

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

**FIRST HALF 2008 REPORT**

**FOR THE PERIOD ENDING  
JUNE 30, 2008**

**TABLE OF CONTENTS**

	<u>Page</u>
Lottomatica S.p.A. Profile.....	2
Lottomatica .....	4
Operating and Financial Review	
• Overview .....	6
• Significant Developments .....	31
Predictable Developments .....	33
Lottomatica Stock Information .....	34
Tables of Customer Contracts .....	36
Long Term Incentive Plans .....	47
Consolidated Financial Statements and Footnotes- June 30, 2008	
• Balance Sheets .....	51
• Income Statements.....	52
• Cash Flow Statements.....	54
• Statements of Changes in Equity.....	55
• Notes to Financial Statements.....	57
Additional Disclosures Pursuant to Specific Italian Requirements.....	101
Compliance Model Under Legislative Decree No. 231/01.....	102
Compliance Model Under Law 262/05.....	103
Regulatory Framework Reference.....	104
Processing of Personal Data.....	107
Receipts and Payments (Presidential Decree No. 560 of 9/16/1996).....	107
Certification Pursuant to Article 81-ter of CONSOB Regulations No. 11971.....	108
List of Subsidiaries.....	109
Lottomatica S.p.A. - Financial Statements for First Half 2008.....	119

## **LOTTOMATICA S.p.A. Profile**

<b>Company Name</b>	Lottomatica - Società per Azioni
<b>Fiscal Code, VAT no. and no. of enrollment with the Register of enterprises of Rome</b>	08028081001
<b>Share Capital</b>	As of June 30, 2008: € 159,278,775 authorized ordinary shares, €1.00 par value per share; no. 152,157,237 shares paid and subscribed
<b>Registered Office</b>	Roma - Viale del Campo Boario 56/d
<b>Subject to the direction and coordination of De Agostini S.p.A.</b>	

### **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 (1)</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 PELLICOLI (Chairman)  
Mr. Pietro BOROLI  
Mr. Paolo CERETTI  
Mr. Marco DRAGO  
Mr. Marco SALA  
Mr. Jaymin PATEL

***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

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

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

Lottomatica, the principal Italian operating entity of the Group, has built an extensive distribution network in Italy, with approximately 200,000 terminals in 90,000 points of sale (including approximately 30,000 points of sale where Lottomatica provides processing services for third parties), comprised of tobacconists, bars, petrol stations, newspaper stands and motorway restaurants. Since 1993, Lottomatica has been the sole concessionaire for the Italian Lotto game. Since 2004, Lottomatica has operated instant and traditional lottery games, which in recent years has been a high growth area for the Company. 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 1,145 points of sale and 500 points of sale, respectively. Prior to this license, Lottomatica had operated only sports pools with a concession that began in 2003 and expired in December 2007. The Company is also acquiring further points of sale in order to develop the Italian sports betting/interactive market, and as of the end of June, 5 additional points of sale were acquired. As of June 30, 2008, all 1,650 points of sale were operational.

GTECH is the world's leading operator of highly-secure online lottery transaction processing systems, doing business in 44 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 been awarded and/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 53 non-U.S. online lottery authorities.

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 42,000 amusement with prize machines. GTECH completed its acquisition of a 50% controlling equity interest in Atronic in January 2008, and of the remaining 50% interest in Atronic in May 2008. Atronic, a leading video gaming machine provider in Europe, Russia and Latin America, has a growing presence in the United States and is licensed in approximately 225 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 Gaming Solutions segment where the Group 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 Sports Betting segment, where the Group 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 Interactive segment, where the Group provides digitally-distributed, multi-channel gaming entertainment products and services, including bingo, poker, casino games and quick games; and
- its Commercial Services segment, where the Group performs high-volume transaction processing of non-lottery commercial transactions such as prepaid cellular telephone recharges, bill payments, electronic tax payments, utility payments, and retail-based programs;

The Group's key operating performance indicators for the six months ended June 30, 2008 and 2007 are as follows. (For a description of the manner in which EBITDA and EBIT is calculated, please refer to Part 1 of the Operating and Financial Review section that follows):

	For the six months ended	
	June 30,	
(thousands of euros)	2008	2007
<b>Operating and Cash Flow Data</b>		
Revenue	927,750	835,494
Operating income	249,975	239,432
EBITDA	399,368	380,673
EBIT	236,722	225,351
Net income	103,520	68,123
Net cash flows from operating activities	174,399	206,583
<b>Other Data (at end of period)</b>		
Net financial position	2,670,086	2,567,498

The Group has operations in more than 50 countries worldwide on six continents and has approximately 6,280 employees.

For additional information on the Group, please go to its website at:  
[www.gruppolottomatica.it/eng/aboutus/index.htm](http://www.gruppolottomatica.it/eng/aboutus/index.htm).

**OPERATING AND FINANCIAL REVIEW**

**Part 1. Overview**

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.

As described earlier in this report, beginning in the second quarter ended June 30, 2008, the Group expanded into the following business segments: (i) Lottery; (ii) Gaming Solutions; (iii) Sports Betting; (iv) Interactive; and (v) Commercial Services. Prior period amounts have been reclassified to conform to the current year presentation.

In addition, the Group's BillBird S.A. subsidiary, which was included in the Commercial Services segment prior to August 2007, has been included in the Lottery segment, as the Company views it as a Lottery overlay investment. Segment information, including revenue from BillBird S.A. of €3.0 million and €5.7 million for the three and six months ended June 30, 2007, respectively, has been reclassified to conform to the current year presentation.

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

**CONSOLIDATED REVENUE**

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Change	
	2008	2007	€	%
<b>By Segment</b>				
Lottery	355,738	348,370	7,368	2.1
Gaming Solutions	51,214	21,946	29,268	133.4
Sports Betting	37,669	2,565	35,104	>200.0
Commercial Services	22,151	27,311	(5,160)	(18.9)
Interactive	12,433	-	12,433	-
Total revenue	479,205	400,192	79,013	19.7
<b>By Legal Entity</b>				
Lottomatica	263,779	197,067	66,712	33.9
GTECH	215,426	203,125	12,301	6.1
Total revenue	479,205	400,192	79,013	19.7