

 **LOTTOMATICA**
GROUP
Responsibly Driving Global Gaming

FIRST HALF 2008 REPORT

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

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LOTTOMATICA S.p.A. Profile

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 June 30, 2008: € 159,278,775 authorized ordinary shares, €1.00 par value per share; no. 152,157,237 shares paid and subscribed
Registered Office	Roma - Viale del Campo Boario 56/d
Subject to the direction and coordination of De Agostini S.p.A.	

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 PELLICIONI (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
Operating and Cash Flow Data		
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
Other Data (at end of period)		
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.

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	€	%
By Segment				
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
By Legal Entity				
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

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Change	
	2008	2007	€	%
By Segment				
Lottery	714,990	732,950	(17,960)	(2.5)
Gaming Solutions	85,749	38,863	46,886	120.6
Sports Betting	70,336	5,421	64,915	>200.0
Commercial Services	41,712	58,260	(16,548)	(28.4)
Interactive	14,963	-	14,963	-
Total revenue	927,750	835,494	92,256	11.0
By Legal Entity				
Lottomatica	517,105	407,746	109,359	26.8
GTECH	410,645	427,748	(17,103)	(4.0)
Total revenue	927,750	835,494	92,256	11.0

During the three and six months ended June 30, 2008, approximately 52% and 54%, respectively, of GTECH's service revenue was derived from US dollar denominated contracts. On a constant currency basis, consolidated revenue for the three and six months ended June 30, 2008 would have increased approximately 25.3% and 16.3%, respectively as follows:

<i>(thousands of euros)</i>	At 2007 Constant Currency			
	For the three months ended			
	June 30,		Change	
2008	2007	€	%	
Lottomatica	263,779	197,067	66,712	33.9
GTECH	237,756	203,125	34,631	17.0
Total revenue	501,535	400,192	101,343	25.3

<i>(thousands of euros)</i>	At 2007 Constant Currency			
	For the six months ended			
	June 30,		Change	
2008	2007	€	%	
Lottomatica	517,105	407,746	109,359	26.8
GTECH	454,702	427,748	26,954	6.3
Total revenue	971,807	835,494	136,313	16.3

On a constant currency basis, GTECH's revenue increased €34.6 million and €27.0 million during the three and six months ended June 2008, respectively, versus the same periods last year, primarily due to the 2008 acquisitions of Atronic, Boss Media and St. Minver, partially offset by the sale of POLCARD S.A. in August 2007.

Lottomatica's revenue is primarily derived from concessions awarded through competitive bids 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 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 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.

OPERATIONS REVIEW

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Percentage of revenues	
	2008	2007	2008	2007
<i>Operating and Cash Flow Data</i>				
Revenue	479,205	400,192	-	-
Operating income	115,440	99,280	24%	25%
EBITDA	194,764	168,984	41%	42%
EBIT	113,375	93,362	24%	23%
Net income	48,088	23,101	10%	6%
Net cash flows from operating activities	113,706	146,754	24%	37%

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Percentage of revenues	
	2008	2007	2008	2007
Operating and Cash Flow Data				
Revenue	927,750	835,494	-	-
Operating income	249,975	239,432	27%	29%
EBITDA	399,368	380,673	43%	46%
EBIT	236,722	225,351	26%	27%
Net income	103,520	68,123	11%	8%
Net cash flows from operating activities	176,581	206,583	19%	25%

EBITDA and EBIT are computed as follows:

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Change	
	2008	2007	€	%
Operating income	115,440	99,280	16,160	16.3
Depreciation, amortization and write-downs	74,667	67,943	6,724	9.9
Other	4,657	1,761	2,896	164.5
EBITDA	194,764	168,984	25,780	15.3
Operating income	115,440	99,280	16,160	16.3
Equity income (loss)	(622)	1,139	(1,761)	(154.6)
Other income	2,015	522	1,493	>200.0
Other expense	(344)	(265)	(79)	(29.8)
Foreign exchange loss, net	(3,114)	(7,314)	4,200	57.4
EBIT	113,375	93,362	20,013	21.4

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Change	
	2008	2007	€	%
Operating income	249,975	239,432	10,543	4.4
Depreciation, amortization and write-downs	143,112	135,633	7,479	5.5
Other	6,281	5,608	673	12.0
EBITDA	<u>399,368</u>	<u>380,673</u>	<u>18,695</u>	<u>4.9</u>
Operating income	249,975	239,432	10,543	4.4
Equity income (loss)	(622)	418	(1,040)	>200.0
Other income	2,543	1,216	1,327	109.1
Other expense	(979)	(901)	(78)	(8.7)
Foreign exchange loss, net	(14,195)	(14,814)	619	4.2
EBIT	<u>236,722</u>	<u>225,351</u>	<u>11,371</u>	<u>5.0</u>

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.

ACQUISITIONS

Acquisition of 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. In May 2008, GTECH paid €32 million for the remaining 50% interest in Atronic along with €37.2 million of loans payable to the Gauselmanns.

Acquisition of Boss Media AB

On February 1, 2008, GTECH and Medströms AB, through GEMed AB (a Swedish private limited liability company owned 87.454% and 12.546% by GTECH and Medströms AB, respectively) announced a public cash offer to the shareholders of Boss Media AB (“Boss Media”). Boss Media is a leading developer of innovative software and systems for digitally-distributed gaming entertainment.

From February 1, 2008 through March 5, 2008, GEMed (through GTECH) purchased approximately 46.3 million shares of Boss Media for approximately SEK 1.2 billion (€124.2 million) resulting in GTECH owning an approximate 82% ownership interest in Boss Media. On April 24, 2008, GEMed obtained control of Boss Media when the Board of Directors of Boss Media was reconstituted such that GEMed was able to utilize the voting rights attached to the shares acquired.

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. GTECH paid £23.8 million in cash (€30.4 million at the April 30, 2008 exchange rate) for the 90% equity stake on a debt free basis and expects to pay an additional £9.7 million (€12.4 million at the April 30, 2008 exchange rate) based on the performance of the business in 2008 and 2009. The remaining 10% interest in St. Minver will remain with Gary Shaw, Founder and Chairman, until at least 2012, at which point both Mr. Shaw and GTECH have the right to cause GTECH to acquire Mr. Shaw's shares.

Pending acquisition of Toto Carovigno S.p.A.

On May 19, 2008, Lottomatica entered into an agreement to acquire 100% of the shares of Toto Carovigno S.p.A., a company operating in the sports betting business for a total purchase price of €40.1 million. As of June 30, 2008, a non-refundable advance payment of €4.5 million has been paid to Totosi Holding and a refundable payment of €35.6 million has been paid into escrow. These payments have been classified as current financial assets in our consolidated balance sheet. The acquisition is subject to approval of the Antitrust Authority and is expected to close in our 2008 third quarter.

COMPARISON OF THE THREE MONTH PERIODS ENDED JUNE 30, 2008 WITH JUNE 30, 2007

Consolidated revenue for the three months ended June 30, 2008 increased 19.7% (25.3% in constant currency) over the three months ended June 30, 2007. Lottomatica's revenue increased 33.9% and GTECH's revenue increased 6.1% (17.0% in constant currency).

Lottomatica Revenue

Consolidated revenue for the three months ended June 30, 2008 and 2007 includes the following amounts for Lottomatica:

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Change	
	2008	2007	€	%
Lotto	97,865	99,584	(1,719)	(1.7)
Instant tickets	83,755	71,127	12,628	17.8
Other	596	583	13	2.2
Lottery	182,216	171,294	10,922	6.4
Sports Betting	37,669	2,565	35,104	>200.0
Commercial Services	22,151	17,425	4,726	27.1
Gaming Solutions	21,743	5,783	15,960	>200.0
Total revenue	263,779	197,067	66,712	33.9

Lotto

Lotto revenue declined 1.7% 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			
	June 30,		Change	
	2008	2007	Wagers	%
Lotto wagers				
Core wagers	1,188.4	1,317.6	(129.2)	(9.8)
Wagers for late numbers	322.0	222.2	99.8	44.9
	1,510.4	1,539.8	(29.4)	(1.9)

Instant tickets

Throughout the three months ended June 2008, the strong performance in instant ticket sales continued. Instant ticket revenue increased 17.8% over the same period last year primarily due to higher sales of Scratch and Win tickets as detailed in the table below. The €351.9 million increase in instant ticket sales was driven principally by the continued success of the €5 Il Miliardario and €10 Il Megamiliardario lottery tickets, along with the introduction of the €3 Indiana Jones lottery ticket on May 5, 2008.

	For the three months ended			
	June 30,		Change	% Change
	2008	2007		
Scratch & Win tickets				
Total tickets sold (in millions)	651.1	598.2	52.9	8.8
Total sales (in millions)	€ 2,393.9	€ 2,042.0	€ 351.9	17.2
Average price point	€ 3.68	€ 3.41	€ 0.26	7.7

Sports Betting

Sports betting revenue increased substantially due to the strong performance of fixed odds sports-betting operations that commenced on August 19, 2007 (14.2% market share as of June 30, 2008) as detailed in the table below. As of June 30, 2008, 1,150 fixed odds sports-betting and 500 sports pool points of sale locations were operational.

<i>(millions of euros)</i>	For the three months ended			
	June 30,		Change	
	2008	2007	Wagers	%
Sports Betting wagers				
Fixed odds sports betting wagers	135.9	-	135.9	-
Sports pool wagers	38.0	44.6	(6.6)	(14.8)
	173.9	44.6	129.3	>200.0

Commercial Services

Revenue from Commercial Services in the three months ended June 2008 increased 27.1% over the same period last year principally due to an increase in electronic top-up services for prepaid mobile and bill payment services.

Gaming Solutions

Revenue from Gaming Solutions in the three months ended June 2008 increased substantially over the same period last year, driven primarily by the increased placement of amusement with prize machines (AWP machines). Approximately 42,000 AWP machines were installed at the end of June 2008 compared to approximately 17,000 installed at the end of June 2007.

GTECH Revenue

Consolidated revenue for the three months ended June 30, 2008 and 2007 includes the following amounts for GTECH:

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Change	
	2008	2007	€	%
United States	98,680	105,745	(7,065)	(6.7)
International	64,988	63,558	1,430	2.2
Lottery	163,668	169,303	(5,635)	(3.3)
Gaming Solutions	14,325	9,511	4,814	50.6
Interactive	11,481	-	11,481	-
Commercial Services	-	9,886	(9,886)	(100.0)
Service revenue	189,474	188,700	774	0.4
Product sales	25,952	14,425	11,527	79.9
Total revenue	215,426	203,125	12,301	6.1

Lottery

United States lottery service revenue declined 6.7% primarily due to the strengthening of the euro against the US dollar, partially offset by the launch of our new service contract in the state of Virginia.

International lottery service revenue increased 2.2% primarily due to higher service revenues from an approximate 10% increase in sales by our international lottery customers, partially offset by the strengthening of the euro.

Gaming Solutions

Gaming Solutions service revenue increased 50.6% principally due to the January 2008 acquisition of Atronic.

Interactive

Interactive service revenue of €11.5 million includes revenues from Finsoft and the April 2008 acquisitions of Boss Media and St. Minver.

Commercial Services

Due to the August 1, 2007 sale of its equity interest in POLCARD S.A., a debit/credit card merchant transaction acquirer, bank-card issuer and ATM management company in Poland, GTECH no longer has revenue (or related costs) from its Commercial Services business segment.

Product Sales

Product sales were €11.5 million higher in the three months ended June 2008 compared to the same period last year principally due to €12.2 million of product sales from Atronic.

Consolidated operating costs

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Change	
	2008	2007	€	%
Raw materials, services and other costs	212,554	162,245	50,309	31.0
Personnel	98,713	88,559	10,154	11.5
Depreciation, amortization and write-downs	74,667	67,943	6,724	9.9
Capitalization of internal construction costs - labor and overhead	(22,169)	(17,835)	(4,334)	(24.3)
Total operating costs	363,765	300,912	62,853	20.9
Percentage of total revenue	75.9%	75.2%		

By Legal Entity

Lottomatica	154,374	109,848	44,526	40.5
GTECH	209,391	191,064	18,327	9.6
Total operating costs	363,765	300,912	62,853	20.9

As previously discussed, a significant portion of GTECH's revenue and operating costs is derived from US dollar denominated contracts. On a constant currency basis, GTECH's operating costs were up €39.6 million during the three months ended June 2008 versus the same period last year, primarily due to the 2008 acquisitions of Atronic, Boss Media and St. Minver, partially offset by the sale of POLCARD S.A. in August 2007.

<i>(thousands of euros)</i>	At 2007 Constant Currency			
	For the three months ended			
	June 30,		Change	
2008	2007	€	%	
Lottomatica	154,374	109,848	44,526	40.5
GTECH	230,614	191,064	39,550	20.7
Total operating costs	384,988	300,912	84,076	27.9
Percentage of total revenue	76.8%	75.2%		

Consolidated operating costs detailed by legal entity are as follows:

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Change	
	2008	2007	€	%
By Legal Entity				
Lottomatica	115,442	76,143	39,299	51.6
GTECH	97,112	86,102	11,010	12.8
Raw materials, services and other costs	212,554	162,245	50,309	31.0
Lottomatica	23,816	21,076	2,740	13.0
GTECH	74,897	67,483	7,414	11.0
Personnel	98,713	88,559	10,154	11.5
Lottomatica	15,116	12,629	2,487	19.7
GTECH	59,551	55,314	4,237	7.7
Depreciation, amortization and write-downs	74,667	67,943	6,724	9.9
Lottomatica	-	-	-	-
GTECH	(22,169)	(17,835)	(4,334)	(24.3)
Capitalization of internal construction costs	(22,169)	(17,835)	(4,334)	(24.3)

The €50.3 million increase in Raw materials, services and other costs resulted from €39.3 million of higher costs incurred by Lottomatica along with €11.0 million of higher costs incurred by GTECH. The higher costs incurred by Lottomatica principally related to €18.7 million of variable costs associated with higher service revenue; €6.8 million of higher costs related to the Sports Betting segment, of which €6.7 million related to betting taxes which are a percentage of wagers; and €13.8 million of higher consulting, advertising and promotion costs. The higher costs incurred by GTECH principally related to the acquisition of Atronic.

The €10.1 million increase in Personnel resulted from €2.7 million of higher costs incurred by Lottomatica along with €7.4 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 the acquisition of Atronic.

The €6.7 million increase in Depreciation, amortization and write-downs resulted from €2.5 million of higher costs incurred by Lottomatica along with €4.2 million of higher costs incurred by GTECH. The higher costs incurred by Lottomatica are principally due to the acquisition of sports betting licenses that began to amortize in July 2007, the December 2007 acquisition of Gruppo Sigma, and additional AWP machines installed during the first six months of 2008. The higher costs incurred by GTECH principally related to the January 2008 acquisition of Atronic.

Foreign exchange loss, net

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Change	
	2008	2007	€	%
Realized foreign exchange losses	(1,161)	(135)	1,026	>200.0
Unrealized foreign exchange losses	(1,953)	(7,179)	(5,226)	(72.8)
	<u>(3,114)</u>	<u>(7,314)</u>	<u>(4,200)</u>	<u>(57.4)</u>

Unrealized foreign exchange losses

In connection with GTECH's August 2007 sale of POLCARD S.A. to First Data International, on August 3, 2007, 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 losses of €2.0 million incurred during the three months ended June 2008 include €3.2 million of losses related to this loan as the Polish zloty strengthened against the US dollar.

Unrealized foreign exchange losses of €7.2 million incurred during the three months ended June 2007 are principally comprised of non-cash losses associated with an intragroup loan between Lottomatica and GTECH in connection with Lottomatica's acquisition of GTECH in August 2006. On July 13, 2007, the intragroup loan was converted from US dollars to euro and on September 7, 2007, management determined that the intragroup loan would be refinanced upon maturity with a new intragroup loan or loans. Therefore, beginning on September 7, 2007, the intragroup loan forms part of the net investment in GTECH and gains or losses on the retranslation of the intragroup loan are recorded to equity.

Interest expense

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Change	
	2008	2007	€	%
GTECH Senior Credit Facilities	(17,805)	(26,768)	(8,963)	(33.5)
Capital Securities	(15,920)	(16,089)	(169)	(1.1)
4.8% Bonds	(4,418)	(4,440)	(22)	(0.5)
Lottomatica Senior Revolving Credit Facility	(585)	-	585	-
Other	(4,372)	(2,215)	2,157	97.4
	<u>(43,100)</u>	<u>(49,512)</u>	<u>(6,412)</u>	<u>(13.0)</u>

Interest expense decreased €6.4 million principally due to lower interest expense incurred on the GTECH Senior Credit Facilities, primarily resulting from lower interest rates during the three months ended June 2008 compared to the same period last year and the strengthening of the euro against the US dollar.

COMPARISON OF THE SIX MONTH PERIODS ENDED JUNE 30, 2008 WITH JUNE 30, 2007

Consolidated revenue for the six months ended June 30, 2008 increased 11.0% (16.3% in constant currency) over the six months ended June 30, 2007. Lottomatica's revenue increased 26.8% and GTECH's revenue declined 4.0% (an increase of 6.3% in constant currency).

Lottomatica Revenue

Consolidated revenue for the six months ended June 30, 2008 and 2007 includes the following amounts for Lottomatica:

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Change	
	2008	2007	€	%
Lotto	194,963	203,966	(9,003)	(4.4)
Instant tickets	171,738	147,639	24,099	16.3
Other	1,152	1,207	(55)	(4.6)
Lottery	367,853	352,812	15,041	4.3
Sports Betting	70,336	5,421	64,915	>200.0
Commercial Services	41,712	39,641	2,071	5.2
Gaming Solutions	37,204	9,872	27,332	>200.0
Total revenue	517,105	407,746	109,359	26.8

Lotto

Lotto revenue declined 4.4% due to a corresponding decline in Lotto wagers as detailed in the table below.

<i>(millions of euros)</i>	For the six months ended			
	June 30,		Change	
	2008	2007	Wagers	%
Lotto wagers				
Core wagers	2,566.2	2,689.7	(123.5)	(4.6)
Wagers for late numbers	431.5	453.2	(21.7)	(4.8)
	2,997.7	3,142.9	(145.2)	(4.6)

Instant tickets

Throughout the first six months of 2008, the strong performance in instant ticket sales continued. Instant ticket revenue increased 16.3% over the same period last year primarily due to higher sales of Scratch and Win tickets as detailed in the table below. The €679.7 million increase in instant ticket sales was driven principally by the continued success of the €5 Il Miliardario and €10 Il Megamiliardario lottery tickets, along with the introduction of the €3 Indiana Jones lottery ticket on May 5, 2008. The €3 Indiana Jones lottery ticket generated new sales of approximately €85 million since its introduction from the sale of 28.3 million tickets.

	For the six months ended			
	June 30,		Change	% Change
	2008	2007		
Scratch & Win tickets				
Total tickets sold (in millions)	1,329.8	1,234.2	95.6	7.7
Total sales (in millions)	€ 4,870.7	€ 4,191.0	€ 679.7	16.2
Average price point	€ 3.66	€ 3.40	€ 0.27	7.9

Sports Betting

Sports betting revenue increased to €70.3 million, 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 (14.2% market share as of June 30, 2008) as detailed in the table below. As of June 30, 2008, 1,150 fixed odds sports-betting and 500 sports pool points of sale locations were operational.

<i>(millions of euros)</i>	For the six months ended			
	June 30,		Change	
	2008	2007	Wagers	%
Sports Betting wagers				
Fixed odds sports betting wagers	279.0	-	279.0	-
Sports pool wagers	88.8	96.6	(7.8)	(8.1)
	367.8	96.6	271.2	>200.0

Commercial Services

Revenue from Commercial Services in the first six months of 2008 increased 5.2% over the same period last year principally due to an increase in electronic top-up services for prepaid mobile and bill payment services.

Gaming Solutions

Revenue from Gaming Solutions in the first six months of 2008 increased substantially over the same period last year, driven primarily by the increased placement of amusement with prize machines (AWP machines). Approximately 42,000 AWP machines were installed at the end of June 2008 compared to approximately 17,000 installed at the end of June 2007.

GTECH Revenue

Consolidated revenue for the six months ended June 30, 2008 and 2007 includes the following amounts for GTECH:

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Change	
	2008	2007	€	%
United States	203,135	227,543	(24,408)	(10.7)
International	129,875	132,485	(2,610)	(2.0)
Lottery	333,010	360,028	(27,018)	(7.5)
Gaming Solutions	26,773	18,162	8,611	47.4
Interactive	13,301	-	13,301	-
Commercial Services	-	18,619	(18,619)	(100.0)
Service revenue	373,084	396,809	(23,725)	(6.0)
Product sales	37,561	30,939	6,622	21.4
Total revenue	410,645	427,748	(17,103)	(4.0)

Lottery

United States lottery service revenue declined 10.7% primarily due to the strengthening of the euro against the US dollar.

International lottery service revenue declined 2.0% primarily due to the strengthening of the euro and rate changes, partially offset by higher service revenues from an approximate 8% increase in sales by our international lottery customers.

Gaming Solutions

Gaming Solutions service revenue increased 47.4% principally due to the January 2008 acquisition of Atronic.

Interactive

Interactive service revenue of €13.3 million includes revenues from Finsoft and the April 2008 acquisitions of Boss Media and St. Minver.

Commercial Services

Due to the August 1, 2007 sale of its equity interest in POLCARD S.A., a debit/credit card merchant transaction acquirer, bank-card issuer and ATM management company in Poland, GTECH no longer has revenue (or related costs) from its Commercial Services business segment.

Product Sales

Product sales were €6.6 million higher in the six months ended June 2008 compared to the same period last year. Product sales in the first six months of 2008 included €16.2 million from Atronic. Product sales in the comparable period of the prior year included the sale of online lottery terminals and a systems upgrade to a customer in Switzerland, which did not recur in the current year.

For a complete description of GTECH's online lottery business (including how GTECH is compensated), refer to the "GTECH's Business" section of the Lottomatica 2007 Annual Report. For a list of GTECH's online lottery contracts, refer to tables 2 through 4 of the Tables of Customer Contracts section that follows.

Consolidated operating costs

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Change	
	2008	2007	€	%
Raw materials, services and other costs	390,355	315,069	75,286	23.9
Personnel	189,888	180,507	9,381	5.2
Depreciation, amortization and write-downs	143,112	135,633	7,479	5.5
Capitalization of internal construction costs - labor and overhead	(45,580)	(35,147)	(10,433)	(29.7)
Total operating costs	677,775	596,062	81,713	13.7
Percentage of total revenue	73.1%	71.3%		

By Legal Entity

Lottomatica	286,569	210,643	75,926	36.0
GTECH	391,206	385,419	5,787	1.5
Total operating costs	677,775	596,062	81,713	13.7

As previously discussed, a significant portion of GTECH's revenue and operating costs is derived from US dollar denominated contracts. On a constant currency basis, GTECH's operating costs were up €47.3 million in the six months ended June 2008 versus the same period last year, primarily due to the 2008 acquisitions of Atronic, Boss Media and St. Minver, partially offset by the sale of POLCARD S.A. in August 2007.

<i>(thousands of euros)</i>	At 2007 Constant Currency			
	For the six months ended			
	June 30,		Change	
2008	2007	€	%	
Lottomatica	286,569	210,643	75,926	36.0
GTECH	432,754	385,419	47,335	12.3
Total operating costs	719,323	596,062	123,261	20.7
Percentage of total revenue	74.0%	71.3%		

Consolidated operating costs detailed by legal entity are as follows:

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Change	
	2008	2007	€	%
By Legal Entity				
Lottomatica	211,374	142,871	68,503	47.9
GTECH	178,981	172,198	6,783	3.9
Raw materials, services and other costs	390,355	315,069	75,286	23.9
Lottomatica	45,939	42,565	3,374	7.9
GTECH	143,949	137,942	6,007	4.4
Personnel	189,888	180,507	9,381	5.2
Lottomatica	29,256	25,207	4,049	16.1
GTECH	113,856	110,426	3,430	3.1
Depreciation, amortization and write-downs	143,112	135,633	7,479	5.5
Lottomatica	-	-	-	-
GTECH	(45,580)	(35,147)	(10,433)	(29.7)
Capitalization of internal construction costs	(45,580)	(35,147)	(10,433)	(29.7)

The €75.3 million increase in Raw materials, services and other costs resulted from €68.5 million of higher costs incurred by Lottomatica along with €6.8 million of higher costs incurred by GTECH. The higher costs incurred by Lottomatica principally related to €34.1 million of variable costs associated with higher service revenue; €18.9 million of higher costs related to the Sports Betting segment, of which €14.5 million related to betting taxes which are a percentage of wagers; and €17.3 million of higher consulting, advertising and promotion costs. These higher costs were partially offset by €1.8 million of lower trade accounts receivable write-downs. The higher costs incurred by GTECH principally related to the acquisition of Atronic.

The €9.4 million increase in Personnel resulted from €3.4 million of higher costs incurred by Lottomatica along with €6.0 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 the acquisition of Atronic.

The €7.4 million increase in Depreciation, amortization and write-downs resulted from €4.0 million of higher costs incurred by Lottomatica along with €3.4 million of higher costs incurred by GTECH. The higher costs incurred by Lottomatica are principally due to the acquisition of sports betting licenses that began to amortize in July 2007, the December 2007 acquisition of Gruppo Sigma, and additional AWP machines installed during the first six months of 2008. The higher costs incurred by GTECH principally related to the January 2008 acquisition of Atronic.

The €45.6 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 and the expansion of existing lottery systems in the United Kingdom, Finland, Michigan, Sweden, Oregon and New York, along with the placement of additional video lottery terminals in Rhode Island and other participation markets. With respect to facilities management contracts, these costs are generally recovered over the initial 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 are recovered as payments are received under product sale contracts.

Foreign exchange loss, net

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Change	
	2008	2007	€	%
Realized foreign exchange losses	(1,819)	(905)	914	101.0
Unrealized foreign exchange losses	(12,376)	(13,909)	(1,533)	(11.0)
	<u>(14,195)</u>	<u>(14,814)</u>	<u>(619)</u>	<u>(4.2)</u>

Unrealized foreign exchange losses

In connection with GTECH's August 2007 sale of POLCARD S.A. to First Data International, on August 3, 2007, 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 losses of €12.4 million incurred during the first six months of 2008 include €10.7 million of losses related to this loan as the Polish zloty strengthened against the US dollar.

Unrealized foreign exchange losses of €13.9 million incurred during the first six months of 2007 are principally comprised of non-cash losses associated with an intragroup loan between Lottomatica and GTECH in connection with Lottomatica's acquisition of GTECH in August 2006. On July 13, 2007, the intragroup loan was converted from US dollars to euro and on September 7, 2007, management determined that the intragroup loan would be refinanced upon maturity with a new intragroup loan or loans. Therefore, beginning on September 7, 2007, the intragroup loan forms part of the net investment in GTECH and gains or losses on the retranslation of the intragroup loan are recorded to equity.

Interest expense

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Change	
	2008	2007	€	%
GTECH Senior Credit Facilities	(36,992)	(54,097)	(17,105)	(31.6)
Capital Securities	(31,968)	(32,011)	(43)	(0.1)
4.8% Bonds	(8,858)	(8,834)	24	0.3
Lottomatica Senior Revolving Credit Facility	(585)	-	585	-
Other	(7,368)	(3,487)	3,881	111.3
	<u>(85,771)</u>	<u>(98,429)</u>	<u>(12,658)</u>	<u>(12.9)</u>

Interest expense decreased €12.7 million principally due to lower interest expense incurred on the GTECH Senior Credit Facilities, partially offset by higher interest expense due to the January 2008 acquisition of Atronic. The lower interest expense on the GTECH Senior Credit Facilities resulted from lower interest rates during the six months ended June 2008 compared to the same period last year, along with the strengthening of the euro against the US dollar.

Weighted Average Diluted Shares

Weighted average diluted shares during the first six months of 2008 totaled 151.8 million shares, in line with the same period last year.

Income Taxes

The Company's effective tax rate during the first six months of 2008 was 34.5% compared to 48.1% during the same period last year. The rate decrease was primarily due to the reduction of the Italian corporate income tax rate from 33% to 27.5%, including its effect on deferred taxes, for years beginning in 2008. In addition, the rate during the first six months of 2007 was negatively impacted by non-deductible acquisition expenses (primarily for Italian local tax in Italy), non deductible compensation accruals and excess foreign tax credits.

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION

The Company's objective is to maintain a balance between continuity of funding 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 Cash Flow Statement

<i>(thousands of euros)</i>	For the six months ended	
	June 30,	
	2008	2007
Net cash flows from operating activities (a)	176,581	206,583
Acquisitions	(191,456)	(3,355)
Acquisitions - cash acquired	38,572	46
Purchases of systems, equipment and other assets related to contracts	(68,474)	(74,629)
Toto Carovigno S.p.A. advance and escrow payment	(40,126)	-
Finsoft contingent consideration	(13,415)	-
Purchases of intangible assets	(10,605)	(56,492)
Purchases of property, plant and equipment	(6,351)	(7,421)
Other investing activities, net	2,776	9,739
Net cash flows used in investing activities	(289,079)	(132,112)
Principal payments on long-term debt	(340,482)	(90)
Dividends paid	(125,393)	(119,695)
Interest paid	(102,599)	(110,296)
Treasury share purchases	(39,156)	-
Dividends paid - minority interest	(31,005)	(5,920)
Net proceeds from short-term borrowings	18,394	28,658
Proceeds from shares issued to employees at a discount	-	15,196
Proceeds from issuance of long-term debt	450,404	-
Other financing activities	1,893	4,838
Net cash flows used in financing activities	(167,944)	(187,309)
Net cash flow	(280,442)	(112,838)

(a) The reduction in the first half of 2008 compared to the same period last year was primarily due to €52.4 million of higher income taxes paid in the first half of 2008 compared to the first half of 2007 resulting from higher taxable income in calendar 2007 compared to calendar 2006. Under Italian law, estimated tax payments are based on the prior year's tax liability.

Analysis of Cash Flows

During the first six months of 2008, we generated €176.6 million of net cash flows from operating activities. Net cash flows used in investing activities were €289.1 million, principally due to €152.9 million for the acquisitions of Atronic, Boss Media and St. Minver, net of cash acquired, capital additions of €68.5 million for systems, equipment and other assets (principally related to spending in Michigan, Kansas, Oregon, United Kingdom and Italy), and €40.1 million for an advance and escrow payment to acquire 100% of the shares of Toto Carovigno S.p.A. Net cash flows used in financing activities of €167.9 million were principally comprised of €125.4 million of dividends paid to our shareholders in April 2008, €102.6 million of interest paid primarily on the Capital Securities and GTECH Senior Credit Facilities, €39.2 million of treasury share purchases, partially offset by €109.9 million of net proceeds from long-term debt. At June 30, 2008, we had €155.0 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 two unsecured revolving facilities totaling US\$500 million. At June 30, 2008, there were €159.8 million (US\$252.0 million) available for borrowing under these facilities. 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 Company's liquidity or capital resources. At June 30, 2008, 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 (including €360 million principal amount of 4.80% Bonds due in 2008), 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.

FINANCIAL POSITION

Summary Consolidated Balance Sheet

<i>(thousands of euros)</i>	June 30,	December 31,	Change	
	2008	2007	€	%
Systems, equipment and other assets related to contracts, net	698,393	740,260	(41,867)	(5.7)
Goodwill	2,864,486	2,793,186	71,300	2.6
Intangible assets, net	756,493	740,613	15,880	2.1
Deferred income taxes	175,136	160,758	14,378	8.9
Other non-current assets	98,210	108,103	(9,893)	(9.2)
Total non-current assets	4,592,718	4,542,920	49,798	1.1
Inventories	180,931	106,982	73,949	69.1
Trade and other receivables	908,579	695,222	213,357	30.7
Cash and cash equivalents	154,996	434,065	(279,069)	(64.3)
Other current assets	144,316	71,507	72,809	101.8
Total assets	5,981,540	5,850,696	130,844	2.2
Equity	1,569,821	1,733,191	(163,370)	(9.4)
Long-term debt, less current portion	2,338,830	2,143,722	195,108	9.1
Deferred income taxes	422,081	452,735	(30,654)	(6.8)
Other non-current liabilities	137,601	126,591	11,010	8.7
Total non-current liabilities	2,898,512	2,723,048	175,464	6.4
Accounts payable	685,375	602,556	82,819	13.7
Short-term borrowings	35,630	7,610	28,020	>200.0
Current portion of long-term debt	410,858	487,384	(76,526)	(15.7)
Income taxes payable	93,995	61,277	32,718	53.4
Other current liabilities	287,349	235,630	51,719	21.9
Total equity and liabilities	5,981,540	5,850,696	130,844	2.2

The €41.9 million decrease in systems, equipment and other assets related to contracts, net was principally due to depreciation and write-downs of €97.1 million and €36.1 million of foreign currency translation, partially offset by capital additions of €68.9 million and €23.9 million primarily related to the 2008 acquisitions of Atronic, Boss Media and St. Minver.

The €71.3 million increase in goodwill was principally due to €214.2 million primarily related to the 2008 acquisitions of Atronic, Boss Media and St. Minver, partially offset by €143.2 million of foreign currency translation.

The €15.9 million increase in intangible assets, net was principally due to €85.9 million of intangible assets principally associated with the 2008 acquisitions of Atronic, Boss Media and St. Minver, partially offset by €44.9 million of foreign currency translation and €40.3 million of amortization and write-downs.

The €73.9 million increase in inventories was principally due to inventory associated with the January 2008 acquisition of Atronic.

The €213.4 million increase in trade and other receivables was principally due to revenue growth in Lottomatica's Lottery and Gaming Solutions segments, along with €44.9 million of trade and other receivables associated with the January 2008 acquisition of Atronic. Lottomatica's trade receivables increased €160.1 million, of which €124.2 million was primarily due to higher sales of Scratch and Win tickets and approximately €23.4 million was primarily due to the placement of approximately 10,000 additional AWP machines during the first six months of 2008.

The €72.8 million increase in other current assets was principally due to a €40.1 million advance and escrow payment to acquire 100% of the shares of Toto Carovigno S.p.A., along with a €25.7 million increase in income taxes receivable primarily related to payments of Italian estimated taxes.

The €163.4 million decrease in equity was primarily due to €125.4 million of dividends paid to shareholders of the parent and €31.0 million of dividends paid to minority shareholders; €81.1 million of foreign currency translation; and €39.2 million of treasury shares purchased. These decreases were partially offset by net income of €103.5 million. The foreign currency translation principally relates to the strengthening of the euro against the US dollar (the US dollar to euro exchange rate was 1.4721 at December 31, 2007 compared to 1.5764 at June 30, 2008).

The €195.1 million increase in long-term debt, less current portion resulted from €225.0 million of combined net borrowings under the Lottomatica Senior Revolving Credit Facility and GTECH Senior Credit Facilities, along with €62.7 million of debt associated with the January 2008 acquisition of Atronic, partially offset by €92.7 million of foreign currency translation.

The €30.7 million decrease in deferred income taxes was principally due to a decrease in the Italian corporate tax rate from 33% to 27.5%, book depreciation in excess of tax depreciation, and the amortization of acquired intangible assets.

The €82.8 million increase in accounts payable was principally due to Lottomatica's €54.0 million increase in accounts payable primarily related to a higher volume of Lottomatica's Scratch and Win tickets, along with €36.5 million primarily related to the 2008 acquisitions of Atronic, Boss Media and St. Minver.

The €28.0 million increase in short-term borrowings was principally due to €29.8 million of borrowings under uncommitted lines of credit.