



FIRST QUARTER 2007 REPORT

**FOR THE PERIOD ENDING
MARCH 31, 2007**

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LOTTOMATICA S.p.A.

Group Profile

Company Name	Lottomatica - Società per Azioni
Fiscal Code	08028081001
Share Capital	€ 154,592,210 authorized ordinary shares, €1.00 par value per share; 151,512,500 shares paid and subscribed
Registered Office	Roma - Viale del Campo Boario 56/d
Board of Directors:	
Chairman	Mr. Lorenzo PELLICOLI
Vice Chairman	Mr. Robert DEWEY Jr. *
Chief Executive Officer - General Manager	Mr. Bruce TURNER
Managing Director - General Manager	Mr. Marco SALA
Board Members	Mr. Paolo AINIO * Mr. Rosario BIFULCO Mr. Pietro BOROLI Mr. James MCCANN * Mr. Paolo CERETTI Mr. Marco DRAGO Mr. Anthony RUYS * Mr. Severino SALVEMINI * Mr. Gianmario TONDATO DA RUOS *

* Denotes Independent Directors

Board of Statutory Auditors :

Chairman	Mr. Francesco MARTINELLI
Regular Members	Mr. Angelo GAVIANI Mr. Paolo Andrea COLOMBO
Substitute Members	Mr. Marco SGUAZZINI VISCONTINI Mr. Giulio GASLOLI
Independent Auditors	Reconta Ernst & Young S.p.A.

Members of the Executive Committee

Mr. Lorenzo PELLICOLI (Chairman)
Mr. Pietro BOROLI
Mr. Paolo CERETTI
Mr. Marco DRAGO
Mr. Marco SALA
Mr. Bruce TURNER

Members of the Audit Committee

Mr. Severino SALVEMINI (Chairman)
Mr. Paolo AINIO
Mr. Paolo CERETTI

Members of the Remuneration Committee

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

LOTTOMATICA

Lottomatica S.p.A. (sometimes referred to as “*Lottomatica*” or the “*Company*”) is one of the largest lottery operators in the world based on total wagers and, through its subsidiary GTECH Corporation (“*GTECH*”), is a leading provider of lottery and gaming technology solutions worldwide. Together, the Company is the only vertically integrated full service lottery company. Lottomatica is listed on the Stock Exchange of Milan under the trading symbol LTO.

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

Lottomatica has built an extensive real-time, online distribution network in Italy, with approximately 150,000 terminals in 80,000 points of sale (including approximately 22,000 points of sale where Lottomatica provides only 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. In addition to online games, Lottomatica operates instant and traditional lottery games, which in recent years has been a high growth area for the Company. In 2003, Lottomatica began operating sports pools and other pari-mutuel betting through its extensive retail network. In 2006, Lottomatica received authorization to distribute online instant lottery games. The Company’s GTECH group is the world’s leading operator of highly-secure online lottery transaction processing systems, doing business in 49 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 mediates lottery funds between the retailer, where a transaction is enabled, and the lottery authority. GTECH currently operates, provides equipment and services to, or has entered into contracts to operate or provide equipment and services in the future to, 25 of the 43 online lottery authorities in the United States, and 60 of the 122 non-U.S. online lottery authorities.

Additionally, Lottomatica provides information technology services for gaming machines through its Italian subsidiary Lottomatica Videolot Rete S.p.A. (formerly known as RTI Videolot) and its Canadian subsidiary Spielo Manufacturing, ULC, a leading provider of video lottery terminals and related products and services to the global gaming industry. The Company has leveraged its distribution and transaction processing competence to expand its activities beyond Lottery and also provides Commercial Services through its networks worldwide.

The Company currently operates in three segments: (i) its Lottery segment where the Company operates and provides a full range of services, technology and products to government sponsored online, instant and traditional Lotteries and pari-mutuel betting and sports pools; (ii) its Gaming Solutions segment where the Company provides solutions, products and services relating to video lottery terminals (VLTs) and systems for VLTs and amusement with prize machines (AWPs); and (iii) its Commercial Services segment, where the Company performs high-volume transaction processing of non-lottery commercial transactions such as retail debit, credit and charge card transactions, bill payments, electronic tax payments, utility payments, prepaid cellular telephone recharges, and retail-based programs.

For the year ended December 31, 2006, Lottomatica generated total revenues, EBITDA and operating income of €938.9 million, €361.2 million and €219.3 million, respectively. For the first quarter ended March 31, 2007, Lottomatica generated total revenues, EBITDA and operating income of €435.3 million, €211.2 million and €139.6 million, respectively.

The Company has operations in over 50 countries worldwide on six continents and approximately 6,100 employees.

For additional information on the Company, please refer to its 2006 Annual Report available on line at the Company’s website at <http://www.gruppolottomatica.it/eng/aboutus/index.htm>.

OPERATING AND FINANCIAL REVIEW

Part 1. Overview

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

Lottomatica acquired GTECH on August 29, 2006. Accordingly, revenues for the quarter ended March 31, 2007 include revenues from Lottomatica's Italian operations and GTECH's operations, whereas amounts for the quarter ended March 31, 2006 include revenues for Lottomatica's Italian operations only.

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

Consolidated Revenues

<i>(thousands of euros)</i>	Quarter ended			
	March 31,		Change	
	2007	2006	€	%
<i>By Segment</i>				
Lottery	384,776	168,299	216,477	128.6
Commercial Services	33,609	19,401	14,208	73.2
Gaming Solutions	16,917	2,533	14,384	>500.0
Total revenues	<u>435,302</u>	<u>190,233</u>	<u>245,069</u>	<u>128.8</u>
<i>By Legal Entity</i>				
Lottomatica	210,678	190,233	20,445	10.7
GTECH	224,624	-	224,624	-
Total revenues	<u>435,302</u>	<u>190,233</u>	<u>245,069</u>	<u>128.8</u>

Lottomatica's revenues from Italian operations are primarily derived from operating contracts. Under 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.

GTECH's revenues are principally comprised of service revenues derived primarily from lottery service contracts, which are typically at least five to seven years in duration for the base contract term with three to five years of extension options resulting in total contract lives of eight to ten years. 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 revenues are 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 revenues 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.