.

Foreign exchange gain (loss), net

<i>(thousands of euros)</i>	For the three months ended			
	March 31,		Increase (decrease)	
	2009	2008	€	%
Realized foreign exchange losses	(190)	(658)	(468)	(71.1)
Unrealized foreign exchange gains (losses)	11,370	(10,423)	(21,793)	>200.0
	<u>11,180</u>	<u>(11,081)</u>	<u>(22,261)</u>	<u>>200.0</u>

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., loaned Polish zloty 255.6 million to GTECH Global Services Corporation Limited, whose functional currency is the US dollar. The loan bears market interest rates and is repayable on July 31, 2009. Unrealized foreign exchange gains (losses) incurred during the three months ended March 31, 2009 and 2008 include €10.3 million of gains and €7.5 million of losses, respectively, related to this loan resulting from fluctuations in the Polish zloty to US dollar exchange rate.

Interest expense

<i>(thousands of euros)</i>	For the three months ended			
	March 31,		Increase (decrease)	
	2009	2008	€	%
Capital Securities	(16,049)	(16,048)	1	0.0
GTECH Senior Credit Facilities	(15,798)	(18,986)	(3,188)	(16.8)
Lottomatica Term and Revolving Facilities	(4,920)	-	4,920	-
4.8% Bonds	-	(4,440)	(4,440)	(100.0)
Other	(5,329)	(3,197)	2,132	66.7
	<u>(42,096)</u>	<u>(42,671)</u>	<u>(575)</u>	<u>(1.3)</u>

Interest expense decreased €0.6 million principally due to lower interest rates on variable rate debt during the first quarter of 2009, partially offset by the strengthening of the US dollar against the euro.

Weighted Average Diluted Shares

Weighted average diluted shares during the first three months of 2009 totaled 148.7 million shares, a decrease of 3.2 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 three months of 2009 was 31% compared to 34.5% during the same period last year. The rate decrease was primarily due to a larger percentage of foreign profits taxed at rates that are lower than the Italian statutory income tax rate and certain foreign losses that produced tax benefits at rates higher than the Italian statutory income tax rate.

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

	For the three months ended	
	March 31,	
	2009	2008
<i>(thousands of euros)</i>		
Net cash flows from operating activities	148,071	62,875
Purchases of systems, equipment and other assets related to contracts	(37,588)	(29,520)
Purchases of property, plant and equipment	(4,966)	(3,437)
Realized gain on net investment hedge	5,686	-
Investment in Boss Media AB	-	(119,729)
Other investing activities, net	(7,961)	1,492
Net cash flows used in investing activities	(44,829)	(151,194)
Interest paid	(84,201)	(80,416)
Net proceeds from (repayments of) debt	(47,689)	37,774
Other financing activities, net	186	1,288
Net cash flows used in financing activities	(131,704)	(41,354)
Net cash flow	(28,462)	(129,673)

Analysis of Cash Flows

During the first three months of 2009, we generated €148.1 million of net cash flows from operating activities. Net cash flows used in investing activities were €44.8 million, principally due to capital additions of €37.6 million for systems, equipment and other assets (principally related to spending in the United Kingdom, Chile, Michigan, West Virginia, and Italy). Net cash flows used in financing activities of €131.7 million were principally comprised of €84.2 million of interest paid primarily on the Capital Securities and GTECH Senior Credit Facilities, along with €47.7 million of net repayments of debt. At March 31, 2009, we had €76.1 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 March 31, 2009, there was €490.8 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 March 31, 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>	March 31,	December 31,	Increase (decrease)	
	2009	2008	€	%
Systems, equipment and other assets related to contracts, net	761,780	758,717	3,063	0.4
Goodwill	3,187,201	3,086,297	100,904	3.3
Intangible assets, net	863,994	853,146	10,848	1.3
Deferred income taxes	253,292	235,421	17,871	7.6
Other non-current assets	124,316	113,886	10,430	9.2
Total non-current assets	5,190,583	5,047,467	143,116	2.8
Inventories	121,026	129,560	(8,534)	(6.6)
Trade and other receivables	790,666	773,595	17,071	2.2
Cash and cash equivalents	76,081	109,274	(33,193)	(30.4)
Other current assets	94,830	91,102	3,728	4.1
Non-current assets classified as held for sale	7,697	7,456	241	3.2
Total assets	6,280,883	6,158,454	122,429	2.0
Equity	1,762,119	1,667,423	94,696	5.7
Long-term debt, less current portion	2,637,080	2,573,802	63,278	2.5
Deferred income taxes	484,361	441,409	42,952	9.7
Other non-current liabilities	207,602	209,985	(2,383)	(1.1)
Total non-current liabilities	3,329,043	3,225,196	103,847	3.2
Accounts payable	741,941	800,653	(58,712)	(7.3)
Short-term borrowings	14,143	60,848	(46,705)	(76.8)
Current portion of long-term debt	14,110	61,109	(46,999)	(76.9)
Income taxes payable	84,740	49,457	35,283	71.3
Other current liabilities	334,787	293,768	41,019	14.0
Total equity and liabilities	6,280,883	6,158,454	122,429	2.0

The €3.1 million increase in systems, equipment and other assets related to contracts, net was principally due to capital additions of €38.6 million and €25.2 million of foreign currency translation, partially offset by depreciation and impairment of €56.9 million.

The €100.9 million increase in goodwill was primarily due to foreign currency translation.

The €10.8 million increase in intangible assets, net was principally due to €31.7 million of foreign currency translation, partially offset by €24.7 million of amortization and impairment.

The €17.9 million increase in deferred income tax assets was principally due to the recognition of deferred tax assets relating to foreign operating losses.

The €8.5 million decrease in inventories was principally due to the sale of new lottery terminals to our customer in Denmark.

The €17.1 million increase in trade and other receivables was principally due to revenue growth across all of Lottomatica's business segments. Lottomatica's trade receivables increased €24.9 million, primarily due to the placement of approximately 2,000 additional AWP machines during the first three months of 2009.

The €94.7 million increase in equity was primarily due to net income of €85.8 million, along with €44.3 million of foreign currency translation. These increases were partially offset by dividends declared to non-controlling interests of €43.6 million. The foreign currency translation principally relates to the strengthening of the US dollar against the euro (the US dollar to euro exchange rate was 1.3917 at December 31, 2008 compared to 1.3308 at March 31, 2009).

The €63.3 million increase in long-term debt, less current portion was primarily due to foreign currency translation.

The €43.0 million increase in deferred income taxes was primarily due to foreign currency translation on intragroup loans and hedging transactions that were recorded in equity.

The €58.7 million decrease in accounts payable was principally due to the timing of payments primarily related to Lottomatica's Commercial Services segment and GTECH's ongoing lottery system implementations, partially offset by an increase in accounts payable primarily related to a higher volume of Scratch and Win tickets.

The €46.7 million decrease in short-term borrowings was principally due to repayments of amounts borrowed from uncommitted lines of credit.

The €47.0 million decrease in current portion of long-term debt was primarily due to interest paid during the first three months of 2009.

The €35.3 million increase in income taxes payable was primarily due to the timing of estimated tax payments.

The €41.0 million increase in other current liabilities was primarily due to €43.6 million of dividends declared to non-controlling interests.

Consolidated Net Financial Position

The Group's consolidated net financial position at March 31, 2009 declined €51.9 million from its net financial position at December 31, 2008, principally due to the strengthening of the US dollar against the euro. Consolidated net financial position is calculated as follows:

<i>(thousands of euros)</i>	March 31, 2009	December 31, 2008	Change
Cash on hand	430	392	38
Cash at bank	75,651	108,882	(33,231)
Cash and cash equivalents	76,081	109,274	(33,193)
Current financial receivables	17,278	20,288	(3,010)
Dividends payable to non-controlling interests	43,560	-	43,560
Short-term borrowings	14,143	60,848	(46,705)
Capital Securities	-	46,491	(46,491)
Other	34,766	27,359	7,407
Current financial debt	92,469	134,698	(42,229)
Net current financial debt (cash)	(890)	5,136	(6,026)
GTECH Senior Credit Facilities	1,472,983	1,359,888	113,095
Capital Securities	731,189	730,525	664
LTO Term Loan Facility	353,691	353,354	337
Interest rate swaps	75,110	73,740	1,370
Atronic related debt	68,755	69,793	(1,038)
Lottomatica Senior Credit Revolving Facility	-	50,000	(50,000)
Other	64,620	71,106	(6,486)
Non current financial debt	2,766,348	2,708,406	57,942
Net financial position	2,765,458	2,713,542	51,916

Reconciliation of Group Equity

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

	Attributable to owners of the parent		Non-controlling interests	Consolidated
	Lottomatica S.p.A.	All other subsidiaries		
<i>(thousands of euros)</i>				
Balance at January 1, 2009	1,812,808	(203,813)	58,428	1,667,423
Fair value of interest rate swaps	-	1,588	-	1,588
Amortization of unrecognized gain on interest rate swap	(142)	-	-	(142)
Unrecognized net gain on derivative instruments	-	3,294	-	3,294
Unrecognized net loss on available for sale investment	-	(13)	-	(13)
Foreign currency translation	-	44,275	-	44,275
Net income	25,838	46,059	13,912	85,809
Share-based payment	3,768	-	-	3,768
Dividends declared	-	-	(43,560)	(43,560)
Put/call option arising from business combination	-	(323)	-	(323)
Balance at March 31, 2009	<u>1,842,272</u>	<u>(108,933)</u>	<u>28,780</u>	<u>1,762,119</u>

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 that 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 Internal Audit and Compliance 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 overall economic environment remains unstable. Financial markets have been and continue to be very volatile.

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.

Our industry has been, and continues to be, resilient to economic downturns. Not only were 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. The budget gaps, estimated to be \$350 billion in the United States, should begin to translate into new opportunities for the Group in several states.

In this very complex scenario, the Group is expecting to generate increasing revenues and EBITDA, continuing to post growth in all segments.

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.

The Group will continue to defend the Lotto business, and drive further growth in the instant tickets segment with portfolio expansion and entry into the interactive channel. In addition, the Group will continue to develop the Italian sports betting/interactive market.

In the course of 2009 growth investments will mostly be addressed by opportunities in Italy. There are no principal repayments due in 2009 and only US \$42.6 million are due in 2010.

LOTTOMATICA STOCK INFORMATION

LOTTOMATICA S.p.A. SHAREHOLDING STRUCTURE

Based on most recent filings as of April 14, 2009

Shareholder	Number of shares	% of outstanding shares
De Agostini Group	90,980,318	59.74%
Treasury share	3,845,451	2.53%
Generali Assicurazioni	4,989,596	3.28%
Mediobanca	9,003,308	5.91%

Based on the latest filing, Mediobanca additionally owns 2,000,000 shares (1.3% of outstanding capital) without voting rights, for a total ownership of 11,003,308 or 7.2% of outstanding shares.

Underwritten and paid up share capital as of April 14, 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.

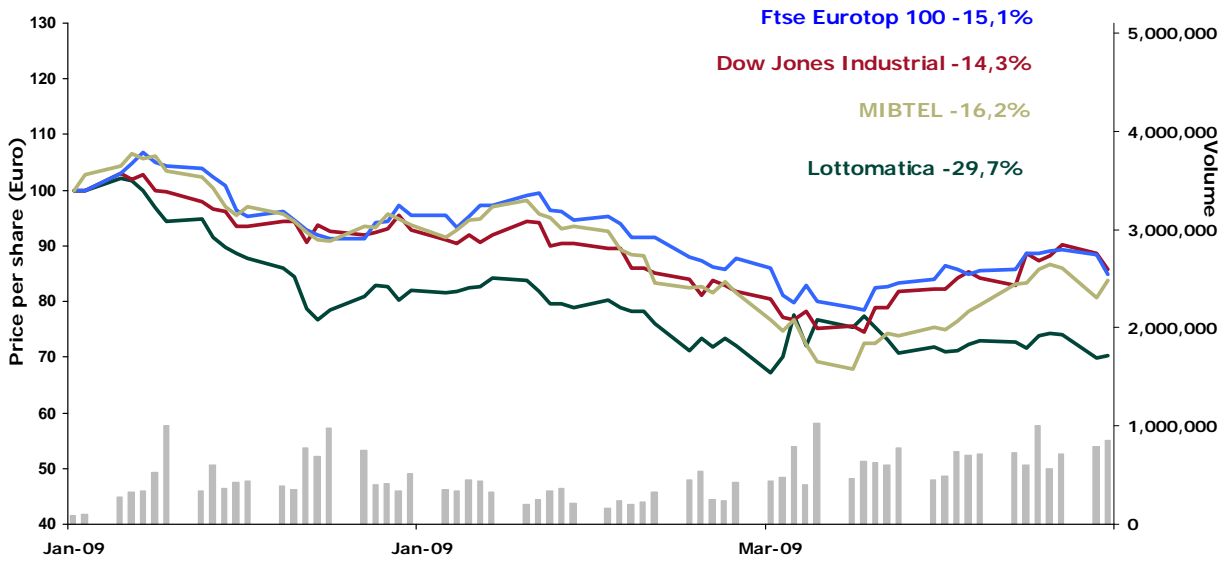
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LOTTOMATICA STOCK FOR THE PERIOD ENDED MARCH 31, 2009

The average price of the stock for the three months ended March 31, 2009 was € 14.06. Over 31 million shares were traded in first three months of 2009, with a daily exchange of approximately 495,535 shares.

Lottomatica's capitalization was approximately € 1.9 billion on March 31, 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 March 31, 2009, Lottomatica purchased 3,845,451 shares, corresponding to 2.5% of the share capital.



(Source: Bloomberg Borsa Italiana)

SIGNIFICANT CONTRACT DEVELOPMENTS DURING FIRST QUARTER 2009

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

Facilities Management

In March 2009, GTECH was chosen as the preferred bidder to negotiate a seven-year integrated services contract with the New York Lottery to provide new online lottery solutions and services. The Lottery has the option to extend the contract for an additional three years. The proposed contract, which is expected to commence in March 2010, follows a competitive process. The finalization of the contract is slated for approval by the Attorney General and the State Comptroller by June 10, 2009, but may occur beyond that date.

In March 2009, GTECH entered into a contract amendment with the Tennessee Education Lottery Corporation to continue providing online lottery technology, as well as new self-service products and related services, for an additional four (4) year period, commencing in April 2011.

In March 2009, GTECH signed a three year contract extension to continue to provide online lottery technology, as well as additional self-service and multimedia products, for the Minnesota Lottery. GTECH expects to commence receiving revenues under the contract extension in February 2013.

Other Contracts

In January 2009, GTECH's subsidiary, GTECH Printing Corporation, was chosen by the British Columbia Lottery Corporation as one of its instant ticket printers under a five-year contract. The contract provides for five one-year extension options, and followed a competitive procurement.

In April 2009, after the close of the first quarter 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 year contract, which followed a competitive procurement, will commence in January 2010 and provides for five one-year extension options.

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. In 2008, Lottomatica undertook a multiyear plan to reduce the environmental impact of its own activities and hence become positively sustainable. For this purpose, with support of field experts and partnerships with environmental associations, Lottomatica set a sustainability program based on four macro-areas of intervention:

- employee education regarding environmental issues;
- analysis and reduction of consumption connected to the management of business structures;
- purchase policies;
- consumption related to business management.

In particular, the priority areas of intervention are employee education - with waste separation of paper, cardboard and plastics at the premises of the Group - and the analysis and reduction of consumption related to business management. With reference to this last macro-area, an initiative related to the Lotto Game - one of the most popular games in the range – has been carried out.

The Lotto Game and the Parks for Kyoto

The Kyoto protocol is an international treaty on the environment concerning global warming signed on December 11, 1997 by more than 160 countries. The treaty became effective in 2005, after the ratification by Russia.

The participating countries must prepare projects for the protection of woods, forests, and agricultural lands absorbing carbon dioxide. The countries may also gain carbon credit by helping developing countries prevent polluting emissions, by exporting clean technologies. Certain countries must also carry out a national system for calculating the gas emissions and creating a global system to compensate them.

Parks for Kyoto is a big project of forestation carried out by Federparchi and Kyoto Club, in collaboration with Legambiente and with the technical support of AzzeroCo2 directed towards achieving the aims of the Kyoto Protocol. In 2007, Federparchi and Kyoto Club created the Comitato Parchi per Kyoto (Park Committee for Kyoto), a non-profit social organization set up for providing a contribution to the protection and enhancement of the environment also in terms of training, education and scientific research. The Parks for Kyoto project was sponsored and supported by the Ministry of the Environment and Protection of the Territory and of the Sea. Through a fund raising and a national campaign of information and awakening, the purpose of Parks for Kyoto is to plant in the regional, national and international Parks and in the urban areas a hundred thousand trees that can absorb carbon dioxide and contrast climate changes.

Lottomatica decided to embrace this ambitious project and create a Lotto Game oasis for zeroing the carbon dioxide emissions, to transform the Lotto Game into the first Italian game that does not damage the environment. The Protected Marine Area of Plemmirio shall house the first oasis carried out by Lottomatica. In the new area, located near Siracusa, a city rich in history and surrounded by a luxuriant nature, the collaboration among environmental associations, Local Authorities and Ministry of the Environment created a park devised in the first place for the disabled and children. The planting of 3,500 native trees that will reforest five hectares of the park, will compensate the carbon dioxide emissions deriving from the production of more than 800,000 Lotto cards carried out in 2007.

These trees have been planted in full compliance with the requirements imposed by the Protocol: the carbon dioxide absorptions will be documented and quantified, according to methods known worldwide, the same methods that give instructions to maintain and monitor the area.

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; hardware in information technology and in manufacturing; metals and cardboard in the production process; lamps and fluorescent tubes; grease; and bottles and cans;
- 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 double-sided documents;
- Partnering with local recyclers to collect and recycle used personal and business computers and electronics; and
- A GREENovation program that offered rewards to GTECH employees for innovative ideas implemented as part of the GREEN GTECH pledge.

As a result of the above measures, the trash generated by GTECH’s corporate headquarters in Rhode Island has been reduced by approximately one ton in comparing January 2008 with January 2009 figures.

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 intends to convert from non-biodegradable bubble wrap 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.

Consolidated Financial Statements and Footnotes

March 31, 2009

LOTTOMATICA GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(thousands of euros)</i>	<i>Notes</i>	March 31, 2009	December 31, 2008
ASSETS			
Non-current assets			
Systems, equipment and other assets related to contracts, net	5	761,780	758,717
Property, plant and equipment, net	6	91,495	86,023
Goodwill	7	3,187,201	3,086,297
Intangible assets, net	8	863,994	853,146
Investments in associates		5,893	6,093
Other non-current assets	9	24,786	21,380
Non-current financial assets		2,142	390
Deferred income taxes		253,292	235,421
Total non-current assets		5,190,583	5,047,467
Current assets			
Inventories	10	121,026	129,560
Trade and other receivables	11	790,666	773,595
Other current assets	9	74,555	65,160
Current financial assets		17,278	20,288
Income taxes receivable		2,997	5,654
Cash and cash equivalents	12	76,081	109,274
Total current assets		1,082,603	1,103,531
Non-current assets classified as held for sale	13	7,697	7,456
TOTAL ASSETS		6,280,883	6,158,454
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital		152,287	152,287
Share premium		1,139,071	1,139,071
Treasury shares		(72,978)	(73,184)
Retained earnings		167,221	95,647
Other reserves	14	347,738	295,174
		1,733,339	1,608,995
Non-controlling interests		28,780	58,428
Total equity		1,762,119	1,667,423
Non-current liabilities			
Long-term debt, less current portion	15	2,637,080	2,573,802
Deferred income taxes		484,361	441,409
Long-term provisions		27,609	27,042
Other non-current liabilities	16	50,725	48,339
Non-current financial liabilities		129,268	134,604
Total non-current liabilities		3,329,043	3,225,196
Current liabilities			
Accounts payable		741,941	800,653
Short-term borrowings	15	14,143	60,848
Other current liabilities	16	268,072	278,751
Current financial liabilities		64,216	12,741
Current portion of long-term debt	15	14,110	61,109
Short-term provisions		2,499	2,276
Income taxes payable		84,740	49,457
Total current liabilities		1,189,721	1,265,835
TOTAL EQUITY AND LIABILITIES		6,280,883	6,158,454

LOTTOMATICA GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED INCOME STATEMENTS

<i>(thousands of euros)</i>	Notes	For the three months ended March 31	
		2009	2008
Service revenue		541,478	436,936
Product sales		40,769	11,609
Total revenue	4	582,247	448,545
Raw materials, services and other costs		248,841	177,801
Personnel		112,188	91,175
Depreciation, amortization and impairment		83,510	68,445
Capitalization of internal construction costs - labor and overhead		(17,489)	(23,411)
Total costs		427,050	314,010
Operating income	4	155,197	134,535
Interest income		948	3,992
Equity loss		(273)	-
Other income		504	528
Other expense		(1,100)	(635)
Foreign exchange gain (loss), net	17	11,180	(11,081)
Interest expense	18	(42,096)	(42,671)
		(30,837)	(49,867)
Income before income tax expense		124,360	84,668
Income tax expense	19	38,551	29,236
Net income		85,809	55,432
Attributable to:			
Owners of the parent		71,897	42,521
Non-controlling interests		13,912	12,911
		85,809	55,432
Earnings per share/ADRs			
Basic - net income attributable to owners of the parent		€ 0.48	€ 0.28
Diluted - net income attributable to owners of the parent		€ 0.48	€ 0.28

LOTTOMATICA GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(thousands of euros)</i>	<i>Notes</i>	<u>For the three months ended March 31</u>	
		<u>2009</u>	<u>2008</u>
Net income for the period		<u>85,809</u>	<u>55,432</u>
Fair value of interest rate swaps		2,614	(23,021)
Income tax (expense) benefit		<u>(1,026)</u>	<u>8,185</u>
		1,588	(14,836)
Amortization of unrecognized gain on interest rate swap		(142)	(142)
Unrecognized net gain (loss) on derivative instruments		5,441	(1,568)
Income tax (expense) benefit		<u>(2,147)</u>	<u>302</u>
		3,294	(1,266)
Unrecognized net loss on available for sale investment		(13)	-
Foreign currency translation		67,661	(115,364)
Income tax (expense) benefit		<u>(23,386)</u>	<u>16,067</u>
		44,275	(99,297)
Other comprehensive income (loss) for the period, net of tax		<u>49,002</u>	<u>(115,541)</u>
Total comprehensive income (loss) for the period, net of tax		<u>134,811</u>	<u>(60,109)</u>
Attributable to:			
Owners of the parent		120,899	(73,020)
Non-controlling interests		<u>13,912</u>	<u>12,911</u>
		134,811	(60,109)

LOTTOMATICA GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	For the three months ended	
		March 31	
		2009	2008
<i>(thousands of euros)</i>			
Operating activities			
Income before income tax expense		124,360	84,668
Adjustments to reconcile income before income tax expense to net cash flows			
Depreciation and impairment	5, 6	59,702	50,804
Intangibles amortization and impairment	8	23,859	17,685
Other amortization		(50)	(44)
Interest income		(948)	(3,992)
Interest expense	18	42,096	42,671
Unrealized foreign exchange (gain) loss	17	(11,370)	10,423
Share-based payment expense	20	3,768	2,777
Brazil escrow		-	15,680
Other non-cash items		1,664	1,275
Income tax paid		(8,874)	(3,526)
Cash flows before changes in operating assets and liabilities		234,207	218,421
Changes in operating assets and liabilities:			
Inventories		12,665	(27,106)
Trade and other receivables		(15,393)	(139,183)
Accounts payable		(61,918)	12,298
Advance payments from customers		(16,602)	3,094
Taxes other than income taxes		(7,092)	2,368
Other assets and liabilities		2,204	(7,017)
Net cash flows from operating activities		148,071	62,875
Investing activities			
Purchases of systems, equipment and other assets related to contracts		(37,588)	(29,520)
Purchases of property, plant and equipment		(4,966)	(3,437)
Acquisitions	3	(4,312)	(743)
Acquisitions - cash acquired	3	31	2,296
Loans receivable		(2,356)	-
Other investments		(1,317)	(2,813)
Purchases of intangible assets		(991)	(2,927)
Refundable performance deposit		780	1,345
Interest received		931	4,034
Realized gain on net investment hedge		5,686	-
Investment in Boss Media AB	3	-	(119,729)
Other		(727)	300
Net cash flows used in investing activities		(44,829)	(151,194)
Financing activities			
Interest paid		(84,201)	(80,416)
Principal payments on long-term debt		(51,276)	(101)
Net proceeds from (repayment of) short-term borrowings		(47,087)	37,875
Proceeds from issuance of long-term debt		50,674	-
Proceeds from exercise of stock options		-	1,172
Other		186	116
Net cash flows used in financing activities		(131,704)	(41,354)
Net decrease in cash and cash equivalents		(28,462)	(129,673)
Effect of exchange rate changes on cash		(4,731)	(8,213)
Cash and cash equivalents at the beginning of the period		109,274	434,065
Cash and cash equivalents at the end of the period	12	76,081	296,179

LOTTOMATICA GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended March 31, 2009

<i>(thousands of euros)</i>	Attributable to owners of the parent					Total	Non-controlling Interests	Total Equity
	Issued Capital	Share Premium	Treasury Shares	Retained Earnings	Other Reserves (Note 14)			
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	-	-	-	71,897	-	71,897	13,912	85,809
Other comprehensive income	-	-	-	-	49,002	49,002	-	49,002
Total comprehensive income	-	-	-	71,897	49,002	120,899	13,912	134,811
Share-based payment (Note 20)	-	-	-	-	3,768	3,768	-	3,768
Shares issued under stock award plans	-	-	206	-	(206)	-	-	-
Dividends declared	-	-	-	-	-	-	(43,560)	(43,560)
Put/call option arising from business combination	-	-	-	(323)	-	(323)	-	(323)
Balance at March 31, 2009	<u>152,287</u>	<u>1,139,071</u>	<u>(72,978)</u>	<u>167,221</u>	<u>347,738</u>	<u>1,733,339</u>	<u>28,780</u>	<u>1,762,119</u>

LOTTOMATICA GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended March 31, 2008

	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	-	-	-	42,521	-	42,521	12,911	55,432
Other comprehensive loss	-	-	-	-	(115,541)	(115,541)	-	(115,541)
Total comprehensive income (loss)	-	-	-	42,521	(115,541)	(73,020)	12,911	(60,109)
Shares issued upon exercise of stock options	93	1,079	-	-	-	1,172	-	1,172
Share-based payment (Note 20)	-	-	-	-	2,777	2,777	-	2,777
Dividends declared	-	-	-	-	-	-	(31,005)	(31,005)
Other movements in equity	-	-	-	215	(31)	184	-	184
Balance at March 31, 2008	<u>151,992</u>	<u>1,576,035</u>	<u>-</u>	<u>118,207</u>	<u>(227,072)</u>	<u>1,619,162</u>	<u>27,048</u>	<u>1,646,210</u>

LOTTOMATICA 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.

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 three months ended March 31, 2009 were approved for issuance in accordance with a resolution of the Board of Directors on April 28, 2009.

2.1 Basis of preparation and accounting policies

Basis of preparation

The interim consolidated financial statements for the three months ended March 31, 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 months ended March 31, 2009 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 March 31, 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 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***

LOTTOMATICA 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 March 31, 2009 and December 31, 2008 was €761.8 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 March 31, 2009 and December 31, 2008 was €3.2 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 March 31, 2009 and December 31, 2008 was €864.0 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 March 31, 2009 and December 31, 2008 was €45.4 million and €3.7 million.

3. Business combinations

Acquisitions in 2009

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

<i>(thousands of euros)</i>	Topolino			Total
	S.r.l.	Tuttosport	Other	
Cash acquisition cost	3,524	500	288	4,312
Net cash acquired	(31)	-	-	(31)
Net cash outflow	<u>3,493</u>	<u>500</u>	<u>288</u>	<u>4,281</u>

On January 7, 2009, Lottomatica acquired 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.

On March 17, 2009, Lottomatica acquired a branch of Tuttosport S.r.l. ("Tuttosport"), an Italian entity that is engaged in the sports betting business for a purchase price of €0.5 million.

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
Identifiable assets and liabilities on the date of acquisition		
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	<u>77,375</u>	<u>69,692</u>
Total assets acquired	150,139	106,845
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	<u>39,507</u>	<u>40,828</u>
Total liabilities assumed	176,416	178,287
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)	<u>14,710</u>	
Total acquisition cost	<u>53,245</u>	
Goodwill arising on acquisition:		
At March 31, 2009	44,812	
At December 31, 2008	<u>47,858</u>	
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.
- 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.
- Interactive segment – provides digitally-distributed, multi-channel gaming entertainment products and services, including bingo, poker, casino games, and quick games, and real-time transaction and information management systems for the commercial sports-betting market.

The Interactive segment is comprised of the Group's Finsoft, Boss Media, and St. Minver subsidiaries.

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 months ended March 31, 2009 and 2008, respectively. All operating income (loss) is from continuing operations.

For the three months ended March 31, 2009

<i>(thousands of euros)</i>	Third-party Revenue	Intersegment Revenue	Total Revenue	Operating Income/(Loss)
Operating Segment				
Lottery	401,288	-	401,288	141,443
Sports Betting	73,706	-	73,706	29,551
Gaming Solutions	67,313	-	67,313	(2,763)
Commercial Services	23,319	-	23,319	7,380
Interactive	16,621	774	17,395	(763)
Unallocated (a)	-	-	-	(19,651)
Eliminations	-	(774)	(774)	-
	<u>582,247</u>	<u>-</u>	<u>582,247</u>	<u>155,197</u>

For the three months ended March 31, 2008

<i>(thousands of euros)</i>	Third-party Revenue	Intersegment Revenue	Total Revenue	Operating Income/(Loss)
Operating Segment				
Lottery	359,252	-	359,252	144,501
Sports Betting	32,667	-	32,667	4,885
Gaming Solutions	34,535	-	34,535	(6,676)
Commercial Services	19,561	-	19,561	8,326
Interactive	2,530	-	2,530	(492)
Unallocated (a)	-	-	-	(16,009)
Eliminations	-	-	-	-
	<u>448,545</u>	<u>-</u>	<u>448,545</u>	<u>134,535</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>	<u>Land and Buildings</u>	<u>Terminals and Systems</u>	<u>Furniture and Equipment</u>	<u>Contracts in Progress</u>	<u>Total</u>
Net book value					
Balance at January 1, 2009	18,370	613,380	47,427	79,540	758,717
Acquisitions (Note 3)	79	664	-	-	743
Additions	259	12,045	947	25,340	38,591
Depreciation and impairment	(1,015)	(52,396)	(3,506)	-	(56,917)
Disposals	-	(129)	(43)	(78)	(250)
Foreign currency translation	20	19,344	908	4,977	25,249
Transfers	-	48,783	2,858	(51,605)	36
Other	-	(4,385)	(4)	-	(4,389)
Balance at March 31, 2009	<u>17,713</u>	<u>637,306</u>	<u>48,587</u>	<u>58,174</u>	<u>761,780</u>
Balance at January 1, 2009					
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>
Balance at March 31, 2009					
Cost	35,003	1,306,128	80,660	58,174	1,479,965
Accumulated depreciation	(17,290)	(668,822)	(32,073)	-	(718,185)
Net book value	<u>17,713</u>	<u>637,306</u>	<u>48,587</u>	<u>58,174</u>	<u>761,780</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>
Net book value				
Balance at January 1, 2009	31,304	32,097	22,622	86,023
Additions	-	1,083	3,883	4,966
Depreciation and impairment	(403)	(2,382)	-	(2,785)
Disposals	(15)	(83)	-	(98)
Foreign currency translation	1,209	1,278	949	3,436
Transfers	-	(3)	(33)	(36)
Other	-	(11)	-	(11)
Balance at March 31, 2009	<u>32,095</u>	<u>31,979</u>	<u>27,421</u>	<u>91,495</u>
Balance at January 1, 2009				
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>
Balance at March 31, 2009				
Cost	37,215	53,742	27,421	118,378
Accumulated depreciation	<u>(5,120)</u>	<u>(21,763)</u>	<u>-</u>	<u>(26,883)</u>
Net book value	<u>32,095</u>	<u>31,979</u>	<u>27,421</u>	<u>91,495</u>

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Goodwill

<i>(thousands of euros)</i>	March 31, 2009	December 31, 2008
Balance at beginning of period	3,086,297	2,793,186
Acquisitions (Note 3):		
Boss Media	-	96,124
Atronic	-	47,858
Toto Carovigno	-	33,625
St. Minver	-	23,960
Royal Gold	-	16,065
Other	3,396	14,012
	<u>3,396</u>	<u>231,644</u>
Adjustments:		
Foreign currency translation	104,149	107,550
Revisions to fair value of Atronic assets and liabilities acquired	(3,915)	-
Revisions to fair value of other assets and liabilities acquired	(791)	-
Subsequent changes in fair value of contingent liabilities	(2,804)	2,267
CLS-GTECH Company Limited	-	367
Impairment	869	(48,717)
	<u>97,508</u>	<u>61,467</u>
Balance at end of period	<u><u>3,187,201</u></u>	<u><u>3,086,297</u></u>

Goodwill of €3.4 million arising from acquisitions during the first quarter of 2009 relates to the Topolino and Tuttosport acquisitions which occurred on January 7, 2009 and March 17, 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 and the €0.9 million impairment adjustment 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. 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>	March 31, 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:		
Patents	645	7,420
Sports betting rights and horse racing betting rights	194	5,105
Concessions and licenses	-	2,572
Other	-	3,342
	839	18,439
Total intangible assets acquired	839	162,506
Foreign currency translation	31,701	24,068
Revisions to fair value of assets and liabilities acquired	3,036	-
Customer contracts - CLS-GTECH	-	15,250
Amortization and impairment	(24,728)	(89,291)
Balance at end of period	863,994	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 March 31, 2009, the excess of acquisition costs over the fair value of 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>	March 31, 2009	December 31, 2008
Other non-current assets		
Long-term customer receivables	8,447	8,971
Long-term deferred asset	3,939	-
Deposits	3,504	3,235
Long-term prepaid expenses	2,824	2,725
Share of non-current assets of joint ventures	2,008	1,974
Sales-type lease receivables	1,749	1,842
Other	2,315	2,633
	<u>24,786</u>	<u>21,380</u>

<i>(thousands of euros)</i>	March 31, 2009	December 31, 2008
Other current assets		
Other receivables	27,297	26,263
Value-added tax receivable	18,117	15,043
Prepaid expenses	13,941	10,048
Other tax receivables	10,545	10,239
Share of other current assets of joint ventures	2,616	1,416
Other	2,039	2,151
	<u>74,555</u>	<u>65,160</u>

10. Inventories

<i>(thousands of euros)</i>	March 31, 2009	December 31, 2008
Raw materials	28,123	28,419
Work in progress	45,246	50,633
Finished goods	47,657	50,508
	<u>121,026</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>	March 31, 2009	December 31, 2008
Trade receivables	490,969	445,111
Receivables from intermediaries	296,000	325,139
Related party receivables	3,102	2,689
Sales-type lease receivables	695	656
	<u>790,766</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>	March 31, 2009	December 31, 2008
Cash on hand	430	392
Cash at bank	75,651	108,882
Cash and cash equivalents	<u>76,081</u>	<u>109,274</u>
Current financial receivables	17,278	20,288
Dividends payable to non-controlling interests	43,560	-
Short-term borrowings	14,143	60,848
Capital Securities	-	46,491
Other	34,766	27,359
Current financial debt	<u>92,469</u>	<u>134,698</u>
Net current financial debt (cash)	(890)	5,136
GTECH Senior Credit Facilities	1,472,983	1,359,888
Capital Securities	731,189	730,525
LTO Term Loan Facility	353,691	353,354
Interest rate swaps	75,110	73,740
Atronic related debt	68,755	69,793
LTO Revolving Credit Facility	-	50,000
Other	64,620	71,106
Non current financial debt	<u>2,766,348</u>	<u>2,708,406</u>
Net financial position	<u>2,765,458</u>	<u>2,713,542</u>
Total indebtedness included in net financial position	<u>2,665,333</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. The property is being marketed for sale at the direction of management and is expected to be sold within the one-year period ending August 2009. The major classes of assets held for sale are as follows:

<i>(thousands of euros)</i>	March 31, 2009	December 31, 2008
Building	3,957	5,360
Land	3,499	4,668
	7,456	10,028
Foreign currency translation	241	-
Asset impairment loss	-	(2,572)
Non-current assets classified as held for sale	7,697	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.

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	-	-	-	-	1,588	-	-	1,588
Amortization of unrecognized gain on interest rate swap	-	-	-	-	(142)	-	-	(142)
Unrecognized net gain on derivative instruments	-	-	-	-	3,294	-	-	3,294
Unrecognized net loss on available for sale investment	-	-	-	-	(13)	-	-	(13)
Foreign currency translation	-	-	-	-	-	44,275	-	44,275
Share-based payment	-	-	3,768	-	-	-	-	3,768
Shares issued under stock award plans	-	(88)	(118)	-	-	-	-	(206)
Balance at March 31, 2009	30,380	33,978	30,190	1,834	(39,260)	(91,480)	382,096	347,738

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	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	-	-	-	-	(14,836)	-	(14,836)
Amortization of unrecognized gain on interest rate swap	-	-	-	-	(142)	-	(142)
Unrecognized net loss on derivative instruments	-	-	-	-	(1,266)	-	(1,266)
Foreign currency translation	-	-	-	-	-	(99,297)	(99,297)
Share-based payment	-	-	2,777	-	-	-	2,777
Other movements in equity	-	-	-	-	-	(31)	(31)
Balance at March 31, 2008	<u>30,303</u>	<u>25,536</u>	<u>24,811</u>	<u>1,989</u>	<u>(20,431)</u>	<u>(289,280)</u>	<u>(227,072)</u>

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Debt

<i>(thousands of euros)</i>	March 31, 2009	December 31, 2008
Long-term debt, less current portion		
GTECH Senior Credit Facilities	1,472,983	1,359,888
Capital Securities	731,189	730,525
LTO Term Loan Facility	353,691	353,354
LTO Revolving Credit Facility	-	50,000
Other	68,850	69,893
	<u>2,626,713</u>	<u>2,563,660</u>
Share of non-current debt of joint ventures	10,367	10,142
	<u>2,637,080</u>	<u>2,573,802</u>
Short-term borrowings		
Short-term borrowings	12,723	59,866
Share of short-term borrowings of joint ventures	1,420	982
	<u>14,143</u>	<u>60,848</u>
Current portion of long-term debt		
LTO Revolving Credit Facility	1,314	95
LTO Term Loan Facility	449	601
GTECH Senior Credit Facilities	120	2,565
Capital Securities	-	46,491
Other	10,381	9,461
	<u>12,264</u>	<u>59,213</u>
Share of current portion of long-term debt of joint ventures	1,846	1,896
	<u>14,110</u>	<u>61,109</u>
Total indebtedness	<u>2,665,333</u>	<u>2,695,759</u>

GTECH Senior Credit Facilities

GTECH is a party to an agreement with a syndicate of financial institutions for US\$2.76 billion in senior unsecured credit facilities (the "GTECH Senior Credit Facilities"). The GTECH Senior Credit Facilities 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	March 31, 2009	borrowed at March 31, 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	170,000
Revolver B	250,000	250,000	76,093
	<u>2,232,600</u>	<u>2,232,600</u>	<u>1,978,693</u>

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	1,480,000
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 0.24% 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 March 31, 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.

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.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Debt (continued)

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 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 March 31, 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 March 31, 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 0.36% 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 March 31, 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 March 31, 2009, €440.2 million of letters of credit were outstanding with a weighted average annual cost of 0.64%.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Other liabilities (non-current and current)

<i>(thousands of euros)</i>	March 31, 2009	December 31, 2008
Other non-current liabilities		
Deferred revenue	20,833	18,321
Contingent liabilities related to GTECH acquisition	15,546	15,169
Staff severance fund	7,772	7,755
Other	6,574	7,094
	<u>50,725</u>	<u>48,339</u>

<i>(thousands of euros)</i>	March 31, 2009	December 31, 2008
Other current liabilities		
Accrued expenses	71,975	71,403
Employee compensation	60,609	49,956
Taxes other than income taxes	55,522	58,872
Deferred revenue	51,457	53,619
Advance payments from customers	22,597	36,726
Advance billings	5,301	7,383
Other	611	792
	<u>268,072</u>	<u>278,751</u>

17. Foreign exchange gain (loss), net

<i>(thousands of euros)</i>	For the three months ended March 31,	
	2009	2008
Realized foreign exchange losses	(190)	(658)
Unrealized foreign exchange gains (losses)	11,370	(10,423)
	<u>11,180</u>	<u>(11,081)</u>

Unrealized foreign exchange gains (losses)

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., loaned Polish zloty 255.6 million to GTECH Global Services Corporation Limited, whose functional currency is the US dollar. The loan bears market interest rates and is repayable on July 31, 2009. Unrealized foreign exchange gains (losses) incurred during the three months ended March 31, 2009 and 2008 include €10.3 million of gains and €7.5 million of losses, respectively, related to this loan resulting from fluctuations in the Polish zloty to US dollar exchange rate.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Interest expense

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

<i>(thousands of euros)</i>	For the three months ended March 31,	
	2009	2008
Capital Securities	(16,049)	(16,048)
GTECH Senior Credit Facilities	(15,798)	(18,986)
LTO Term and Revolving Facilities	(4,920)	-
4.80% Bonds	-	(4,440)
Other	(5,329)	(3,197)
	<u>(42,096)</u>	<u>(42,671)</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 March 31,	
	2009	2008
Current		
Italy	43,088	37,944
Foreign	5,219	2,265
Total Current	<u>48,307</u>	<u>40,209</u>
Deferred		
Italy	(10,542)	(2,832)
Foreign	786	(8,141)
Total Deferred	<u>(9,756)</u>	<u>(10,973)</u>
Income tax expense	<u>38,551</u>	<u>29,236</u>

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Share-based payment plans

The 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>	March 31,	
	2009	2008
Equity settled share-based payment	3,768	2,777
Cash settled share-based payment	-	-
	3,768	2,777

21. Related party disclosures

<i>(thousands of euros)</i>	March 31,	December 31,
	2009	2008
Accounts payable		
De Agostini Group	26,603	24,903

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.

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 arbitration proceedings 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.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Litigation (continued)

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.

Lottomatica did not appear at the April 20, 2006 hearing in order to avoid the curability of the errors in service.

Actually, the challenge was contested by Lottomatica, because it was served in term to the defending counsel but late to Lottomatica. The decision was taken by Lottomatica based upon the legal opinion rendered by the counsel assisting the Company, which also highlighted that Lottomatica, in any case, would still be in a position to file any objections in spite of its non appearance.

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.

The Court of Appeal set the hearing to July 2, 2009 in order to discuss the conclusions of the case at issue.

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.

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.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Litigation (continued)

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 favour 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 Civil Court 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.

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 to set the hearing.

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.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Litigation (continued)

As for the procedure before the Court of Rome, 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 organised 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).

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 summarised 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 Consirium 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 favour 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.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Litigation (continued)

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.

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 totalling €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.

LOT TOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Litigation (continued)

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 was postponed to February 19, 2007 for the swearing and queries formulation.

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

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Litigation (continued)

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 favour 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.

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.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Litigation (continued)

To date, the following rulings have been issued:

- a) 102 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) 75 rulings accepted payment of the prize amount in addition to claim compensation.

With regard to unfavourable rulings, the Consortium instructed its counsels to file an appeal with the Supreme Court (to date, 47 appeals have been filed).

To date, the Court issued 21 court orders declaring the appeals presented by the Consortium to be inadmissible.

The rulings have not been released yet and therefore it cannot be ascertained whether the Supreme Court admitted the opinion of the Public Prosecutor.

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 totalling €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.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Litigation (continued)

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 favour 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.

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.

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 fulfilment 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.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Litigation (continued)

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.

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 terminal 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 defence 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.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Litigation (continued)

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, 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 judgement 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.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Litigation (continued)

The regional Prosecutor contested that Lottomatica Videolot Rete S.p.A., in conjunction with some AAMS officials, inaccurately did not fulfil 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 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 was 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.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Litigation (continued)

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.

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.

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, organised 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 favourable 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.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Litigation (continued)

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.

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 filed 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.

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.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Litigation (continued)

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 and Lottomatica is waiting for the final ruling to be issued.

The decree extending the trial period of the online instant lotteries was also appeal 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.

15. Toto Carovigno - Snai Arbitration

1st 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 vigour. Toto Carovigno was ordered to compensate any damages incurred by Snai up to December 31, 2005.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Litigation (continued)

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 Sbordonni 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 request placed by the Arbitration Panel.

2nd 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 Sbordonni as its arbiter. Antonio Giannoni was nominated President of the Arbitration Panel.

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.

3rd 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 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 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.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Litigation (continued)

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.

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.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Litigation (continued)

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.

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 €485.26 million at currency exchange rates in effect as of March 31, 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 €388.21 million and €452.91 million at currency exchange rates in effect as of March 31, 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.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Litigation (continued)

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 €129.4 million at currency exchange rates in effect as of March 31, 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.

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 waging 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, which was not granted (published in the DOE on 04/03 and put into circulation on June 3, 2006). GTECH Brazil filed a Special Appeal to the Court of Taxes and Fees, which is pending judgment. 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 €5.7 million at currency exchange rates in effect at March 31, 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.

LOTTOMATICA 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 (€19.9 million at the March 31, 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 £4.0 million (€4.3 million at the March 31, 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 (€6.8 million at the March 31, 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 March 31, 2009, the outstanding commitment was US\$3.8 million (€2.9 million at the March 31, 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 March 31, 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	42.7	455.0	10.1
Amounts outstanding at March 31, 2009	1,196.3	26.5	375.0	8.3

At March 31, 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.

24. Dividends proposed

<i>(thousands of euros)</i>	March 31,	
	2009	2008
Cash dividend on ordinary shares proposed for approval (not recognized as a liability at March 31):		
Dividend for 2009: €0.68 per share (2008: €0.825 per share)	100,940	125,393

The 2009 proposed dividend was approved at the April 28, 2009 shareholders' meeting. The 2008 dividend was paid in April 2008.

**CERTIFICATION OF FIRST QUARTER 2009 REPORT
PURSUANT TO ARTICLE 154-bis, PAR. 2 OF LEGISLATIVE DECREE
NO. 58 OF FEBRUARY 24, 1998 (THE “CONSOLIDATED LAW ON FINANCE”)**

Mr. Stefano Bortoli, the Manager responsible for preparing the Lottomatica S.p.A. financial reports, pursuant to Article 154-bis, Paragraph 2 of the Consolidated Law on Finance, certifies that the accounting information contained in the First Quarter 2009 Report corresponds to the document results, books and accounting records of the Company.

Rome, April 28, 2009

Executed by Stefano Bortoli as the
Manager Responsible for Lottomatica S.p.A.
Financial Reports