



THIRD QUARTER FISCAL YEAR 2006 REPORT

**FOR THE PERIOD ENDING
SEPTEMBER 30, 2006**



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LOTTOMATICA S.p.A.

Company Name	Lottomatica - Società per Azioni
Fiscal Code	08028081001
Share Capital	€ 150,500,819.00 Deliberated € 153,092,210.00 represented nr 150,500,819 shares nominal value € 1.00 for share
Registered Office	Roma - Viale del Campo Boario 56/d
Board of Directors:	
Chairman	Mr. Lorenzo PELLICCIOLI
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 *
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.

The current Board of Directors will remain in effect until the date the December 31, 2007 Balance Sheet is approved by the Shareholders.

* Independent Directors

OVERVIEW

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 a leader in the Italian gaming industry. Lottomatica has built an extensive real-time, online distribution network, with approximately 133,000 terminals in approximately 77,000 points-of-sale throughout the Republic of Italy (including approximately 17,000 points-of-sale where Lottomatica provides only processing services for third parties). Lottomatica has leveraged its distribution and transaction processing competence to expand its activities beyond lotteries and also provides commercial, payment, and other process services through its network. Lottomatica operates three businesses in two segments: (i) lotteries and gaming, comprising of "Lotto," instant and traditional lotteries, and sports pools and other pari-mutuel betting and its gaming machine business; and (ii) services, consisting of its commercial, payment and other processing services business.

On August 29, 2006, Lottomatica completed its acquisition of GTECH Holdings Corporation ("GTECH"), the world's leading operator of highly-secure online lottery transaction processing systems, for approximately €3.5 billion. GTECH's core market is the lottery industry, for which it designs, sells, and operates a complete suite of lottery-enabled point-of-sale terminals that are electronically linked with a centralized transaction process system, which mediates lottery funds between the retailers, where a transaction is enabled, and the lottery authority.

Additionally, GTECH has a presence in the machine gaming market through its Spielo subsidiary. Located in Moncton, Canada, Spielo develops game content and manufactures and deploys video lottery terminals and systems. GTECH is expanding its focus beyond the traditional government-sponsored markets where it has developed a considerable presence to include the Native American and commercial casino markets. In addition, GTECH has entered into an agreement with the Gauselmann Group of Germany to acquire controlling interest in Atronic, a gaming machine and content provider to the worldwide commercial gaming industry. The transaction is expected to close in the second half of 2007.

GTECH currently operates, provides equipment and services to, or has entered into contracts to operate or provide equipment and services in the future to 26 of the 43 online lottery authorities in the United States, and 60 of the 122 non-U.S. online lottery authorities. GTECH, which maintains operations in over 50 countries, leverages its global lottery experience and capabilities to offer a full range of game content and solutions and financial transaction processing services. GTECH's headquarters recently moved to Providence, Rhode Island, USA.

Lottomatica and GTECH together (sometimes referred to collectively with their respective subsidiaries as the "Lottomatica Group") create a fully integrated lottery operator and gaming technology solutions provider – a combined company with worldwide scale, considerable financial strength, and industry-leading customer solutions. The combination of Lottomatica and GTECH has positioned the Company to: (i) offer a complete variety of technology and services in the management along the entire chain of its actual and potential clients in the lottery sector; (ii) capitalize on the convergence of operator programs (video lotteries) and commercial activities (casinos) in the world of machine games through a wide variety of video terminals, game systems and game contents; (iii) offer commercial applications over existing infrastructure networks; and (iv) maximize the competitive advantages derived from the economies of scale in research and development and in the access to capital markets resulting from the global dimensions of its own operations.

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 (*LTO*).

As of September 30, 2006, Lottomatica Group had 6,416 employees (compared to 1,084 on December 31, 2005) of which 5,299 are related to GTECH.

SUMMARY OF CONSOLIDATED FINANCIAL PERFORMANCE

Analysis of Results (Comparison of September 30, 2006 with September 30, 2005)

Revenue

Consolidated revenues of Lottomatica Group, which include one month of revenue from the acquisition of GTECH that was completed on August 29, 2006, increased by €118 million to €566 million. This represented a 26.3% increase over the same period of 2005.

Revenues from Italian operations increased by 9.8%, which was primarily driven by growth in instant ticket lotteries and commercial services.

Business Segment Performance

The following table summarizes revenues by business line for the nine months ended September 30, 2006 and September 30, 2005.

	2006	2005	Change	
			Amount	Percent
<i>Italian Operations</i>				
Lotteries	427,674	392,671	35,003	8,9%
Gaming Machines	6,034	2,979	3,055	102,6%
Commercial Services	56,077	46,766	9,311	19,9%
<i>Other</i>	2,584	5,816	-3,232	-55,6%
<i>Total – Italian Operations</i>	492,369	448,232	44,137	9,8%
<i>GTECH</i>	73,618		73,618	N/A
Total – Lottomatica Group	€ 565,987	€ 448,232	€ 117,755	26,3%

Italian Lotteries

Revenue from lotteries is primarily comprised of revenue from Lotto and instant ticket lotteries. For the nine months ended September 30, 2006 and September 30, 2005, revenues from instant and traditional lotteries were €94 million and €33 million, respectively. During the same period, revenue from Lotto decreased 7.3% from €348 million in 2005 to €322 million in 2006.

Lotto

Total wagers decreased by 8.8% from €5.5 billion in 2005 to €5.0 billion in 2006. Wagers for late numbers totaled €1.1 billion, down from €1.2 billion for the same period in the previous year. As a result, core wagers also decreased to €3.9 billion compared to €4.3 billion in the same period of 2005.