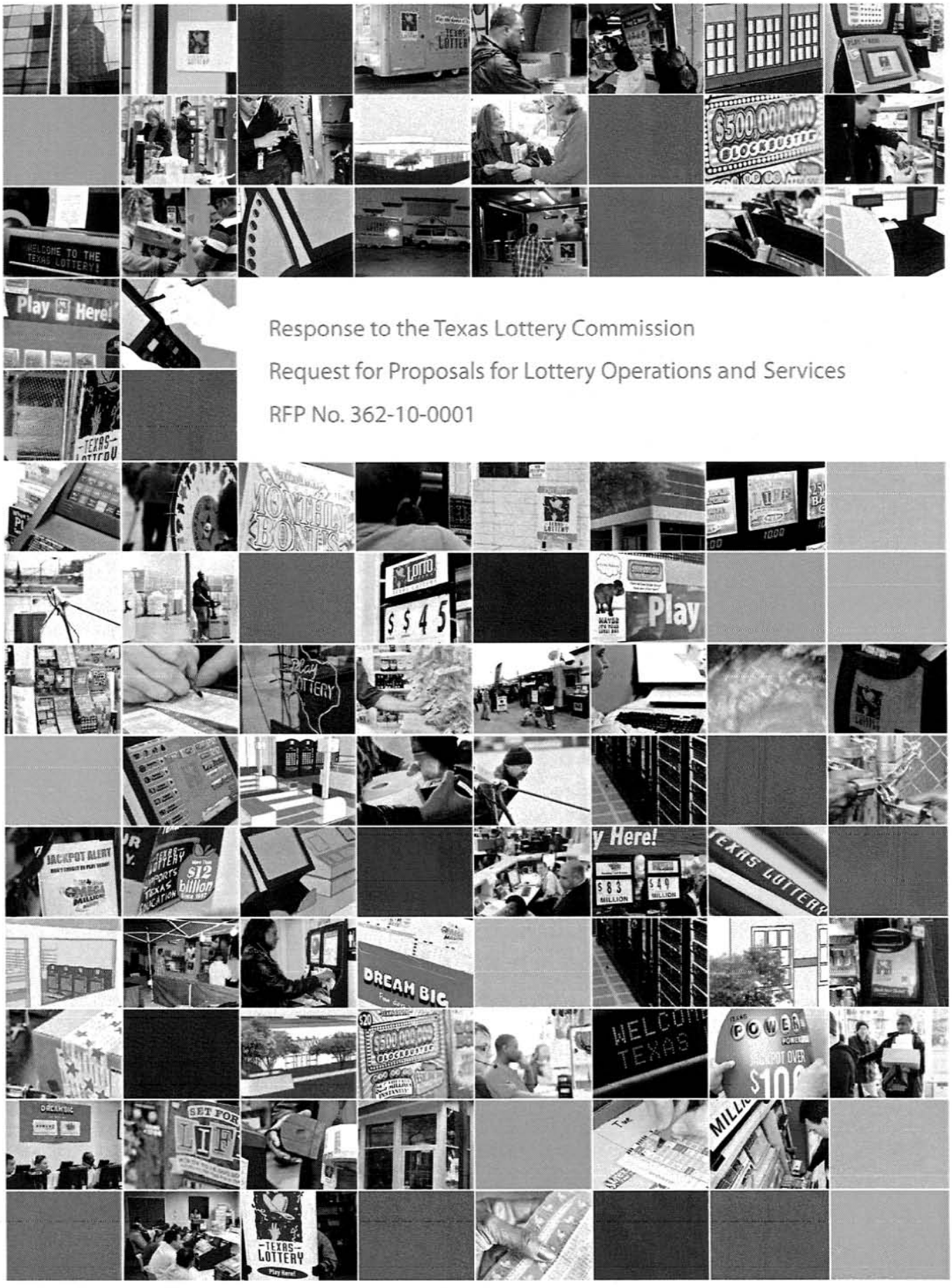


DOCUMENT REDACTED BY TLC - 12-4-10

The enclosed proposal contains trade secrets and other confidential information of GTECH Corporation ("GTECH"), as defined by Texas state law. Such information is exempt from public disclosure pursuant to the Texas Public Information Act and Texas State Lottery Act, specifically the Texas Government Code, [Title 5 (Open Government; Ethics), Subtitle A (Open Government), Chapter 552 (Public Information), Subchapter C (Information Excepted from Public Disclosure), in particular, §§ 552.101 (Exception: Confidential Information), 552.102 (Exception: Personnel Information), 552.104 (Exception: Information Related to Competition or Bidding), 552.110 (Exception: Trade Secrets; Certain Commercial or Financial Information)]; and the Texas Administrative Code [Title 16 (Economic Regulation), Part 9 (Texas Lottery Commission), Chapter 401 (Administration of State Lottery Act), Subchapter G, § 401.501 (Lottery Security)]; as well as applicable Texas common law.

Pursuant to RFP Section 1.9, Proposals Subject to Texas Public Information Act, GTECH has clearly marked each instance of confidential information by placing the word "CONFIDENTIAL," on each such page in its proposal, including exhibits and inserts where applicable. In addition, where only part of the information on a page is considered confidential, GTECH has identified the information that is exempt from public disclosure with the following marking: "Confidential material begins here" and "Confidential material ends here." In each instance where confidential information appears in the enclosed proposal, GTECH has included a reference to the statutory exemption(s), which protect(s) this information from public disclosure.

As further required by RFP Section 1.9, a catalog of confidential information (in table format) within GTECH's proposal is included immediately after the Transmittal Letter. The catalog provides a reference to the page and section number within the proposal where the confidential information is located, the statutory exemption(s) that applies, and the specific details as to why each instance of confidential information is exempt from public disclosure, including relevant facts as to how disclosure would cause substantial competitive harm to GTECH.

© GTECH Corporation 2010. All rights reserved.

DOCUMENT REDACTED BY TLC - 12-4-10

The trademarks and logos contained in this document are marks owned by or exclusively licensed to GTECH Corporation.

DOCUMENT REDACTED BY TLC - 12-4-10

Exhibit 28

Financial Statements

Confidential

DOCUMENT REDACTED BY TLC - 12-4-10

2010 Lottomatica First Quarter Report

DOCUMENT REDACTED BY TLC - 12-4-10



FIRST QUARTER 2010 REPORT

FOR THE PERIOD ENDING MARCH 31, 2010

DOCUMENT REDACTED BY TLC - 12-4-10

TABLE OF CONTENTS

Page

Management Discussion and Analysis

Lottomatica Group S.p.A. Profile 3

Lottomatica Group 5

Operating and Financial Review 7

Significant Developments 23

Risks and Uncertainties 25

Predictable Developments 27

Lottomatica Stock Information 28

Environmental Commitments 30

Interim Consolidated Financial Statements and Footnotes – March 31, 2010

- Statements of Financial Position 36
- Income Statements 37
- Statements of Comprehensive Income 38
- Statements of Cash Flows 39
- Statements of Changes in Equity 40
- Notes to Financial Statements 42

Declaration of Manager Responsible for the
Preparation of Lottomatica Group S.p.A. Financial Reports
Pursuant to Article 154-bis, par. 2 of the Legislative Decree
No. 58/1998, as Subsequently Amended and Integrated 89

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP S.p.A. Profile

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

Company Name	Lottomatica Group - 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, 2010: €180,857,821 authorized ordinary shares, €1.00 par value per share; 172,015,373 shares paid and subscribed
Registered Office	Roma - Viale del Campo Boario 56/d
Board of Directors (1)	
Chairman	Lorenzo PELLICIOLI
Vice Chairman	Robert DEWEY Jr. *
Managing Director and C.E.O.	Marco SALA
Board Members	Pietro BOROLI Paolo CERETTI Marco DRAGO Jeremy HANLEY, KCMG* James MCCANN * Jaymin PATEL Anthony RUYS * Severino SALVEMINI * Gianmario TONDATO DA RUOS ** William Bruce TURNER
** Denotes Independent Directors* *** Denotes Lead Independent Director*	
General Manager (2)	Renato ASCOLI
Board of Statutory Auditors : (1)	
Chairman	Sergio DUCA
Regular Members	Angelo GAVIANI Francesco MARTINELLI
Substitute Members	Gian Piero BALDUCCI Giulio GASLOLI Umile Sebastiano IACOVINO Guido MARTINELLI Marco SGUAZZINI VISCONTINI

DOCUMENT REDACTED BY TLC - 12-4-10

Independent Auditors	Reconta Ernst & Young S.p.A.
Members of the Executive Committee (3)	Lorenzo PELLICIOLI **(Chairman)** Pietro BOROLI Paolo CERETTI Marco DRAGO Jaymin PATEL Marco SALA
Members of the Audit and Compliance Committee **(3)**	Severino SALVEMINI (Chairman) Jeremy HANLEY, KCMG Anthony RUYS
Members of the Remuneration Committee **(3)**	Gianmario TONDATO DA RUOS (Chairman) Robert DEWEY Jr. 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 28, 2009.
(3) As enacted by the Board of Directors at a meeting held on April 15, 2008.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP

Lottomatica Group 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 Group 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 this report.

As further described in the Business Overview section of 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 247,000 terminals in about 109,500 points of sale (including approximately 26,000 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. 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. Prior to this license, Lottomatica had operated only sports pools with a concession that began in 2003 and expired in December 2007. Lottomatica, in order to develop the Italian sports betting/interactive market, has continued to acquire further points of sale. As of March 31, 2010, 1,699 points of sale were acquired.

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, 25 of the 44 lottery authorities in the United States, and 53 non-U.S. lottery authorities.

DOCUMENT REDACTED BY TLC - 12-4-10

The Group operates in the gaming machine market through Lottomatica's Italian subsidiary Lottomatica Videolot Rete S.p.A., its Canadian subsidiary Spielo Manufacturing, ULC ("Spielo"), a leading provider of video lottery terminals ("VLTs") and related products and services to the global gaming industry, and its Atronic group of companies ("Atronic"). Lottomatica Videolot Rete operates on its networks with amusement with prize machines ("AWPs"). Atronic, a leading video gaming machine provider in Europe, Asia and Latin America, operates in the United States and is licensed in approximately 203 worldwide gaming jurisdictions.

The Group 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 through GTECH G2, a division of GTECH comprised of its Finsoft, Boss Media and St. Minver groups of subsidiaries.

Additionally, the Group has leveraged its distribution and transaction processing competence to expand its activities to include commercial services through its networks worldwide.

For management purposes, the Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit. The Group's reportable segments are as follows:

- The Italian Operations segment operates and provides a full range of gaming services, including online, instant and traditional lotteries, scratch and win, sports betting, machine gaming, interactive skill games and non-lottery commercial transactions;
- The GTECH Lottery segment operates and provides a full range of services, technology and products to government sponsored online, instant and traditional lotteries;
- The Gaming Solutions segment operates and provides solutions, products and services relating to VLTs and associated systems for the government sponsored market and video and traditional mechanical reel slot machines and systems for the commercial gaming markets; and
- The GTECH G2 segment provides digitally-distributed, multi-channel gaming entertainment products and services, including sports betting, lottery, bingo, poker, casino games and quick games, as well as retail solutions for real-time transaction processing and information systems for the sports-betting market.

The Group has operations in more than 50 countries worldwide on six continents and had 7,706 employees as of March 31, 2010. For additional information on the Group, please go to its website at: www.gruppolottomatica.it/eng/aboutus/index.htm.

DOCUMENT REDACTED BY TLC - 12-4-10

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 first quarter of 2010 was in line with our expectations. We experienced some very positive outcomes that position us very well for future growth and, at the same time, there were developments that need to be addressed going forward.

As is sometimes the case with our business, quarterly, year-over-year comparisons can be misleading. Our results might be impacted in the short term by one-time events such as large jackpots, non-recurring product sales, fluctuations in payout percentages as well as changes in our contract portfolio mix.

The first quarter of last year was our best quarter on record in terms of operating income, EBITDA and EBIT driven by solid revenue performance, exceptionally low sports betting payouts, considerable jackpot activity, and a significant product sale in the GTECH Lottery segment. For the first quarter of 2010, we experienced an unusually low level of late numbers in the Italian Lotto game, higher than average payout levels in sports betting, and no major product sales or significant multi-state United States ("US") jackpots.

Our business rests on the fundamental science of statistics. The impact of jackpots, prize payouts and late numbers, all important variables in our business, are predictable with a high degree of reliability over an appropriate period of time. It is a given that these events will occur over the course of a full year but their impact on a quarter can vary.

We are witnessing an evolution of the Italian gaming market and we expect the Italian gaming machine and sports betting sectors to become drivers of our growth going forward. Lotto and Scratch and Win will continue as the foundation of our success in our Italian business but those sectors are maturing.

The Italian Scratch and Win tender was resolved with the Lottomatica-led consortium, Consorzio Lotterie Nazionali, as the sole bidder. This is a very positive outcome for us. Once the concession is awarded, we will have secured the Scratch and Win business for nine more years at rates that are more favorable than the current ones. We have been planning and preparing for this license for some time. Our retail network is one of the best and we have the marketing expertise and local market understanding to sustain the profitability of this sector going forward.

On April 30, 2010 we exercised our rights for the maximum allowable number of 10,761 VLT licenses that have a nine-year term and a very attractive rate of return over that period. We expect to have our first VLTs introduced to the market by mid 2010.

In addition, the two US multi-state jackpot games, PowerBall and Mega Millions, began cross selling one another's games at the end of January. More time is needed to properly analyze the impact of this development. However, initial results seem to validate the predictions that cross-selling will drive growth for our customers in the US market.

DOCUMENT REDACTED BY TLC - 12-4-10

The modest positive impact of the few weeks of cross-selling was masked over by the impact of Florida and California that have not yet joined the cross-selling effort and each had declining results for the quarter as well.

Florida is planning on joining in the cross-selling effort this quarter and California is evaluating its options. There were other major developments in California. Prize payout reform legislation was finally passed. The California Lottery will now have the authority and flexibility to manage its portfolio of games to implement industry best practices.

After a concerted restructuring effort, our Gaming Solutions business improved its performance. While still suffering the affects of low demand, there are encouraging signs, particularly in the government-sponsored markets in the US. In addition, our Spielo subsidiary has established a major presence in Italy as a supplier not only to Lottomatica but other operators as well.

Presented below are the Group's key performance indicators (in thousands of euros, except per share amounts).

	For the three months ended			
	March 31,		Decrease	
	2010	2009	€	%
Revenue	544,648	582,247	(37,599)	(6.5)
EBITDA	197,337	239,553	(42,216)	(17.6)
Operating income	118,090	155,197	(37,107)	(23.9)
EBIT	117,963	165,508	(47,545)	(28.7)
Net income	41,338	85,809	(44,471)	(51.8)
Diluted earnings per share	0.18	0.48	(0.30)	(62.5)

Consolidated revenue for the first three months of 2010 decreased 6.5% from the same period in 2009. Service revenue declined approximately 4% to €519.9 million and product sales for the first three months of 2010 totaled €24.8 million, compared to €40.8 million during the same period of 2009 when a significant product sale was recorded to our customer in Denmark.

EBITDA decreased 17.6% resulting from lower operating income primarily in the Italian Operations and GTECH Lottery segments. The €37.1 million decrease in operating income was principally due to lower service revenue in the Italian Operations segment and lower product sale revenue in the GTECH Lottery segment. The service revenue decrease resulted from a decline in Lotto and sports betting wagers. The payout percentage for sports betting wagers during the first three months of 2010 was unusually high compared to the same period of the prior year, however, we expect the average payout percentage for the full year of 2010 to be lower than the first three months of 2010 and in line with previous full year payout percentages. GTECH Lottery was impacted by the cyclicality of product sales as described above.

DOCUMENT REDACTED BY TLC - 12-4-10

EBITDA AND EBIT

EBITDA and EBIT are considered alternative performance measures that are not defined measures under 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:

	For the three months ended			
	March 31,		Increase (decrease)	
(thousands of euros)	2010	2009	€	%
Operating income	118,090	155,197	(37,107)	(23.9)
Depreciation	57,180	59,708	(2,528)	(4.2)
Amortization	21,729	24,677	(2,948)	(11.9)
Other	338	(29)	367	>200.0
EBITDA	197,337	239,553	(42,216)	(17.6)
Operating income	118,090	155,197	(37,107)	(23.9)
Equity loss	(101)	(273)	172	63.0
Other income	304	504	(200)	(39.7)
Other expense	(1,243)	(1,100)	(143)	(13.0)
Foreign exchange gain, net	913	11,180	(10,267)	(91.8)
EBIT	117,963	165,508	(47,545)	(28.7)

DOCUMENT REDACTED BY TLC - 12-4-10

COMPARISON OF THE THREE MONTH PERIODS ENDED MARCH 31, 2010 AND 2009

Consolidated revenue for the three months ended March 31, 2010 decreased 6.5% from the same period last year as detailed by operating segment below.

	For the three months ended			
	March 31,		Increase (decrease)	
(thousands of euros)	2010	2009	€	%
Italian Operations	301,172	319,229	(18,057)	(5.7)
GTECH Lottery	192,798	214,903	(22,105)	(10.3)
Gaming Solutions	33,230	31,398	1,832	5.8
GTECH G2	18,375	17,395	980	5.6
	545,575	582,925	(37,350)	(6.4)
Elimination of intersegment revenue	(999)	(774)	(225)	(29.1)
Purchase accounting **(a)**	72	96	(24)	(25.0)
Total revenue	544,648	582,247	(37,599)	(6.5)

(a) Represents the amortization of acquired tangible and intangible assets in connection with the August 2006 acquisition of GTECH by Lottomatica.

Italian Operations segment

Consolidated revenue includes the following amounts for the Italian Operations segment:

	For the three months ended			
	March 31,		Increase (decrease)	
(thousands of euros)	2010	2009	€	%
Lotto	78,339	93,307	(14,968)	(16.0)
Instant tickets	88,448	92,338	(3,890)	(4.2)
Other	556	716	(160)	(22.3)
Lottery	167,343	186,361	(19,018)	(10.2)
Sports Betting	49,198	63,516	(14,318)	(22.5)
Machine Gaming	49,398	35,843	13,555	37.8
Interactive	11,424	10,190	1,234	12.1
Commercial Services	23,809	23,319	490	2.1
Total revenue	301,172	319,229	(18,057)	(5.7)

The Italian Operations segment includes all Italian licenses related activities including our exclusive concessionaires (lotteries) and multi-provider concessionaires (sports betting and pools, horse-race betting and pools, gaming machines, skill game wagers such as online poker, and transaction processing of non-lottery commercial transactions).

DOCUMENT REDACTED BY TLC - 12-4-10

A substantial portion of revenue from the Italian Operations segment is derived from the Lotto concession under which 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.

A detailed analysis of the performance during the first three months of 2010 for each product and service reported within the Italian Operations segment as compared to the same period last year is described below.

Lotto

Lotto revenue declined 16.0% due to a corresponding decline in Lotto wagers as detailed in the table below.

	For the three months ended			
	March 31,		Decrease	
(millions of euros)	2010	2009	Wagers	%
Core wagers	1,156.7	1,299.2	(142.5)	(11.0)
Wagers for late numbers	47.2	134.4	(87.2)	(64.9)
	1,203.9	1,433.6	(229.7)	(16.0)

Instant tickets

Instant ticket revenue decreased 4.2% primarily due to lower sales of Scratch and Win tickets as detailed in the table below. The €106.7 million decrease in instant ticket sales was principally due to a decline in the sale of €10 and €3 tickets.

	For the three months ended			
	March 31,		Increase (decrease)	
	2010	2009	Amount	%
Total tickets sold (in millions)	636.1	677.3	(41.2)	(6.1)
Total sales (in millions)	€ 2,489.7	€ 2,596.4	(€ 106.7)	(4.1)
Average price point	€ 3.91	€ 3.83	€ 0.08	2.1

DOCUMENT REDACTED BY TLC - 12-4-10

Sports Betting

Sports betting revenue decreased 22.5% due to an unusually high payout percentage during the first three months of 2010 compared to the same period of the prior year. As of March 31, 2010, our market share (in terms of total wagers) with respect to fixed odds sports-betting operations was 20.8% with 1,210 fixed odds sports-betting and 489 sports pool points of sale locations operational.

	For the three months ended			
	March 31,		Increase (decrease)	
(millions of euros)	2010	2009	Wagers	%
Fixed odds sports betting wagers	282.7	218.6	64.1	29.3
Sports pool wagers	25.9	38.4	(12.5)	(32.6)
	308.6	257.0	51.6	20.1

Machine Gaming

Machine Gaming revenue increased 37.8% primarily driven by a €61.3 million increase in wagers on AWPs as detailed in the table below.

	For the three months ended			
	March 31,		Increase	
	2010	2009	Amount	%
AWP wagers (in millions)	€ 1,114.5	€ 1,053.2	€ 61.3	5.8
AWP machines installed (end of March)	51,094	51,045	49	0.1

Interactive

Interactive revenue increased 12.1% principally driven by an increase in online poker wagers as detailed in the table below.

	For the three months ended			
	March 31,		Increase (decrease)	
(millions of euros)	2010	2009	Wagers	%
Online poker wagers	93.7	75.4	18.3	24.3
Other skill game wagers	9.0	-	9.0	-
	102.7	75.4	27.3	36.2

Commercial Services

Commercial Services revenue increased 2.1% principally due to an increase in bill payment services, electronic top-up services for prepaid mobile, and ticketing services for sporting and musical events.

DOCUMENT REDACTED BY TLC - 12-4-10

GTECH Lottery segment

Consolidated revenue includes the following amounts for the GTECH Lottery segment:

	For the three months ended			
	March 31,		Increase (decrease)	
(thousands of euros)	2010	2009	€	%
United States	108,995	122,161	(13,166)	(10.8)
International	78,558	68,999	9,559	13.9
Service revenue	187,553	191,160	(3,607)	(1.9)
United States	3,253	2,610	643	24.6
International	1,992	21,133	(19,141)	(90.6)
Product sales	5,245	23,743	(18,498)	(77.9)
United States	112,248	124,771	(12,523)	(10.0)
International	80,550	90,132	(9,582)	(10.6)
Total revenue	192,798	214,903	(22,105)	(10.3)

GTECH Lottery revenue is principally comprised of service revenue 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 Lottery product sale revenue is derived primarily from the installation of new online lottery and gaming systems, installation of new software and sales of lottery and gaming terminals and equipment in connection with the expansion of existing lottery and gaming 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.

Service Revenue

United States lottery service revenue decreased 10.8% primarily due to net contract losses and the strengthening euro against the US dollar.

International lottery service revenue increased 13.9% primarily due to contractual and effective rate changes, net contract wins and fluctuations in foreign currency exchange rates against the euro.

DOCUMENT REDACTED BY TLC - 12-4-10

Product Sales

International lottery product sale revenue decreased €19.1 million during the first three months of 2010 compared to the same period of the prior year. Product sale revenue from period to period fluctuates due to the mix, volume and timing of product sale transactions. Product sales during the first quarter of 2009 included the sale of new lottery terminals to our customer in Denmark.

Gaming Solutions segment

Consolidated revenue includes the following amounts for the Gaming Solutions segment:

	For the three months ended			
	March 31,		Increase (decrease)	
(thousands of euros)	2010	2009	€	%
Service Revenue	14,910	15,478	(568)	(3.7)
Product Sales	18,320	15,920	2,400	15.1
Total revenue	33,230	31,398	1,832	5.8

GTECH G2 segment

Consolidated revenue includes the following amounts for the GTECH G2 segment:

	For the three months ended			
	March 31,		Increase	
(thousands of euros)	2010	2009	€	%
Service Revenue	17,186	16,314	872	5.3
Product Sales	1,189	1,081	108	10.0
Total revenue	18,375	17,395	980	5.6

DOCUMENT REDACTED BY TLC - 12-4-10

Consolidated operating costs

	For the three months ended			
	March 31,		Increase (decrease)	
(thousands of euros)	2010	2009	€	%
Raw materials, services and other costs	257,880	247,966	9,914	4.0
Personnel	107,686	112,188	(4,502)	(4.0)
Depreciation	57,180	59,708	(2,528)	(4.2)
Amortization	21,729	24,677	(2,948)	(11.9)
Capitalization of internal construction costs - labor and overhead	(17,917)	(17,489)	(428)	(2.4)
Total operating costs	426,558	427,050	(492)	(0.1)
Percentage of total revenue	78.3%	73.3%		

Consolidated operating costs during the first three months of 2010 decreased slightly from the same period of the prior year principally due to lower costs related to a decline in product sale revenue during the first three months of 2010 and lower costs related to the effect of the strengthing euro against the US dollar. These cost decreases were partially offset by higher video lottery point of sale fees related to the 37.8% increase in Machine Gaming revenue in the Italian Operations segment.

The Group devotes substantial resources to enhance our present products and systems and develop new products. The aggregate amount of research and development expenditures recognized as expense during the first three months of 2010 and 2009 was €13.5 million and €17.3 million, respectively.

The Group's worldwide employees are comprised of the following personnel:

	Number of employees		
	As of		
Personnel Description	March 31, 2010	December 31, 2009	2010 Average
Executives	396	400	398
Middle Management	984	977	980
All Other Permanent Employees	5,958	6,131	5,951
Employees with Temporary Employment Contracts	368	164	386
	7,706	7,672	7,715

DOCUMENT REDACTED BY TLC - 12-4-10

Foreign exchange gain (loss), net

Foreign exchange gains and losses are classified as realized (cash) or unrealized (non-cash) as follows:

	For the three months ended			
	March 31,		Increase (decrease)	
(thousands of euros)	2010	2009	€	%
Cash foreign exchange gain (loss)	72	(190)	262	137.9
Non-cash foreign exchange gain	841	11,370	(10,529)	(92.6)
	913	11,180	(10,267)	(91.8)

Non-cash foreign exchange gain

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. ("GTECH Polska"), loaned Polish zloty 255.6 million (at market interest rates) to GTECH Global Services Corporation Limited ("GGSC"), whose functional currency is the US dollar. GGSC repaid this loan in 2009 principally using the proceeds of non-cash dividends from GTECH Polska. Non-cash foreign exchange gains incurred during the three months ended March 31, 2009 include €10.3 million of gains on this loan resulting from fluctuations in the Polish zloty to US dollar exchange rate.

Interest expense

	For the three months ended			
	March 31,		Increase (decrease)	
(thousands of euros)	2010	2009	€	%
Capital Securities	(15,921)	(16,049)	(128)	(0.8)
GTECH Senior Credit Facilities	(13,192)	(15,798)	(2,606)	(16.5)
Notes	(9,627)	-	9,627	-
Interest Accretion on Swap Liability	(886)	-	886	-
Lottomatica Term and Revolving Facilities	(63)	(4,920)	(4,857)	(98.7)
Other	(1,569)	(5,329)	(3,760)	(70.6)
	(41,258)	(42,096)	(838)	(2.0)

Weighted Average Diluted Shares

Weighted average diluted shares during the first three months of 2010 totaled 168.1 million shares, an increase of 19.5 million shares over the same period of the prior year primarily due to the issuance of 19.7 million shares in November 2009 to support development plans in Italy, primarily for the renewal of the Gratta & Vinci (Scratch & Win) concession and the purchase of video lottery terminal ("VLT") rights.

DOCUMENT REDACTED BY TLC - 12-4-10

Income Taxes

The Group's effective income tax rate during the first three months of 2010 was 46.6% compared to 31.0% during the same period last year. The rate increase was primarily due to the termination of the Group's intercompany debt funding structure resulting from a change in Italian tax legislation, along with losses in certain foreign subsidiaries without any associated tax benefit.

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION

The Group's objective is to maintain adequate liquidity and flexibility through the use of cash generated from 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,	
(thousands of euros)	2010	2009
Net cash flows from operating activities	143,277	148,071
Purchases of systems, equipment and other assets related to contracts	(45,806)	(37,588)
Investment in government securities	(14,347)	-
Other investments	(9,746)	(1,317)
Purchases of intangible assets	(3,147)	(991)
Other investing activities, net	(4,694)	(4,933)
Net cash flows used in investing activities	(77,740)	(44,829)
Interest paid	(75,197)	(84,201)
Net repayments of debt	(15,597)	(47,689)
Other financing activities, net	(1,822)	186
Net cash flows used in financing activities	(92,616)	(131,704)
Net cash flows	(27,079)	(28,462)

DOCUMENT REDACTED BY TLC - 12-4-10

Analysis of Cash Flows

During the first three months of 2010, we generated €143.3 million of net cash flows from operating activities, a decrease of €4.8 million from the same period of 2009, primarily due to changes in net working capital.

The €45.8 million of capital additions for systems, equipment and other assets were principally related to spending in New York, North Carolina, California and Italy. Investment in government securities related to short-term investments of excess cash. Other investments principally related to investments in available-for-sale financial investments. Intangible asset additions of €3.1 million were principally related to patents, concessions and licenses acquired for the Italian Operations segment.

Interest paid of €75.2 million in the first three months of the current year principally relates to the Capital Securities and GTECH Senior Credit Facilities. At March 31, 2010, we had €445.7 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 the GTECH Senior Credit Revolving Facilities (totaling US$500 million) and LTO Revolving Credit Facility (totaling €300 million). At March 31, 2010, there was €669.0 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, 2010, 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.

During 2009, we made a €80.7 million non-refundable payment representing 50% of the total cost of 10,761 VLT rights in Italy (€7,500 per right, representing 50% of the total €15,000 per right) which was included in intangible assets, net in our December 31, 2009 consolidated statement of financial position. On April 30, 2010, we elected to purchase all 10,761 VLT rights, payment of which is currently due on June 30, 2010 (€80.7 million), although the possibility to postpone this latter deadline to November 30, 2010 is currently being discussed in the Italian Parliament. As a result of the purchase of the VLT rights, Lottomatica's concession to operate in the Italian machine gaming market is expected to be renewed for another nine years.

DOCUMENT REDACTED BY TLC - 12-4-10

Summary Statements of Financial Position

(thousands of euros)	March 31, 2010	December 31, 2009	Increase (decrease) €	Increase (decrease) %
Systems, equipment and other assets related to contracts, net	810,384	774,558	35,826	4.6
Goodwill	3,159,170	3,006,783	152,387	5.1
Intangible assets, net	844,714	822,886	21,828	2.7
Deferred income taxes	6,703	6,030	673	11.2
Other non-current assets	132,017	118,966	13,051	11.0
Total non-current assets	4,952,988	4,729,223	223,765	4.7
Inventories	141,896	134,080	7,816	5.8
Trade and other receivables	792,966	791,803	1,163	0.1
Cash and cash equivalents	445,717	469,335	(23,618)	(5.0)
Other current assets	104,162	74,258	29,904	40.3
Non-current assets classified as held for sale	6,240	5,890	350	5.9
Total assets	6,443,969	6,204,589	239,380	3.9
Equity	2,044,298	1,896,807	147,491	7.8
Long-term debt, less current portion	2,704,341	2,621,990	82,351	3.1
Deferred income taxes	145,982	134,127	11,855	8.8
Non-current financial liabilities	151,183	142,317	8,866	6.2
Other non-current liabilities	78,686	78,154	532	0.7
Total non-current liabilities	3,080,192	2,976,588	103,604	3.5
Accounts payable	853,818	905,677	(51,859)	(5.7)
Short-term borrowings	4,747	5,079	(332)	(6.5)
Current financial liabilities	107,542	59,885	47,657	79.6
Current portion of long-term debt	15,979	67,186	(51,207)	(76.2)
Income taxes payable	45,352	20,945	24,407	116.5
Other current liabilities	292,041	272,422	19,619	7.2
Total equity and liabilities	6,443,969	6,204,589	239,380	3.9

The €35.8 million increase in systems, equipment and other assets related to contracts, net was principally due to €47.0 million of capital additions and €43.1 million of foreign currency translation, which was partially offset by €53.9 million of depreciation.

The €152.4 million increase in goodwill was primarily due to foreign currency translation.

DOCUMENT REDACTED BY TLC - 12-4-10

The €21.8 million increase in intangible assets, net was principally due to €40.4 million of foreign currency translation which was partially offset by €21.7 million of amortization.

The €29.9 million increase in other current assets was principally due to a €14.3 million investment in government securities, a €7.8 million increase in AAMS performance bonus, along with increases in prepaid expenses and value-added tax receivable.

The €147.5 million increase in equity was primarily due to €153.4 million of foreign currency translation and €41.3 million of net income. These increases were partially offset by €45.6 million of dividends declared to non-controlling shareholders.

The €82.4 million increase in long-term debt, less current portion was principally due to foreign currency translation.

The €51.9 million decrease in accounts payable was principally due to the timing of payments in Italy and for GTECH's ongoing lottery system implementations, along with a decrease in accounts payable primarily related to lower Lotto wagers.

The €47.7 million increase in current financial liabilities was primarily due to €45.6 million of dividends declared to non-controlling shareholders.

The €51.2 million decrease in current portion of long-term debt was primarily due to interest paid during the first three months of 2010.

The €24.4 million increase in income taxes payable was primarily due to the timing of estimated tax payments.

DOCUMENT REDACTED BY TLC - 12-4-10

Consolidated Net Financial Position

The Group's consolidated net financial position at March 31, 2010 declined €93.6 million from its net financial position at December 31, 2009 principally due to the strengthening euro against the US dollar. Consolidated net financial position is calculated as follows:

(thousands of euros)	March 31, 2010	December 31, 2009	Change
Cash on hand	510	453	57
Cash at bank	445,207	468,882	(23,675)
Cash and cash equivalents	445,717	469,335	(23,618)
Current financial receivables	21,931	4,613	17,318
Dividends payable	45,638	-	45,638
Swap Liability	30,225	29,924	301
Boss Media contingent liability	20,555	17,521	3,034
Notes	13,225	3,147	10,078
Atronic related debt	5,506	21,782	(16,276)
Short-term borrowings	1,944	467	1,477
Capital Securities	-	46,618	(46,618)
Other	11,175	12,691	(1,516)
Current financial debt	128,268	132,150	(3,882)
Net current financial debt (cash)	(339,380)	(341,798)	2,418
GTECH Senior Credit Facilities	1,224,644	1,145,100	79,544
Notes	744,568	740,821	3,747
Capital Securities	733,844	733,180	664
Interest rate swaps	58,327	53,094	5,233
Swap Liability	56,975	56,391	584
Atronic related debt	2,383	2,803	(420)
Other	34,783	32,918	1,865
Non current financial debt	2,855,524	2,764,307	91,217
Net financial position	2,516,144	2,422,509	93,635

DOCUMENT REDACTED BY TLC - 12-4-10

Reconciliation of Group Equity

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

	Attributable to owners of the parent			
(thousands of euros)	Lottomatica Group S.p.A.	All other subsidiaries	Non-Controlling interests	Consolidated
Balance at January 1, 2010	2,088,214	(250,480)	59,073	1,896,807
Fair value of interest rate swaps	-	(1,352)	-	(1,352)
Amortization of unrecognized gain on interest rate swap	(142)	-	-	(142)
Unrecognized net gain on derivative instruments	-	1,594	-	1,594
Unrecognized net gain on available for sale investment	-	91	-	91
Foreign currency translation	-	153,442	-	153,442
Net income for the period	3,024	26,415	11,899	41,338
Dividends declared	-	-	(45,638)	(45,638)
Share-based payment	1,338	-	-	1,338
Intragroup merger **(a)**	112,662	(112,662)	-	-
Change in fair value of put/call option arising from business combination	-	(102)	-	(102)
Purchase of non-controlling interest	-	(2,061)	(1,017)	(3,078)
Balance at March 31, 2010	2,205,096	(185,115)	24,317	2,044,298

(a) Effective January 1, 2010, Lottomatica Sistemi S.p.A. and Lottomatica International S.r.l. were merged into Lottomatica Group S.p.A.

Transactions with Related Parties

During the first three months of 2010 there were no significant transactions, including intragroup, with related parties which qualified as unusual or atypical. Any related party transactions formed part of the normal business activities of the companies in the Group. Such transactions were concluded at standard market terms for the nature of goods and/or services offered.

Information on transactions with related parties, including specific disclosures required by CONSOB, is provided in Footnote 29 of the Interim Consolidated Financial Statements included herein.

DOCUMENT REDACTED BY TLC - 12-4-10

SIGNIFICANT DEVELOPMENTS

Since the start of the first quarter of 2010, the Group has reported a number of significant developments.

Developments During the First Quarter of 2010

Contract Developments

In January 2010, GTECH signed a five-year contract extension with SAZKA, a.s., the operator of lottery and betting games in the Czech Republic, to continue providing online lottery products and services, as well as install and operate a new IP-telecommunications network. The contract extension will commence on January 1, 2018.

In March 2010, GTECH Printing Corporation signed a contract with the New Mexico Lottery to serve as its primary instant ticket vendor. The term of the contract, which was the result of a competitive procurement, is four (4) years with four (4) one-year extension options available.

Other Business Developments

As previously disclosed in a prior report, in October 2009, following the procedure contemplated in the open and competitive tender for a new Scratch & Win concession in Italy, Consorzio Lotterie Nazionali (a consortium in which Lottomatica owns a 63% interest and which was created for Scratch & Win in Italy) made the only formal offer for a license to operate the national instant lotteries in Italy for a period of nine (9) years. In November 2009, the judgment by the Regional Administrative Court of Lazio was filed and made known to the public, granting the challenge filed by Sisal S.p.A. for the annulment of the above-mentioned tender for the management of the national instant lotteries. Both the AAMS and Consorzio Lotterie Nazionali filed an appeal requesting an annulment of the decision by the Regional Administrative Court of Lazio. Sisal filed its own appeal asking for a referral to the European Court of Justice.

After a hearing held on March 9, 2010 the State Council accepted the appeal submitted by AAMS and by Consorzio Lotterie Nazionali and a portion of the appeal submitted by Sisal, and ruled that Article 21, Paragraph 5 of the law 102/2009 regulating the tender, as well as the clauses of the tender reflecting such article, are not applicable. Paragraph 5 of said law is related to the interim period during which Consorzio Lotterie Nazionali would continue to manage the existing instant lotteries through January 2012.

On March 30, 2010, AAMS issued a decree to reopen the prior public tender for the new Scratch & Win concession and to remove from that tender the clauses which the State Council had found to be inapplicable in its March 9, 2010 ruling. AAMS set a date of May 10, 2010 for submission of bids to participate in the reopened tender.

DOCUMENT REDACTED BY TLC - 12-4-10

Developments After the Close of the First Quarter of 2010

Contract Developments

In April 2010, Lottomatica announced that GTECH had been named the apparent successful bidder by the Kentucky Lottery Corporation to provide a complete array of online lottery products and services, following a competitive procurement. The proposed seven (7) year contract is expected to commence in June 2011 and allows for eight (8) one-year extension options, for a total of fifteen (15) years. GTECH Printing Corporation was also selected by the Kentucky Lottery Corporation as a secondary provider of instant tickets over a base period of five (5) years.

In April 2010, Lottomatica's subsidiary, GTECH Foreign Holdings Corporation, signed an eleven (11) year contract with Concesionaria de Entretenimientos y Turismo S.A. (CET) to supply, operate and support the central system that will monitor as many as 5,400 VLTs in the province of Cordoba in Argentina. CET is licensed by Loteria de la Provincia de Cordoba Sociedad del Estado to operate slot machines in Cordoba. In a separate contract, CET will lease up to 1,000 VLTs manufactured by Lottomatica's subsidiaries Atronic and Spielo.

Other Business Developments

In 2008 GTECH Global Services Corporation ("GGSC") and Medströms Invest AB ("Medströms), through GEMed AB (a Swedish private limited liability company owned 87.454% and 12.546% by GGSC and Medströms), acquired 100% of the issued shares of Boss Media AB. GGSC had the option, which it could exercise between April 1, 2010 and June 30, 2010, to require Medströms to sell its 12.546% interest in GEMed to GGSC. Medströms had an identical put right.

On April 1, 2010, Medströms exercised its put right and on April 12, 2010, GGSC paid Medströms SEK 200 million (€20.5 million at the transaction date) for the remaining 12.546% interest in GEMed.

In 2009, Lottomatica applied to the Amministrazione Autonoma Monopoli di Stato to buy up to 10,761 VLT rights in Italy and made a €80.7 million non-refundable payment representing 50% of the total cost of such VLT rights. On April 30, 2010, Lottomatica elected to purchase all 10,761 VLT rights, payment of which is currently due on June 30, 2010 (€80.7 million), although the possibility to postpone this latter deadline to November 30, 2010 is currently being discussed in the Italian parliament. As a result of the purchase of the VLT rights, Lottomatica's concession to operate in the Italian machine gaming market is expected to be renewed for another nine years.

With regard to the tender for a new Scratch & Win concession in Italy discussed above, on May 10, 2010 Lottomatica was informed that the Consorzio Lotterie Nazionali was the sole bidder for the Scratch & Win tender.

DOCUMENT REDACTED BY TLC - 12-4-10

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:** Market risk is the risk that changes in interest rates and foreign currency exchange rates will negatively impact the value of assets and liabilities.

A portion of the Group's debt portfolio is exposed to changes in market interest rates. Changes in interest rates generally will not significantly impact the fair market value of such indebtedness, but could have a material effect on Lottomatica Group's results of operations, business, financial condition or prospects.

Lottomatica is a global business and derives a substantial portion of its revenues from operations outside of the European Union. Our financial statements could be materially different from period to period if there is a significant movement in the euro versus other currencies.

(ii) Credit Risk: Credit risk is the risk of a financial loss arising from a customer or counterparty not meeting their contractual obligations. A significant portion of the Group's revenue is derived from concessions with Amministrazione Autonoma dei Monopoli di Stato (AAMS), resulting in significant concentration of credit risk exposure. Management believes that in the future, a significant portion of its business and profitability will continue to depend upon concessions with AAMS.

(iii) Liquidity Risk: Liquidity risk is the risk that suitable sources of funding for the Group's operations may not be available. In recent years, certain contracts in Italy have required an upfront payment for a license to operate the contract. GTECH contracts typically require upfront capital expenditures. The ability of the Group to maintain existing contracts upon their renewal and invest in new contracts opportunities depends on the ability of the Group to access new sources of capital to fund these investments.

(iv) Country Risk: Country risk is the risk that changes to regulations or laws, or in the economy of a country in which we conduct business, will negatively impact expected returns. Lottomatica is a global business and derives a substantial portion of its revenues from operations outside of Italy. Risks associated with Lottomatica's international operations include increased governmental regulation of the on-line lottery industry in the markets where it operates; exchange controls or other currency restrictions; and significant political instability. Other economic risks that Lottomatica's international activity subjects it to might include inflation, foreign exchange risks (both depreciation and devaluation), illiquid foreign exchange markets, high interest rates, debt default, unstable capital markets and foreign direct investment restrictions. Political risks include change of leadership, change of governmental policies, new foreign exchange controls regulating the flow of money into or out of a country, failure of a government to honor existing contracts, changes in tax laws and corruption, as well as global risk aversion driven by political unrest, war and terrorism. Finally, social instability risks include high crime in certain of the countries in which Lottomatica operates due to poor economic and political conditions, riots, unemployment and poor health conditions.

DOCUMENT REDACTED BY TLC - 12-4-10

(v) **Operational Risk:** Operational risk is the risk that external events or internal factors will result in losses. The Group's Italian concessions, lottery contracts in the United States and in other jurisdictions, and other service contracts often require substantial performance bonds to secure its performance under such contracts and require the Group to pay substantial monetary liquidated damages in the event of non-performance by the Group. Claims on performance bonds, drawings on letters of credit and/or payment of liquidated damages could have a material adverse effect on the Group's results of operations, business, financial condition or prospects.

(vi) **Legal Proceedings:** Due to the nature of its business, the Group is involved in a number of legal, regulatory and arbitration proceedings regarding, among other matters, claims by and against it as well as injunctions by third parties arising out of the ordinary course of its business and is subject to investigations and compliance inquires related to its ongoing operations. The outcome of these proceedings and similar future proceedings cannot be predicted with certainty. Unfavourable resolution of such proceedings or significant delays in adjudicating such proceedings could have a material adverse effect on the Group's results of operations, business, financial condition or prospects. For a description of certain legal proceedings to which the Group is a party, see Note 30 to the consolidated financial statements.

(vii) **Government Relations:** The Group's activities are subject to extensive and complex governmental regulation which varies from jurisdiction to jurisdiction where the Group operates, which includes individual suitability standards for officers, directors, major shareholders and key employees. The Group believes that it has developed procedures designed to comply with such regulatory requirements. However, any failure by the Group to so comply and/or inability to obtain required suitability findings could lead regulatory authorities to seek to restrict the Group's business in their jurisdictions.

In addition, the Group is subject to extensive background investigations in its lottery business. Authorities generally conduct such investigations prior to and after the award of a lottery contract. Authorities are generally empowered to disqualify the Group from receiving a lottery contract or operating a lottery system as a result of any such investigation. The Group's failure, or the failure of any of its personnel, systems or machines, in obtaining or retaining a required license or approval in one jurisdiction could negatively impact its ability to obtain or retain required licenses and approvals in other jurisdictions. Any such failure would decrease the geographic areas where the Group may operate and as a result could have a material adverse effect on the Group's results of operations, business, financial condition or prospects.

Further, there have been, are currently and may in the future continue to be, investigations of various types, conducted by governmental authorities into possible improprieties and wrongdoing in connection with efforts to obtain and/or the awarding of lottery contracts and related matters. Because such investigations frequently are conducted in secret, the Group may not necessarily know of the existence of an investigation in which it might be involved. Because the Group's reputation for integrity is an important factor in its business dealings with lottery and other governmental agencies, a governmental allegation or a finding of improper conduct by or attributable to the Group in any manner or the prolonged investigation of these matters by governmental or regulatory authorities could have a material adverse effect on the Group's results of operations, business, financial condition or prospects, including its ability to retain existing contracts or to obtain new or renewal contracts. In addition, adverse publicity resulting from any such proceedings could have a material adverse effect on the Group's reputation, results of operations, business, financial condition or prospects.

DOCUMENT REDACTED BY TLC - 12-4-10

PREDICTABLE DEVELOPMENTS

The financial crisis and the consequential economic downturn have caused substantial changes around the world. Although some signs of recovery have recently emerged, the economic rebound has yet to manifest its influence.

In 2009, governments around the globe supported a strategy of increased liquidity to ease credit conditions and avoid further perturbations; these policies, which have proven to be effective on the financial markets, have left unresolved the issue of employment levels in several countries. In early 2010, another wave of instability was created by developments in some European states that have severe deficits, and which require a tight financial discipline by governments.

Our industry has been, and continues to be, resilient to economic downturns. 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. In our traditional Italian market, many changes are taking place, with new games being launched (VLT operations will start in a few months), and new licenses for instant lottery being awarded; further opportunities for the Group may emerge in other countries relative to the business model adopted by states to operate lotteries.

The Group has the needed resources, both in terms of capital and know-how, to play a leading role in this evolving landscape. We believe the Group is very well placed to retain its position in all geographies where we operate.

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 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;
- Roll out new distribution platforms, focusing particularly on interactive channels; and
- Timely launch VLT program in Italy, delivering its turnkey solutions to other concessionaires.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA STOCK INFORMATION

SHAREHOLDING STRUCTURE

Based on most recent filings as of March 31, 2010

Shareholder	Numbers of Shares	% of Outstanding Shares
Gruppo De Agostini	102,629,324	59.663
Mediobanca [1]	21,918,941	12.742
Assicurazioni Generali	4,989,596	2.901

Lottomatica owns 3,346,190 treasury shares, equal to about 1.945% of share capital.

Underwritten and paid up share capital as of March 31, 2010 amounts to €172,015,373, composed of 172,015,373 ordinary shares with a nominal value of €1 each.
Authorized share capital amounts to €180,857,821, composed of 180,857,821 ordinary shares with a nominal value of €1 each.

.....

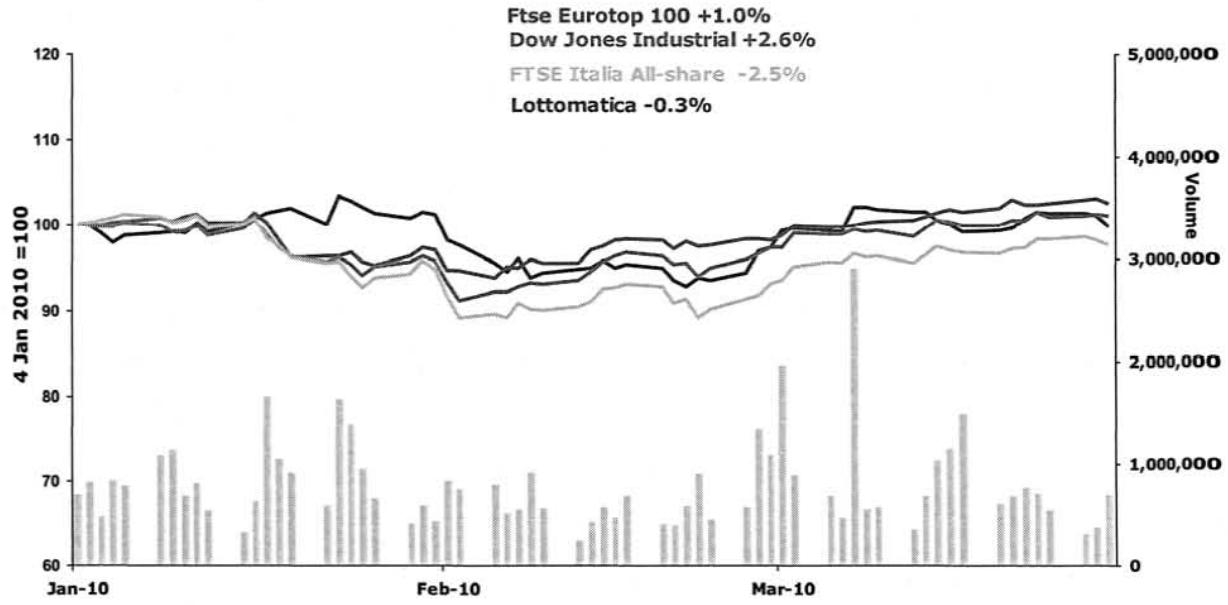
LOTTOMATICA STOCK PERFORMANCE FOR THE PERIOD ENDED MARCH 31, 2010

The average price of the stock for the three months ended March 31, 2010 was €14.0. Over 49 million shares were traded in the first three months of 2010, with a daily exchange of approximately 788,224 shares.

Lottomatica's capitalization was approximately €2.4 billion on March 31, 2010.

[1] Approximately 11.47% of Mediobanca's 12.742% share ownership is being held solely and exclusively to serve the conversion of certain Mandatory Exchangeable Bonds issued by UBI Banca International SA in 2009. Mediobanca has relinquished all of the voting, administrative, beneficial and economic rights related to that 11.47% interest.

DOCUMENT REDACTED BY TLC - 12-4-10



(Source: Bloomberg Borsa Italiana)

DOCUMENT REDACTED BY TLC - 12-4-10

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. Nevertheless the Company recognizes the importance of supporting efforts on environmental issues together with those already undertaken in other areas of corporate social responsibility. Therefore, since 2008 Lottomatica has undertaken to finalize its own environmental policy and has commenced programs of monitoring and reducing the environmental consequences of its activities and products. The Group's programs are primarily related to locations in Italy and the United States, where 60% of the workforce is concentrated, but its commitments are relevant to all locations worldwide.

The Environmental Initiatives of Lottomatica

In 2009 Lottomatica identified the main impacts of its 2008 activities and those areas involved in developing the environmental policy of Lottomatica Italia. On the basis of findings from this phase of analysis and preliminary evaluation, Lottomatica defined its environmental policy and a plan of action for the mitigation of its impacts and the safeguarding of the environment.

A first step, already taken and whose consolidation was a priority in 2009, is the establishment of a systematic process and a structured collection and analysis of environmental data in order to make the measurement of performance reliable and efficient.

In early 2010 Lottomatica continued working on the systematic process defined in 2009, and further improved the process which was used for collecting data and monitoring Lottomatica's environmental impact during 2009.

The Identification of Impacts

The main environmental impacts of Lottomatica's activities are associated with use of paper as a raw material, energy consumption and transport of persons and goods. The Company is also responsible for consumption of water resources and for waste generation. These impacts are due to the activities of corporate offices, play slips and other printing activities by Lottomatica's subsidiary PCC Giochi e Servizi S.p.A., and the management activities of the business.

Environmental Impacts

Use of resources

- Paper
- Combustible materials
- Electricity
- Water
- Atmospheric emissions
- Waste water discharges
- Waste production

DOCUMENT REDACTED BY TLC - 12-4-10

Identification of Areas of Intervention

As a result of the identification of impacts and its initial analysis of the available data, the Company identified the following areas of intervention in which it endeavoured to improve its environmental commitment during early 2010.

Reducing the Impacts

- EN 16001 standard compliance: Lottomatica has applied for the EN 16001 standard, which specifies requirements for establishing, implementing, maintaining and improving an energy management system. This standard lays down requirements for continual improvement in the form of more efficient and more sustainable energy use, irrespective of the type of energy. This standard applies to the activities under the control of an organization.

  The implementation of an energy management system specified by this standard is intended to result in improved energy efficiency. Therefore, this standard is based on the premise that the organization will periodically review and evaluate its energy management system to identify opportunities for improvement and their implementation. The rate, extent and timescale of this continual improvement process are determined by the organization in the light of economic and other circumstances. Improvements in the energy management system are intended to result in improvements in energy performance.

  This standards requires the organization to:

  a) establish an appropriate energy policy;
  b) identify the energy aspects arising from the organization's activities;
  c) identify applicable legal requirements and other requirements to which the organization subscribes;
  d) identify priorities and set appropriate energy objectives and targets;
  e) establish a relevant structure and program(s) to implement the policy and achieve objectives and meet targets; and
  f) facilitate planning, control, monitoring, preventive and corrective actions, auditing and review activities to ensure both that the policy is complied with and that the energy management system remains appropriate.

  The organization carries out an initial review to identify areas of energy use and opportunities for improvement. This resulting information provides the basis for setting the energy management work, program, objectives and targets.

- Efficient use of office paper and purchase of 50% ecological paper
- Purchase of 100% of energy from renewable energy sources. Lottomatica's electric supplier provides it with a certification and guarantee that 80% of its electric power comes from hydroelectric sources and 20% from wind power.

DOCUMENT REDACTED BY TLC - 12-4-10

Involvement and Awareness

- Spread of best practices for an environmentally friendly office
- Information on the environmental impacts of the Group's activities
- Reduction of CO_2 emissions: compensation of CO2 emissions generated by production of the Lotto Game play slips through reforestation activities in a national park, according to the principles of Kyoto Protocol.

  Lottomatica is continuing its policy of reduction of emissions. At the end of 2009 the Company started a new project in the biggest national park of Italy, Parco del Pollino, which was burned in recent years and suffered the loss of thousand of its trees. Under the Lottomatica project, 2,200 trees are being planted in the park, a significant portion of which are endangered species.

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 its operations in a manner that protects the environment, its employees and its neighbors.
- Complying with all laws, regulations and permits applicable to its products and operations, and with its 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 its manufacturing processes and of our products.
- Establishing and regularly reviewing environmental objectives and targets.
- Making available to the public the environmental performance of its operations.
- Ensuring that its 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).

DOCUMENT REDACTED BY TLC - 12-4-10

In a pledge to reduce waste and help protect the environment, GTECH began its "GTECH GREEN" corporate initiative in October 2008. 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. An integral part of keeping GTECH Green is earning ISO 14001 EMS certification in 2010. Certification will include the establishment of an Environmental Management System ("EMS"). In establishing such a system, it is GTECH's intent to meet the objectives of reducing pollution, reducing waste and conserving energy. GTECH's EMS consists of planning, documenting and implementing policies, procedures and methodologies that define and support its environmental policy and objectives. A key component to maintaining GTECH's EMS is ensuring that GTECH consistently reviews, analyzes and measures the EMS' effectiveness to demonstrate GTECH's ongoing commitment to improve its processes.

GTECH created a "Green Committee" comprised of employees who are assigned the task of the development and measurement of energy-efficient products, services and behaviors. The Committee has conducted a GREENovation Contest that offered rewards to GTECH employees for innovative ideas implemented as part of the GREEN GTECH pledge.

In 2009, GTECH expanded its recycling program in its Rhode Island facilities. This expansion resulted in substantial increases in recycling activities, specifically in paper, plastics, aluminum, mixed bottles and cans, and batteries. GTECH was also the recipient of a recycling certificate of achievement from Hanna Paper Recycling. GTECH's paper recycling partnership with Hanna Paper Recycling contributed to the preservation of 5,595 trees and the saving of 26,330 cubic feet of landfill space.

Also in 2009, GTECH's Corporate Headquarters facility in Providence was awarded the Rhode Island Hospitality Green Certification from the Rhode Island Hospitality Association and Rhode Island Department of Environmental Management in connection with its self-operated food service department. This certification was awarded to the Company for attaining performance standards, implementing best management practices, and complying with the environmental regulatory requirements in the operation of a green facility.

In 2010, GTECH is working to streamline recycling operations among facilities to strengthen the overall recycling effort and expand the recycling program to other GTECH facilities outside of Rhode Island. Furthermore, GTECH Rhode Island facilities will participate in a pilot program to include food composting in the overall recycling initiative.

In its Rhode Island facilities, in addition to recycling efforts, the environmental measures that have been taken by GTECH include the following:

- Intelligent management of market fluctuations when purchasing energy used at its premises;
- Reducing paper usage by programming all copy machines to print documents double-sided;
- Reducing use of colored ink by printing in black and white where possible;
- Distributing information to new employees via electronic media, as opposed to paper handouts;
- Installing timers to shut down high-energy use areas overnight;
- Applying automatic energy conservation settings to company desktop computers; application to laptop computers still in testing phase, but anticipated rollout in 2010; and
- Installation of a secure bike rack to encourage employees commuting by bicycle/scooter.

DOCUMENT REDACTED BY TLC - 12-4-10

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 has converted from non-biodegradable bubble wrap and Styrofoam peanuts 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.

DOCUMENT REDACTED BY TLC - 12-4-10

Interim Consolidated Financial Statements and Footnotes

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(thousands of euros)	*Notes*	March 31, 2010	December 31, 2009
ASSETS			
Non-current assets			
Systems, equipment and other assets related to contracts, net	8	810,384	774,558
Property, plant and equipment, net	9	92,909	88,522
Goodwill	10	3,159,170	3,006,783
Intangible assets, net	11	844,714	822,886
Investments in associates		223	443
Other non-current assets	12	22,265	22,692
Non-current financial assets		16,620	7,309
Deferred income taxes		6,703	6,030
Total non-current assets		4,952,988	4,729,223
Current assets			
Inventories	13	141,896	134,080
Trade and other receivables	14	792,966	791,803
Other current assets	12	73,308	61,577
Current financial assets		21,931	4,613
Income taxes receivable		8,923	8,068
Cash and cash equivalents	15	445,717	469,335
Total current assets		1,484,741	1,469,476
Non-current assets classified as held for sale	16	6,240	5,890
TOTAL ASSETS		6,443,969	6,204,589
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital		172,015	172,015
Share premium		1,404,252	1,404,252
Treasury shares		(63,502)	(63,502)
Rctaincd earnings		96,144	66,807
Other reserves	17	411,072	258,162
		2,019,981	1,837,734
Non-controlling interests		24,317	59,073
Total equity		2,044,298	1,896,807
Non-currcnt liabilitics			
Long-term debt, less current portion	18	2,704,341	2,621,990
Deferred income taxes		145,982	134,127
Long-term provisions		22,134	22,970
Other non-current liabilities	19	56,552	55,184
Non-current financial liabilities		151,183	142,317
Total non-current liabilities		3,080,192	2,976,588
Current liabilities			
Accounts payable		853,818	905,677
Short-term borrowings	18	4,747	5,079
Other current liabilities	19	290,399	270,564
Current financial liabilities		107,542	59,885
Current portion of long-term debt	18	15,979	67,186
Short-term provisions		1,642	1,858
Income taxes payable		45,352	20,945
Total current liabilities		1,319,479	1,331,194
TOTAL EQUITY AND LIABILITIES		6,443,969	6,204,589

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED INCOME STATEMENTS

(thousands of euros)	*Notes*	For the three months ended March 31 2010	2009
Service revenue		519,889	541,478
Product sales		24,759	40,769
Total revenue	7	544,648	582,247
Raw materials, services and other costs	20	257,880	247,966
Personnel	21	107,686	112,188
Depreciation	22	57,180	59,708
Amortization	23	21,729	24,677
Capitalization of internal construction costs - labor and overhead		(17,917)	(17,489)
Total costs		426,558	427,050
Operating income	7	118,090	155,197
Interest income		707	948
Equity loss		(101)	(273)
Other income		304	504
Other expense		(1,243)	(1,100)
Foreign exchange gain, net	24	913	11,180
Interest expense	25	(41,258)	(42,096)
		(40,678)	(30,837)
Income before income tax expense		77,412	124,360
Income tax expense	26	36,074	38,551
Net income		41,338	85,809
Attributable to:			
Owners of the parent		29,439	71,897
Non-controlling interests		11,899	13,912
		41,338	85,809
Earnings per share/ADRs			
Basic - net income attributable to owners of the parent		€ 0.18	€ 0.48
Diluted - net income attributable to owners of the parent		€ 0.18	€ 0.48

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(thousands of euros)	*Notes*	For the three months ended March 31 2010	2009
Net income		41,338	85,809
Other comprehensive income			
Net gain (loss) on interest rate swaps (cash flow hedges)		(2,272)	2,614
Income tax benefit (expense)		920	(1,026)
		(1,352)	1,588
Amortization of gain on interest rate swap on discontinued cash flow hedge		(142)	(142)
Net gain on derivative instruments (cash flow hedges)	27	2,278	5,441
Income tax expense		(684)	(2,147)
		1,594	3,294
Net gain (loss) on available-for-sale financial assets		91	(13)
Net gain on translation of foreign operations		153,442	67,661
Income tax expense		-	(23,386)
		153,442	44,275
Other comprehensive income for the period, net of tax		153,633	49,002
Total comprehensive income for the period, net of tax		194,971	134,811
Attributable to:			
Owners of the parent		183,072	120,899
Non-controlling interests		11,899	13,912
		194,971	134,811

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of euros)	*Notes*	For the three months ended March 31 2010	2009
Operating activities			
Income before income tax expense		77,412	124,360
Non-cash adjustments to reconcile income before income tax expense to net cash flows			
Depreciation	22	57,180	59,708
Intangibles amortization	23	21,729	24,728
Other amortization	23	-	(51)
Interest income		(707)	(948)
Interest expense	25	41,258	42,096
Non-cash foreign exchange gain	24	(841)	(11,370)
Share-based payment expense	28	1,338	3,768
Other non-cash items		484	790
Income tax paid		(8,354)	(8,874)
Cash flows before changes in operating assets and liabilities		189,499	234,207
Changes in operating assets and liabilities:			
Inventories		135	12,665
Trade and other receivables		4,491	(15,393)
Accounts payable		(58,794)	(61,918)
Advance payments from customers		1,882	(16,602)
Taxes other than income taxes		1,252	(7,092)
Other assets and liabilities		4,812	2,204
Net cash flows from operating activities		143,277	148,071
Investing activities			
Purchases of systems, equipment and other assets related to contracts		(45,806)	(37,588)
Investment in government securities		(14,347)	-
Other investments		(9,746)	(1,317)
Acquisitions	6	(4,307)	(4,312)
Acquisitions - cash acquired	6	-	31
Purchases of intangible assets		(3,147)	(991)
Purchases of property, plant and equipment		(1,861)	(4,966)
Interest received		668	931
Realized gain on net investment hedge		-	5,686
Loans receivable, net of repayments		-	(2,356)
Other		806	53
Net cash flows used in investing activities		(77,740)	(44,829)
Financing activities			
Interest paid		(75,197)	(84,201)
Principal payments on long-term debt		(14,997)	(51,276)
Net repayment of short-term borrowings		(600)	(47,087)
Proceeds from issuance of long-term debt		-	50,674
Other		(1,822)	186
Net cash flows used in financing activities		(92,616)	(131,704)
Net decrease in cash and cash equivalents		(27,079)	(28,462)
Effect of exchange rate changes on cash		3,461	(4,731)
Cash and cash equivalents at the beginning of the period		469,335	109,274
Cash and cash equivalents at the end of the period	15	445,717	76,081

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months ended March 31, 2010

	Attributable to owners of the parent							
(thousands of euros)	Issued Capital	Share Premium	Treasury Shares	Retained Earnings	Other Reserves (Note 17)	Total	Non-Controlling Interests	Total Equity
Balance at January 1, 2010	172,015	1,404,252	(63,502)	66,807	258,162	1,837,734	59,073	1,896,807
Net income for the period	-	-	-	29,439	-	29,439	11,899	41,338
Other comprehensive income	-	-	-	-	153,633	153,633	-	153,633
Total comprehensive income	-	-	-	29,439	153,633	183,072	11,899	194,971
Share-based payment (Note 28)	-	-	-	-	1,338	1,338	-	1,338
Dividends declared	-	-	-	-	-	-	(45,638)	(45,638)
Change in fair value of put/call option arising from business combination	-	-	-	(102)	-	(102)	-	(102)
Purchase of non-controlling interest	-	-	-	-	(2,061)	(2,061)	(1,017)	(3,078)
Balance at March 31, 2010	172,015	1,404,252	(63,502)	96,144	411,072	2,019,981	24,317	2,044,298

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months ended March 31, 2009

	Attributable to owners of the parent							
(thousands of euros)	Issued Capital	Share Premium	Treasury Shares	Retained Earnings	Other Reserves (Note 17)	Total	Non-Controlling Interests	Total Equity
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 28)	-	-	-	-	3,768	3,768	-	3,768
Shares issued under stock award plans	-	-	206	-	(206)	-	-	-
Dividends declared	-	-	-	-	-	-	(43,560)	(43,560)
Change in fair value of put/call option arising from business combination	-	-	-	(323)	-	(323)	-	(323)
Balance at March 31, 2009	152,287	1,139,071	(72,978)	167,221	347,738	1,733,339	28,780	1,762,119

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Lottomatica Group 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, machine gaming and interactive gaming. The principal activities of the Group are described in Note 7.

In these notes, the term "Lottomatica" refers to Lottomatica Group 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 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 Stock Exchange of Milan 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, 2010 were approved for issuance in accordance with a resolution of the Board of Directors on May 11, 2010.

2. Basis of preparation

The interim consolidated financial statements for the three months ended March 31, 2010 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, 2009.

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, 2010 is unaudited and for the year ended December 31, 2009 is audited.

The interim consolidated financial statements for March 31, 2010 are consistent with the December 31, 2009 presentation.

Format of the consolidated financial statements
The Group presents current and non-current assets, and current and non-current liabilities as separate classifications in its interim consolidated statements of financial position.

The interim consolidated income statements are presented using a classification based on the nature of expenses, rather than based on their function of expense, as management believes this presentation provides information that is more relevant.

The interim consolidated statements of changes in equity include only details of transactions with owners, with non-owner changes in equity presented as a single line (i.e. comprehensive income). Comprehensive income is presented in two statements; a separate income statement and interim consolidated statement of comprehensive income.

The interim consolidated statements of cash flows are presented using the indirect method.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3. 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, 2009, except for the adoption of new and amended Standards and Interpretations as of January 1, 2010 noted below. Adoption of these Standards and Interpretations did not have a material effect on the financial position or performance of the Group.

IFRS 2 Share-Based Payment: Group Cash-Settled Share-Based Payment Transactions (Revised)
The Revised IFRS 2 clarifies the scope and the accounting for group cash-settled share-based payment transactions.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Revised)
The Revised IFRS 3 introduces significant changes in the accounting for business combinations occurring after July 1, 2009. The changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. The Revised IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by these amendments will affect future acquisitions or loss of control and transactions with non-controlling interests.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
The amendment to IAS 39 clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk in particular situations.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
The amendment to IFRS 5 (resulting from Improvements to IFRSs issued in May 2008) clarifies that assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale.

Improvements to IFRSs issued in April 2009
In April 2009 the IASB issued an omnibus of amendments to twelve of its standards, primarily with a view of removing inconsistencies and clarifying wording. The effect of each standard is described below.

- ***IFRS 2 Share-Based Payment*** – This amendment confirms that contributions of a business on the formation of a joint venture and common control transactions are excluded from the scope of IFRS 2.

- ***IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*** – This amendment clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

- ***IFRS 8 Operating Segments*** - This amendment clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

- ***IAS 1 Presentation of Financial Statements*** – This amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

- ***IAS 7 Statement of Cash Flows*** – This amendment explicitly states that only expenditures that result in recognizing an asset in the statement of financial position can be classified as a cash flow from investing activities.

- ***IAS 17 Leases*** – This amendment clarifies that when a lease includes both land and building elements, an entity assesses the classification of each element as a finance or operating lease separately.

- ***IAS 18 Revenue*** – This amendment provides additional guidance on how to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
  - Has primary responsibility for providing the goods or service
  - Has inventory risk
  - Has discretion in establishing prices
  - Bears the credit risk

- ***IAS 36 Impairment of Assets*** – This amendment clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

- ***IAS 38 Intangible Assets*** – Two amendments to IAS 38 clarify the accounting for intangible assets acquired in a business combination and the description of valuation techniques commonly used when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets.

- ***IAS 39 Financial Instruments: Recognition and Measurement*** – This amendment clarifies the type of forward contracts the guidance applies to and provides additional guidance regarding embedded prepayment penalties and hedging transactions.

- ***IFRIC 9 Reassessment of Embedded Derivatives*** – This amendment clarifies that the scope of IFRIC 9 excludes contracts with embedded derivatives acquired in a combination between entities under common control or in the formation of a joint venture.

- ***IFRIC 16 Hedges of a Net Investment in a Foreign Operation*** - This amendment removes the restriction on the entity that can hold hedging instruments.

IFRIC 17 Distributions of Non-Cash Assets to Owners
IFRIC 17 provides guidance on how to account for non-cash distributions to owners and clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the assets and liability.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated 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 period. 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, that has the most significant effect on the amounts recognized in the 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 reporting 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, 2010 and December 31, 2009 was €810.4 million and €774.6 million, respectively. Further details are provided in Note 8.

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" or "fair value less costs to sell" of the cash-generating units to which the goodwill is allocated. Estimating a value in use or fair value less costs to sell 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, 2010 and December 31, 2009 was €3.2 billion and €3.0 billion, respectively. Further details are provided in Note 10.

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, 2010 and December 31, 2009 was €844.7 million and €822.9 million, respectively. Further details are provided in Note 11.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4. 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 for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate 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.

Income taxes
Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and income tax expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

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, 2010 and December 31, 2009 was €78.9 million and €23.1 million, respectively.

Fair value measurement of contingent consideration
Contingent consideration resulting from business combinations is valued at fair value at the acquisition date as part of the business combination. Where the contingent consideration meets the definition of a derivative and thus financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

5. International Financial Reporting Standards issued but not yet effective

The new, amended and revised Standards and Interpretations that were issued by the IASB and IFRIC but not yet effective up to the date of issuance of the Group's financial statements are described below.

IFRS 9 Financial Instruments
IFRS 9 was issued in November 2009 and becomes effective for annual periods beginning on or after January 1, 2013. The standard is the first step in the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* and introduces new requirements for classifying and measuring financial assets. The IASB intends to expand the standard during 2010 to add new requirements for classifying and measuring financial liabilities, derecognition of financial instruments, impairment and hedge accounting. The Group is evaluating the impact the standard will have on the consolidated financial statements when adopted on January 1, 2013.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

5. International Financial Reporting Standards issued but not yet effective (continued)

IAS 24 Related Party Disclosures (Revised)
The Revised IAS 24 was issued in November 2009 and becomes effective for annual periods beginning on or after January 1, 2011. The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition and provides a partial exemption from the disclosure requirements for government-related entities. The Group is evaluating the impact the standard will have on the consolidated financial statements when adopted on January 1, 2011.

Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement
The amendment to IFRIC 14 was issued in November 2009 and becomes effective for annual periods beginning on or after January 1, 2011. The amendment applies to pension accounting in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of an early payment as an asset. The adoption of this amendment is not expected to have a material impact on the financial position or performance of the Group when adopted on January 1, 2011.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
IFRIC 19 was issued in November 2009 and becomes effective for annual periods beginning on or after July 1, 2010. The interpretation provides guidance on the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The adoption of this interpretation is not expected to have a material impact on the financial position or performance of the Group when adopted on January 1, 2011.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

6. Business combinations

The Group did not have any business combination activity during the first three months of 2010 but made cash payments in 2010 related to 2009 acquisitions (which occurred in the Italian Operations segment) which are summarized as follows:

(thousands of euros)	Labet	Other	Total
Cash purchase price	23,493	1,217	24,710
Cash acquisition costs	144	26	170
Total cash acquisition cost	23,637	1,243	24,880
Payable to acquired companies	1,368	873	2,241
Total non-cash acquisition cost	1,368	873	2,241
Total acquisition cost	25,005	2,116	27,121
Total cash acquisition cost	23,637	1,243	24,880
Cash cost paid in 2008	(1,180)	-	(1,180)
Cash cost paid in 2009	(19,147)	(246)	(19,393)
Net cash outflow	3,310	997	4,307

Acquisitions in 2009

The Group's business combination activity during the first three months of 2009, which occurred in the Italian Operations segment, is summarized as follows:

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

Business combination activity in the Italian Operations segment consists of strategic investments to exploit growth opportunities in the Sports Betting and Machine Gaming markets. The aim is to acquire additional sports betting rights or to increase our directly-managed gaming machine base (amusement with prize machines).

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

7. Operating segment information

For management purposes, the Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit. The Group is comprised of the following four reportable operating segments:

- The Italian Operations segment operates and provides a full range of gaming services, including online, instant and traditional lotteries, scratch and win, sports betting, machine gaming, interactive skill games and non-lottery commercial transactions.

- The GTECH Lottery segment operates and provides a full range of services, technology and products to government sponsored online, instant and traditional lotteries.

- The Gaming Solutions segment operates and provides solutions, products and services relating to video lottery terminal ("VLTs") and associated systems for the government sponsored market and video and traditional mechanical reel slot machines and systems for the commercial gaming markets.

- The GTECH G2 segment provides digitally-distributed, multi-channel gaming entertainment products and services, including sports betting, lottery, bingo, poker, casino games and quick games, as well as retail solutions for real-time transaction processing and information systems for the sports-betting market.

No operating segments have been aggregated to form the above reportable operating segments. Sales between segments are made at prices that approximate market prices.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating income.

Prior to the first quarter of 2010, certain corporate overhead costs were presented within the GTECH Lottery segment. These costs are now presented as a reconciling item because they are not attributable to any one reportable segment. Prior period amounts have been reclassified to conform to the current year presentation.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

7. Operating segment information (continued)

The following tables present revenue and operating income (loss) information regarding the Group's reportable operating segments for the three months ended March 31, 2010 and 2009, respectively. Prior period amounts have been reclassified to conform to the current year presentation.

	For the three months ended March 31, 2010			
(thousands of euros)	Total revenue	Intersegment revenue	Third-party revenue	Operating income/(loss)
Operating Segments				
Italian Operations	301,172	-	301,172	112,411
GTECH Lottery	192,798	-	192,798	29,062
Gaming Solutions	33,230	-	33,230	(2,058)
GTECH G2	18,375	(999)	17,376	(797)
	545,575	(999)	544,576	138,618
Eliminations	(999)	999	-	-
Corporate overhead	-	-	-	(2,735)
Purchase accounting **(a)**	72	-	72	(17,793)
	544,648	-	544,648	118,090

	For the three months ended March 31, 2009			
(thousands of euros)	Total revenue	Intersegment revenue	Third-party revenue	Operating income/(loss)
Operating Segments				
Italian Operations	319,229	-	319,229	148,569
GTECH Lottery	214,903	-	214,903	39,844
Gaming Solutions	31,398	-	31,398	(4,136)
GTECH G2	17,395	(774)	16,621	(570)
	582,925	(774)	582,151	183,707
Eliminations	(774)	774	-	-
Corporate overhead	-	-	-	(3,303)
Purchase accounting **(a)**	96	-	96	(25,207)
	582,247	-	582,247	155,197

(a) Principally represents the depreciation, amortization and impairment of acquired tangible and intangible assets in connection with the August 2006 acquisition of GTECH by Lottomatica.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

7. Operating segment information (continued)

The following tables present depreciation and amortization information regarding the Group's reportable operating segments for the three months ended March 31, 2010 and 2009, respectively.

	For the three months ended			
	March 31, 2010		March 31, 2009	
(thousands of euros)	Depreciation	Amortization	Depreciation	Amortization
Operating Segments				
Italian Operations	15,231	6,185	13,373	4,440
GTECH Lottery	32,365	618	34,208	882
Gaming Solutions	3,607	1,249	4,349	1,561
GTECH G2	751	1,049	582	1,895
	51,954	9,101	52,512	8,778
Corporate overhead	10	-	8	-
Purchase accounting **(a)**	5,216	12,628	7,188	15,899
	57,180	21,729	59,708	24,677

(a) Represents the depreciation and amortization of acquired tangible and intangible assets in connection with the August 2006 acquisition of GTECH by Lottomatica.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

8. Systems, equipment and other assets related to contracts, net

(thousands of euros)	Land and Buildings	Terminals and Systems	Furniture and Equipment	Contracts in Progress	Total
Net book value					
Balance at January 1, 2010	19,197	614,430	49,936	90,995	774,558
Acquisitions	-	585	-	-	585
Additions	2,148	11,240	1,112	32,452	46,952
Depreciation (Note 22)	(1,312)	(48,905)	(3,634)	-	(53,851)
Disposals	(133)	(773)	19	(6)	(893)
Foreign currency translation	25	35,266	1,691	6,070	43,052
Transfers	-	71,078	847	(71,925)	-
Other	-	(1)	-	(18)	(19)
Balance at March 31, 2010	19,925	682,920	49,971	57,568	810,384
Balance at January 1, 2010					
Cost	39,746	1,368,519	90,857	90,995	1,590,117
Accumulated depreciation	(20,549)	(754,089)	(40,921)	-	(815,559)
Net book value	19,197	614,430	49,936	90,995	774,558
Balance at March 31, 2010					
Cost	41,735	1,515,585	96,252	57,568	1,711,140
Accumulated depreciation	(21,810)	(832,665)	(46,281)	-	(900,756)
Net book value	19,925	682,920	49,971	57,568	810,384

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

9. Property, plant and equipment, net

(thousands of euros)	Land and Buildings	Furniture and Equipment	Construction in Progress	Total
Net book value				
Balance at January 1, 2010	29,481	58,596	445	88,522
Additions	2	1,604	255	1,861
Depreciation (Note 22)	(398)	(2,931)	-	(3,329)
Disposals	(15)	(116)	-	(131)
Foreign currency translation	2,015	3,937	29	5,981
Transfers	-	312	(312)	-
Other	-	5	-	5
Balance at March 31, 2010	31,085	61,407	417	92,909
Balance at January 1, 2010				
Cost	35,485	87,926	445	123,856
Accumulated depreciation	(6,004)	(29,330)	-	(35,334)
Net book value	29,481	58,596	445	88,522
Balance at March 31, 2010				
Cost	37,932	95,061	417	133,410
Accumulated depreciation	(6,847)	(33,654)	-	(40,501)
Net book value	31,085	61,407	417	92,909

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

10. Goodwill

(thousands of euros)	March 31, 2010	December 31, 2009
Balance at beginning of period	3,006,783	3,074,571
Acquisitions:		
Labet	-	18,035
Europa Gestione	-	13,387
Other	-	7,835
	-	39,257
Adjustments:		
Foreign currency translation	151,283	(67,141)
Subsequent changes in fair value of contingent liabilities	1,690	(8,341)
Revisions to fair value of other assets and liabilities acquired	(586)	(4,668)
Revisions to fair value of Atronic assets and liabilities acquired	-	(3,046)
Impairment loss	-	(23,849)
	152,387	(107,045)
Balance at end of period	3,159,170	3,006,783
Balance at beginning of period		
Cost	3,079,349	3,123,288
Accumulated impairment loss	(72,566)	(48,717)
	3,006,783	3,074,571
Balance at end of period		
Cost	3,231,736	3,079,349
Accumulated impairment loss	(72,566)	(72,566)
	3,159,170	3,006,783

Subsequent changes in fair value of contingent liabilities during the first three months of 2010 primarily resulted from changes in estimated put/call payments related to the Boss Media AB acquisition. Subsequent changes in fair value of contingent liabilities during 2009 primarily resulted from changes in estimated contingent consideration related to the Finsoft Limited ("Finsoft") and St. Enodoc Holdings Limited acquisitions along with changes in estimated put/call payments related to the Boss Media AB acquisition. Goodwill related to these acquisitions is provisional as the costs of the acquisitions include contingent consideration and put/call payments. See Note 31.

Goodwill of €39.3 million arising from acquisitions during 2009 primarily relates to the Labet and Europa Gestione acquisitions which occurred on June 25, 2009 and June 4, 2009, respectively. Goodwill related to these acquisitions is 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

10. Goodwill (continued)

Revisions to fair value of other assets and liabilities acquired during 2009 primarily resulted from the finalization of the Royal Gold S.r.l. ("Royal Gold") purchase accounting, which occurred during September 2009.

Revisions to fair value of Atronic assets and liabilities acquired resulted from the finalization of the Atronic purchase accounting, which occurred during January 2009.

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. There were no events or changes in circumstances that required a goodwill impairment review during the first three months of 2010. The €23.8 million impairment loss recorded during 2009 relates primarily to the GTECH G2 segment.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

11. Intangible assets, net

(thousands of euros)	March 31, 2010	December 31, 2009
Balance at beginning of period	822,886	847,281
Intangible assets acquired during the period:		
Purchase business combination related:		
Customer contracts	-	15,767
	-	15,767
All other intangible assets acquired:		
Concessions and licenses	1,923	88,092
Patents	147	9,271
Sports betting rights and horse racing betting rights	955	1,963
Other	126	3,449
	3,151	102,775
Total intangible assets acquired	3,151	118,542
Revisions to fair value of assets and liabilities acquired	-	15,034
Foreign currency translation	40,406	(13,632)
Impairment loss	-	(49,817)
Amortization (Note 23)	(21,729)	(94,522)
Balance at end of period	844,714	822,886
Balance at beginning of period		
Cost	1,121,489	1,074,762
Accumulated amortization	(298,603)	(227,481)
	822,886	847,281
Balance at end of period		
Cost	1,188,020	1,121,489
Accumulated amortization	(343,306)	(298,603)
	844,714	822,886

Purchase business combination related intangible assets in 2009 principally resulted from the Labet acquisition. The intangible assets 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 June 25, 2010 for this acquisition.

Other intangible assets acquired in 2009 principally relate to the non-refundable payment representing 50% of the total cost of 10,761 VLT rights in Italy.

Revisions to fair value of assets and liabilities acquired in 2009 primarily resulted from the finalization of the Atronic and Royal Gold purchase accounting, which occurred during January 2009 and September 2009, respectively. See Note 10 for additional information.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

12. Other assets (non-current and current)

(thousands of euros)	March 31, 2010	December 31, 2009
Other non-current assets		
Long-term deferred asset	7,183	6,978
Long-term customer receivables	5,450	6,517
Deposits	4,030	3,470
Long-term prepaid expenses	3,034	3,075
Sales-type lease receivables	1,027	1,113
Other	1,541	1,539
	22,265	22,692

(thousands of euros)	March 31, 2010	December 31, 2009
Other current assets		
Other receivables	31,664	28,104
Prepaid expenses	15,686	10,429
Value-added tax receivable	14,362	10,188
Other tax receivables	9,781	9,676
Other	1,815	3,180
	73,308	61,577

13. Inventories

(thousands of euros)	March 31, 2010	December 31, 2009
Raw materials	19,950	25,374
Work in progress	69,448	48,665
Finished goods	52,498	60,041
	141,896	134,080

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

14. Trade and other receivables

(thousands of euros)	March 31, 2010	December 31, 2009
Trade receivables	513,054	577,504
Receivables from intermediaries	342,648	275,794
Related party receivables (Note 29)	1,775	2,647
Sales-type lease receivables	700	666
Allowance for doubtful accounts	(65,211)	(64,808)
	792,966	791,803

Receivables from intermediaries represent amounts due from tobacconists, bars, petrol stations, newspaper stands and motorway restaurants in Italy whereby Lottomatica provides third-party processing services related to their commercial services network. Trade receivables and receivables from intermediaries are non-interest bearing.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

15. Consolidated net financial position

(thousands of euros)	March 31, 2010	December 31, 2009
Cash on hand	510	453
Cash at bank	445,207	468,882
Cash and cash equivalents	445,717	469,335
Current financial receivables	21,931	4,613
Dividends payable	45,638	-
Swap Liability	30,225	29,924
Boss Media contingent liability	20,555	17,521
Notes	13,225	3,147
Atronic related debt	5,506	21,782
Short-term borrowings	1,944	467
Capital Securities	-	46,618
Other	11,175	12,691
Current financial debt	128,268	132,150
Net current financial cash	(339,380)	(341,798)
GTECH Senior Credit Facilities	1,224,644	1,145,100
Notes	744,568	740,821
Capital Securities	733,844	733,180
Interest rate swaps	58,327	53,094
Swap Liability	56,975	56,391
Atronic related debt	2,383	2,803
Other	34,783	32,918
Non current financial debt	2,855,524	2,764,307
Net financial position	2,516,144	2,422,509
Total indebtedness included in net financial position	2,725,067	2,694,255

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

16. 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. Under the direction of management, the property is being actively marketed for sale at a price that is reasonable given changes in market conditions. The major classes of assets held for sale are as follows:

(thousands of euros)	March 31, 2010	December 31, 2009
Building	3,096	3,957
Land	2,794	3,499
	5,890	7,456
Foreign currency translation	350	(179)
Asset impairment loss	-	(1,387)
Non-current assets classified as held for sale	6,240	5,890

The Group recorded an impairment loss of €1.4 million (€0.9 million net of tax benefit) on the remeasurement to fair value less costs to sell for this property during the fourth quarter of 2009.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

17. Other reserves

Other reserves at March 31, 2010 consist of the following:

(thousands of euros)	Legal Reserve	Stock Option and Restricted Stock Reserve	Share-Based Payment Reserve	Ex Art 2349 Reserve	Net Unrealized Gain/ (Loss) Reserve	Translation Reserve	Treasury Share Reserve	Other Reserve	Total
Balance at January 1, 2010	30,457	31,458	20,382	1,834	(32,220)	(175,845)	382,096	-	258,162
Fair value of interest rate swaps	-	-	-	-	(1,352)	-	-	-	(1,352)
Amortization of unrecognized gain on interest rate swap	-	-	-	-	(142)	-	-	-	(142)
Unrecognized net gain on derivative instruments	-	-	-	-	1,594	-	-	-	1,594
Unrecognized net gain on available for sale investment	-	-	-	-	91	-	-	-	91
Foreign currency translation	-	-	-	-	-	153,442	-	-	153,442
Share-based payment	-	-	1,338	-	-	-	-	-	1,338
Purchase of non-controlling interest	-	-	-	-	-	-	-	(2,061)	(2,061)
Balance at March 31, 2010	30,457	31,458	21,720	1,834	(32,029)	(22,403)	382,096	(2,061)	411,072

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

17. Other reserves (continued)

Other reserves at March 31, 2009 consist of the following:

(thousands of euros)	Legal Reserve	Stock Option and Restricted Stock Reserve	Share-Based Payment Reserve	Ex Art 2349 Reserve	Net Unrealized Gain/ (Loss) 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

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

18. Debt

(thousands of euros)	March 31, 2010	December 31, 2009
Long-term debt, less current portion		
GTECH Senior Credit Facilities	1,224,644	1,145,100
Notes	744,568	740,821
Capital Securities	733,844	733,180
Other	1,285	2,889
	2,704,341	2,621,990
Short-term borrowings		
Short-term borrowings	4,747	5,079
Current portion of long-term debt		
Notes	13,225	3,147
LTO Revolving Credit Facility	22	22
Capital Securities	-	46,618
GTECH Senior Credit Facilities	-	203
Other	2,732	17,196
	15,979	67,186
Total indebtedness	2,725,067	2,694,255

GTECH Senior Credit Facilities

GTECH is a party to an agreement with a syndicate of financial institutions for senior unsecured credit facilities (the "GTECH Senior Credit Facilities") which 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 Invest Games S.A. ("Invest Games") (Holdings, GTECH Rhode Island and Invest Games are collectively referred to herein as the "Other Guarantors").

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

18. Debt (continued)

The GTECH Senior Credit Facilities consist of the following facilities (US dollars in thousands):

	Committed amount available		Amount borrowed at	
	December 31, 2009	March 31, 2010	March 31, 2010	
Term Facility A	1,256,018	1,256,018	1,256,018	
Term Facility B	403,982	403,982	403,982	
Revolver A	250,000	250,000	-	
Revolver B	250,000	250,000	2,638	**(a)**
	2,160,000	2,160,000	1,662,638	

(a) Represents letters of credit that reduce the amount available under Revolver B

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):

2011	180,000
2012	1,480,000
Total	1,660,000

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. At March 31, 2010, the effective interest rate on the GTECH Senior Credit Facilities was 0.88%.

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, 2010 and December 31, 2009, 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.

Notes

In December 2009, Lottomatica issued €750 million of guaranteed notes due December 5, 2016 (the "Notes"). The Notes are unconditionally and irrevocably guaranteed by GTECH and the Other Guarantors. The Notes, which have received a rating equal to a Baa3 and a BBB- by Moody's Investors Service Limited and Standard & Poor's Rating Service, respectively, are listed on the Luxembourg Stock Exchange.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

18. Debt (continued)

Interest is payable annually in arrears, with the first payment due on December 5, 2010, at 5.375% per annum, and is subject to adjustment from time to time in the event of a step up rating change or step down rating change. In the event of a step up or step down rating change, the interest rate shall be increased or decreased by 1.25% per annum, provided that at no time during the term of the Notes will the interest rate be higher than 6.625% or lower than the initial rate of interest of 5.375%.

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at 100% of their principal amount on December 5, 2016. The Notes may be redeemed at any time after January 4, 2010 by the Issuer, in whole but not in part, at the greater of (i) 100% of their principal amount together with any accrued interest or (ii) an amount specified in the terms and conditions to the Notes. The Notes may also be redeemed in whole, but not in part, at 100% of their principal amount at the option of the Issuer in the event of certain changes affecting taxation in Italy, the United States, Hungary or Luxembourg. Holders of the Notes may require Lottomatica to redeem the Notes in whole or in part at 100% of their principal amount plus accrued interest following the occurrence of certain events specified in the terms and conditions of the Notes.

In December 2009, the proceeds of the Notes, net of associated fees and costs, were used to repay a €360 million senior unsecured term loan facility, a portion of the GTECH Senior Credit Facilities and other debt.

Debt issuance costs associated with the Notes are being amortized over approximately seven years beginning December 2009.

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 interest 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.

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 interest payments and mandates deferral of interest 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 interest payments in cash or equity. During the first three months of 2010 and the twelve months of 2009, €61.9 million and €61.9 million, respectively, of interest on the Capital Securities was paid.

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 at least equivalent to the interest payments due during the following two-year period. As of December 31, 2009, the authorization was in place for the issuance of capital up to €170 million. Interest payments over the next two years are approximately €124 million.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

18. 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, 2010 and December 31, 2009, 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.

As of March 31, 2010, there was no outstanding balance under the LTO Revolving Credit Facility.

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, 2010, €620.8 million of letters of credit were outstanding with a weighted average annual cost of 0.80%. At December 31, 2009, €619.9 million of letters of credit were outstanding with a weighted average annual cost of 0.79%.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

19. Other liabilities (non-current and current)

(thousands of euros)	March 31, 2010	December 31, 2009
Other non-current liabilities		
Deferred revenue	28,715	27,628
Contingent liabilities related to GTECH acquisition	14,135	13,503
Staff severance fund	8,148	8,082
Other	5,554	5,971
	56,552	55,184

(thousands of euros)	March 31, 2010	December 31, 2009
Other current liabilities		
Accrued expenses	107,761	99,763
Employee compensation	61,873	56,841
Taxes other than income taxes	51,114	49,763
Deferred revenue	42,752	38,259
Advance payments from customers	21,983	18,647
Advance billings	4,916	7,291
	290,399	270,564

20. Raw materials, services and other costs

	For the three months ended March 31,	
(thousands of euros)	2010	2009
Operating expenses	120,858	110,973
Outside services	34,983	31,011
Consumables	28,866	28,429
Insurance, miscellaneous taxes and other	22,840	17,662
Telecommunications	16,512	15,780
Cost of product sales	15,505	26,091
Occupancy	12,712	11,844
Travel	5,604	6,176
	257,880	247,966

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

21. Personnel

(thousands of euros)	For the three months ended March 31, 2010	2009
Payroll	84,087	75,286
Statutory benefits	9,248	8,855
Company benefits	6,655	11,580
Incentive compensation	5,266	9,898
Stock compensation (Note 28)	1,338	3,768
Other	1,092	2,801
	107,686	112,188

The Group's worldwide employees are comprised of the following personnel:

Personnel Description	Number of employees As of March 31, 2010	December 31, 2009	2010 Average
Executives	396	400	398
Middle Management	984	977	980
All Other Permanent Employees	5,958	6,131	5,951
Employees with Temporary Employment Contracts	368	164	386
	7,706	7,672	7,715

22. Depreciation

(thousands of euros)	For the three months ended March 31, 2010	2009
Systems, equipment and other assets related to contracts, net (Note 8)	53,851	56,923
Property, plant and equipment, net (Note 9)	3,329	2,785
	57,180	59,708

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

23. Amortization

(thousands of euros)	For the three months ended March 31, 2010	2009
Intangibles amortization (Note 11)	21,729	24,728
Other	-	(51)
	21,729	24,677

24. Foreign exchange gain, net

Foreign exchange gains and losses are classified as realized (cash) or unrealized (non-cash) as follows:

(thousands of euros)	For the three months ended March 31, 2010	2009
Cash foreign exchange gain (loss)	72	(190)
Non-cash foreign exchange gain	841	11,370
	913	11,180

Non-cash foreign exchange gain

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. ("GTECH Polska"), loaned Polish zloty 255.6 million (at market interest rates) to GTECH Global Services Corporation Limited ("GGSC"), whose functional currency is the US dollar. GGSC repaid this loan in 2009 principally using the proceeds of non-cash dividends from GTECH Polska. Non-cash foreign exchange gains incurred during the three months ended March 31, 2009 include €10.3 million of gains on this loan resulting from fluctuations in the Polish zloty to US dollar exchange rate.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

25. Interest expense

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

	For the three months ended March 31,	
(thousands of euros)	2010	2009
Capital Securities	(15,921)	(16,049)
GTECH Senior Credit Facilities	(13,192)	(15,798)
Notes	(9,627)	-
Interest Accretion on Swap Liability	(886)	-
LTO Term and Revolving Facilities	(63)	(4,920)
Other	(1,569)	(5,329)
	(41,258)	(42,096)

See Note 18 for details of the debt facilities.

26. Income tax

The significant components of income tax expense are as follows:

	For the three months ended March 31,	
(thousands of euros)	2010	2009
Current		
Italy	27,129	43,088
Foreign	4,122	5,219
Total Current	31,251	48,307
Deferred		
Italy	5,240	(10,542)
Foreign	(417)	786
Total Deferred	4,823	(9,756)
Income tax expense	36,074	38,551

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

27. Components of other comprehensive income

(thousands of euros)	For the three months ended March 31, 2010	2009
Derivative instruments (cash flow hedges):		
Gains arising during the year	1,800	4,198
Reclassification adjustments for gains included in the income statement	478	1,243
	2,278	5,441

28. Share-based payment plans

The expense recognized during the three months ended March 31, 2010 and 2009 arising from employee share-based payment plans and included in personnel in our consolidated income statement was as follows:

(thousands of euros)	For the three months ended March 31, 2010	2009
Equity settled share-based payment	1,338	3,768
Cash settled share-based payment	-	-
	1,338	3,768

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

29. Related party disclosures

(thousands of euros)	March 31, 2010	December 31, 2009
Accounts receivable		
De Agostini Group	1,271	2,096
Taiwan Sports Lottery Corporation	421	95
Spain UTE	83	456
	1,775	2,647
Accounts payable		
De Agostini Group	41,794	43,232

	For the three months ended March 31,	
(thousands of euros)	2010	2009
Service revenue and product sales		
Taiwan Sports Lottery Corporation	354	373
	354	373
Raw materials, services and other costs		
De Agostini S.p.A.- management fees	67	95
De Agostini Editore S.p.A. - service fees	38	257
	105	352

De Agostini Group
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. Outstanding accounts receivable balances at March 31, 2010 and December 31, 2009 are non-interest bearing.

Taiwan Sports Lottery Corporation
GTECH has a 24.5% interest in Taiwan Sports Lottery Corporation ("TSLC") which is accounted for using the equity method of accounting. TSLC is the agency commissioned by Taipei Fubon Bank (the sports lottery license holder through December 2013) to be Taiwan's sport betting solutions and services provider.

Spain UTE
GTECH has a 50% interest in a Spanish joint venture ("Spain UTE") which is accounted for using the proportionate consolidation method. Spain UTE will provide to the National Organization of the Spanish Blind ("ONCE"), end-to-end lottery technology, marketing services, logistics, and retailer services for a complementary lottery retailer network that will complement ONCE's existing lottery network. ONCE is authorized by the Spanish government to administer lottery and wagering games in Spain.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation

Lottomatica's Italian Business

1. Lotto Game Concession: Lottomatica/AAMS Arbitration – Stanley International Betting Limited Appeal – Sisal Appeal

Arbitration Lottomatica/AAMS
Pursuant to the arbitration clause set out in article 30 of the Lotto Concession, Lottomatica initiated an arbitration proceeding to ascertain the effective initial date of said Concession. Lottomatica asked the Board of Arbitrators to ascertain and state that the initial starting date of the Lotto Concession was June 8, 1998 (date in which the European Commission in Brussels was notified 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.

The Arbitration Award issued by the Board of Arbitrators 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.

In the interim, on January 18, 2008, upon AAMS's request to advance said hearing, the Court of Appeal advanced the hearing date to January 15, 2009.

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.

At the July 2, 2009 hearing, the Court of Appeal deferred the hearing to September 26, 2011.

Stanley International Betting/AAMS/Lottomatica Appeal
On June 18, 2007, Stanley International Betting Limited filed an appeal before the TAR of Lazio (Regional Administrative Court) 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. By decision of March 31, 2010 the TAR of Lazio declared inadmissible the action brought by Stanley.

Sisal/AAMS/Lottomatica Appeal
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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

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.

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 favor of Lottomatica. Stanley has intervened in the appeal in support of Sisal. Lottomatica has made an appearance in the case at issue. The hearing to discuss the case at issue has been set to March 10, 2010.

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. By decision of March 31, 2010 the TAR of Lazio declared inadmissible the action brought by Sisal.

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 against Lottomatica and Lottomatica Italia Servizi S.p.A (LIS) to obtain, among other things, an order requiring Lottomatica to offer its network to third parties under the same conditions as those offered to the controlled company 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 Court of Appeal 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

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 for a hearing set for October 28, 2009 during which the TAR of Lazio closed the presentation of the arguments by the parties. To date the TAR of Lazio has not issued a ruling.

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.

As for the procedure before the Court of Appeal, 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.

The Judge issued the ruling on June 25 – August 4, 2009 stating that Lottomatica has no obligation to allow third parties use of its network and therefore dismissing all charges brought forth by Ticket One. On March 13, 2010 Ticket One filed an appeal of the Judge's ruling. The first hearing will be held on July 25, 2010.

3. 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, 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 *Italian Antitrust* 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, that Lottomatica and Sisal S.p.A. be ordered, jointly and severally, to pay directly to the plaintiffs' damages totaling €37.2 million in the aggregate.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

On January 10, 2006 Lottomatica presented before the Court of Appeal that apart from a number of prejudicial issues concerning, *inter alia*, plaintiff legitimacy, the documents of the proceedings initiated by the Italian Antitrust 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.

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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

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

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.

4. "LAS VEGAS" Instant Lottery Petition

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.

To date, the following rulings have been issued:

a) 199 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);

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

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) 80 rulings accepted payment of the prize amount in addition to claim compensation.

With regard to unfavorable rulings, the Consortium instructed its counsels to file an appeal.

5. 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 totaling €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. On May 29, 2009 the final hearing was held and the parties submitted their statements of legal positions. The Civil Court of Rome by decision of December 28, 2009 rejected the claims presented by AAAvanti.

6. 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 fulfillment of payment obligations under the corresponding contracts regarding the above mentioned activities performed by the retailers. The insurance 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 Arbitration Board 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 Award partly accepted the requests made by Totobit and ruled Navale Assicurazioni S.p.A. to pay the sum of €239,911.66.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

The amount refers exclusively to enforcement actions prior to April 28, 2005. The Arbitration Award partly accepted the counterclaim of Navale Assicurazioni S.p.A. regarding some requests of payment made by Totobit. The Arbitration Board resulted in the sentencing of Totobit to pay the sum of €200,654.19. Half the arbitration proceeding 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.

7. Request for Conclusions from the Audit Department on the Setting-Up and Operation of a Screen-Based Gaming Management Network

On June 1, 2007, the Regional Public Prosecutor of the Government Audit Department (Corte dei Conti) served Lottomatica Videolot Rete S.p.A., and all other nine concessionaires for the operation of gaming machines, an invitation to submit their briefs with regard to an investigation on possible damages to the State Treasury.

The Regional Prosecutor contested that Lottomatica Videolot Rete S.p.A., in conjunction with some AAMS officials, inaccurately did not fulfill 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 a motion on June 27, 2007, contesting the outcome of the Regional Prosecutor and arguing to have always complied with its obligations as concessionaire and requesting the dismissal of the case.

At the same time, AAMS served Lottomatica Videolot Rete and the other nine concessionaires the same charges as those filed by the Regional Prosecutor and requested the payment of damages for the same amount.

Lottomatica Videolot Rete challenged the charges brought forth by AAMS and appealed before the TAR of Lazio requesting the annulment of the above.

Through court order dated July 25, 2007 the TAR of Lazio accepted the appeals brought forth by Lottomatica Videolot Rete and the other concessionaires and annulled the request for damages presented by AAMS. The hearing to discuss the merit was set to January 23, 2008. Lottomatica Videolot Rete presented a technical report prepared by sector experts demonstrating its complete adherence to the concession contract obligations. The report illustrates how Lottomatica Videolot Rete implemented a complete gaming system that is efficient and entirely functional.

On April 1, 2008 the TAR of Lazio issued a ruling annulling the damages request lodged by AAMS for the payment of €4.0 billion by Lottomatica Videlot Rete.

On January 8, 2008, the Regional Public Prosecutor for the Audit Department served notice to Lottomatica Videolot Rete regarding the charges brought forth which partially reduced the penalties to approximately €3 billion, breaking down to:

1) €400,000.00 plus interests for the "delay in the launch of the online network" (which should have been launched by September 13, 2004 – effective launch date was October 31, 2004);
2) € 1.0 million plus interests for the "delay in the activation of the network" (which should have been completed by October 31, 2004 – effective completion date was December 31, 2004);

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

3) € 991,456.00 plus interests for the "delay in the connection of the gaming machines to the online network" (which should have occurred no later than December 31, 2004 – effective completion date was February 2, 2006);
4) € 3.0 billion plus interests for "not having fulfilled all service level obligations provided for in section 2, letter b) of the concession".

The first hearing before the Audit Department was set to December 4, 2008.

At the same time, on March 13, 2008 AAMS and Lottomatica Videolot Rete signed an amendment to the original Concession contract, more favourable to the Concessionaires.

With regard to the indications set forth by the above mentioned TAR ruling and based on the above mentioned additional clause signed between the parties, AAMS, with letters dated as of May 23 and 27, 2008 notified Lottomatica Videolot Rete the start of investigations with reference to the inaccurately fulfilling the online activation and management obligations relating to the concession and failure to comply with service levels. As specified in the letter dated May 27, 2008 the failure to comply with the obligation to "supply responses to the request for gaming wagers data" presented by AAMS through its access gateway. AAMS further stated that in order to calculate damages, the Ministry of Finance nominated an ad hoc technical commission.

To date, AAMS has not yet issued any communication regarding the 4th penalty.

Regarding the letter dated May 23, 2008, AAMS presented the terms within which the concessionaires would have to launch the online network (Article 3, section 1, letter b) of the Concession), complete its activation (Article 3, section 1, letter d)) and connect the remaining 5% of gaming machines (Article 3, section 3).

On June 6, 2008 AAMS further challenged Lottomatica Videolot Rete for the violation of the obligations set forth in Article 3, section 1, letters b) and d), and sections 2 and 3 of the Concession. Lottomatica Videolot Rete responded to the challenges stating that:

(i) The charges presented by AAMS regarding the failure to comply to the obligation to launch the online network within 65 days of the release date of the concessionaire list are ungrounded in so far as Lottomatica Videolot Rete notified AAMS the completion of the launch with the letter dated September 13, 2004. The testing on the network was carried out on October 11, 2004; and
(ii) Reiterating that the launching activating and initial activation of the communication systems resulted to be much more complex than originally expected and that the complexity was impossible to foresee.

Through letters dated September 1, 2008, October 1 and October 16, 2008 AAMS communicated the completion of the investigation and application the following fines:

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.

Though the above fines do not regard the 4th and largest fine (calculated by the Regional Prosecutor as €3.0 billion) they nevertheless have been significantly reduced compared to the original calculation presented by AAMS and dismissed by both the TAR of Lazio and the Audit Department Prosecutor.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

The Lottomatica Videolot Rete filed the appeals against the above indicated 3 fines before the Regional Administrative Court (TAR) of Lazio.

The TAR of Lazio dismissed the motions filed by Lottomatica Videolot Rete on November 30, 2009 and in January, 2010 Lottomatica Videolot Rete filed the appeal before the State Council.

Consequently to the above-mentioned sentences, AAMS requested, by notice of February 25, 2010, that Lottomatica pay the penalties as set forth above.

At the same time, Lottomatica Videolot Rete filed before the Supreme Court a motion whether the application of the penalties provided for the concession fall within the "administrative reserve" of AAMS. The declaration of jurisdiction of the TAR of Lazio would therefore exclude that of the Audit Department.

On December 4, 2009 the Supreme Court declared the jurisdiction to be that of the Audit Department resulting in the annulment of the suspension of the pending ruling of the Audit Department. After the judgement of the Supreme Court, Lottomatica Videolot Rete was notified of the resumption of the proceedings before the Audit Department. Thus, the next hearing will be held on November 11, 2010.

8. SUPERENALOTTO Tender Appeal

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, upon measure of 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.

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 in part and rejected it in part upon merits. 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 because of being near to the conclusion.

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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

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 filled 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 Awarding Commission. The TAR of Lazio issued a court order on June 4, 2008 requesting the tender documentation from AAMS.

On October 22, 2008 the TAR of Lazio issued a court order granting Lottomatica and Snai the opportunity to examine all tender deeds.

On April 16, 2009 AAMS sent Lottomatica an official copy of Decree of April 7, 2009 which constituted a specific Committee to control the anomalies in the offer presented by Sisal. Said Committee communicated the conclusion of its review and evaluation of the offer in question on May 25, 2009. In addition AAMS notified Lottomatica on June 23, 2009 of the Decree of June 10, 2009 with which the final review of the tender award to Sisal was completed with a positive outcome.

AAMS presented the said conclusions regarding the offer presented by Sisal at the May 27, 2009 hearing. SNAI has already submitted additional claims against the above mentioned evaluation of the Sisal offer. Lottomatica is doing the same.

The April 16, 2009 appeal brought forth by Lottomatica requested the TAR of Lazio to ascertain its right to review the administrative documents requested on February 24 and March 19, 2009 (Sisal and points of sale contract and AAMS authorization, as well as documentation regarding AAMS review). AAMS denied Lottomatica access to said documents on March 20, 2009. The ruling issued on June 10, 2009 by the TAR of Lazio admitted the appeal presented by Lottomatica and ordered AAMS to grant Lottomatica access to said documents. Lottomatica executed the abovementioned access in order to verify the irregular offer presented by Sisal. We are waiting for the next hearing to be set.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. 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

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 may be 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. 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.

GTECH conducted an internal investigation of the 2003 Contract Extension under the supervision of the independent directors of GTECH Holdings Corporation. GTECH found no evidence that GTECH, GTECH Brazil, or any of their current or former employees violated any 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 €625.3 million at currency exchange rates in effect as of March 31, 2010). 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 €500.4 million and €583.8 million at currency exchange rates in effect as of March 31 2010) 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. 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 €168.8 million at currency exchange rates in effect as of March 31, 2010).

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 wagering 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 and a Special Appeal to the Court of Taxes and Fees, both of which were not granted. The State Treasury of São Paulo has filed a tax foreclosure to collect the tax obligation. GTECH Brazil is preparing to file an appeal of this matter with the First District Court of the State Treasury (Barueri). Prior to filing the appeal, it is likely that GTECH Brazil will be required to provide security for the tax obligation in the event it is unsuccessful in the appeal. 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 €7.4 million at currency exchange rates in effect at March 31, 2010) 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. The appellate court has ruled in SB's favour and GTECH now considers this matter closed.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

31. 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 consideration of performance targets which were met for Finsoft's fiscal year ended September 30, 2007, contingent consideration of £10.3 million (€13.4 million) was paid in May 2008. If maximum performance targets are met for Finsoft's fiscal years ended September 30, 2008 and 2009, a further £18.5 million (€20.8 million at the March 31, 2010 exchange rate) would be paid during the first half of 2010.

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 consideration of performance targets which were met in 2009, contingent consideration of £0.6 million (€0.7 million), £0.7 million (€0.8 million) and £0.4 million (€0.5 million) was paid in January 2009, August 2009 and December 2009, respectively. If maximum performance targets are met in the first quarter of 2010, a further £2.2 million (€2.5 million at the March 31, 2010 exchange rate) would be paid during the second quarter of 2010.

Medstroms AB Put/Call
At March 31, 2010, GTECH Global Services Corporation ("GGSC") had an 87.454% interest in GEMed AB ("GEMed"), a Swedish private limited liability company that owns 100% of Boss Media AB, a leading developer of innovative software and systems for digitally-distributed gaming entertainment. GGSC has the option, which it may exercise between April 1, 2010 and June 30, 2010 to require Medströms Invest AB ("Medströms") to sell its 12.546% interest in GEMed to GTECH and Medströms has an identical put right. The price at which the put/call may be exercised is equal to ten times EBITDA for the period January 1, 2009 through December 31, 2009, such product to be multiplied by Medströms' 12.546% interest in GEMed. The price is subject to both a floor (SEK 108 million) and a cap (SEK 287 million), or approximately €11.6 million floor and €30.8 million cap at the April 24, 2008 SEK to euro exchange rate.

On April 1, 2010, Medströms exercised its put right and on April 12, 2010, GGSC paid Medströms SEK 200 million (€20.5 million at the transaction date) for the remaining 12.546% interest in GEMed.

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 consideration of performance targets that were met in 2008 and 2009, contingent consideration of £4.5 million (€5.7 million) and £0.2 million (€0.2 million) was paid in October 2008 and December 2009, respectively.

Ten percent of St. Minver remains 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 at a price equal to fair value to be determined by an independent appraisal as of the date of exercise. GTECH may exercise the call right and Mr. Shaw may exercise the put right at any time after December 31, 2011 and before March 31, 2012 or during each subsequent yearly period between December 31st and March 31st.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

31. Commitments and contingencies (continued)

CLS-GTECH Company Limited
GTECH Global Services Corporation Ltd. ("GGSC") has a 50% interest in CLS-GTECH Company Limited ("CLS-GTECH"), which is accounted for using proportionate consolidation. CLS-GTECH is a corporate joint venture that was formed to provide a nationwide KENO system for Welfare lotteries throughout China.

In December 2007, GGSC made a capital commitment to CLS-GTECH of AUD$7.5 million 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, 2010, the outstanding commitment was US$3.8 million (€2.8 million at the March 31, 2010 exchange rate).

Loto Real Del Cibao, C.X.A.
On August 28, 2008, GTECH and GGSC entered into a 20-year contract with Loto Real Del Cibao, C.X.A. ("Loto Real") to be the exclusive technology provider to Loto Real for an online lottery system, terminals, and future commercial services and other gaming opportunities in the Dominican Republic. The contract has a provision that allows GTECH the right to acquire 35% of the outstanding capital of Loto Real within sixty days after receiving audited financial statements and applicable due diligence for the year ended December 31, 2012.

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.

At March 31, 2010, GTECH guaranteed, along with the 51% shareholder in LGT, performance bonds from trade finance facilities made to LGT by an unrelated commercial lender. GTECH is jointly and severally liable with the other shareholder in LGT for this guarantee. GTECH's guarantee obligation is scheduled to terminate on June 30, 2010. The maximum amounts guaranteed and the outstanding balances at March 31, 2010 are as follows (in millions):

	Baht	€
Maximum amounts guaranteed by GTECH	375.0	8.6
Amounts outstanding	375.0	8.6

Lottery Technology Enterprises guarantee
GTECH has a 1% interest in Lottery Technology Enterprises ("LTE"), a joint venture between GTECH, New Tech Games, Inc. ("New Tech") and Opportunity Systems, Inc. ("OSI"). The joint venture agreement terminates on December 31, 2019. LTE recently extended its contract with the District of Columbia Lottery and Charitable Games Control Board ("DCLB") through November 22, 2010, extending LTE's 10 year contract with the DCLB, which expired on November 22, 2009. Under Washington, D.C. law, by virtue of our 1% interest in LTE, GTECH may be jointly and severally liable, with New Tech and OSI, 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.

DOCUMENT REDACTED BY TLC - 12-4-10

Additional Disclosure Pursuant to Specific Italian Requirements

DOCUMENT REDACTED BY TLC - 12-4-10

DECLARATION OF MANAGER RESPONSIBLE FOR THE PREPARATION OF THE LOTTOMATICA GROUP S.p.A. FINANCIAL REPORTS PURSUANT TO ARTICLE 154-bis, PAR. 2 OF LEGISLATIVE DECREE N. 58/1998, AS SUBSEQUENTLY AMENDED AND INTEGRATED (THE "CONSOLIDATED LAW ON FINANCE")

Mr. Stefano Bortoli, the Manager responsible for preparing the Lottomatica Group 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 2010 Report corresponds to the document results, books and accounting records of the Company.

Rome, _____, 2010

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

DOCUMENT REDACTED BY TLC - 12-4-10

2009 Lottomatica Annual Report

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP

Responsibly Driving Global Gaming

2009 ANNUAL REPORT

DOCUMENT REDACTED BY TLC - 12-4-10

TABLE OF CONTENTS

Page

Management Discussion and Analysis

Lottomatica Group S.p.A. Profile 4

Lottomatica Group 6

Operating and Financial Review 8

Significant Business Developments 30

Risks and Uncertainties 33

Predictable Developments 35

Lottomatica Stock Information 36

Business Overview

- Italian Operations Segment 38
- GTECH's Lottery Segment 41
- Gaming Solutions Segment 46
- GTECH G2 Segment 46
- Environmental Commitments 47
- Significant Contract Developments 51
- Tables of Customer Contracts 54

Long Term Incentive Plans 67

Processing of Personal Data 70

Consolidated Financial Statements and Footnotes

- Statements of Financial Position 72
- Income Statements 73
- Statements of Comprehensive Income 74
- Statements of Cash Flows 75
- Statements of Changes in Equity 76
- Notes to Financial Statements 78

Audit Firm Fees 194

DOCUMENT REDACTED BY TLC - 12-4-10

Summary Schedule of Essential Data of Consolidated Companies Pursuant to Article 2429 of Italian Civil Code 195

Additional Disclosures Pursuant to Specific Italian Requirements

Certification Pursuant to Law 262 203

List of Subsidiaries and Affiliates 204

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP S.p.A. Profile

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

Company Name	Lottomatica Group - Società per Azioni
Fiscal Code, VAT no. and no. of enrollment with the Register of enterprises of Rome	08028081001
Share Capital	As of December 31, 2009: €180,857,821 authorized ordinary shares, €1.00 par value per share; 172,015,373 shares paid and subscribed
Registered Office	Roma - Viale del Campo Boario 56/d
Board of Directors (1)	
Chairman	Lorenzo PELLICIOLI
Vice Chairman	Robert DEWEY Jr. *
Managing Director and C.E.O.	Marco SALA
Board Members	Pietro BOROLI Paolo CERETTI Marco DRAGO Jeremy HANLEY, KCMG* James MCCANN * Jaymin PATEL Anthony RUYS * Severino SALVEMINI * Gianmario TONDATO DA RUOS ** William Bruce TURNER
** Denotes Independent Directors* *** Denotes Lead Independent Director*	
General Manager (2)	Renato ASCOLI
Board of Statutory Auditors : (1)	
Chairman	Sergio DUCA
Regular Members	Angelo GAVIANI Francesco MARTINELLI
Substitute Members	Gian Piero BALDUCCI Giulio GASLOLI Umile Sebastiano IACOVINO Guido MARTINELLI Marco SGUAZZINI VISCONTINI

DOCUMENT REDACTED BY TLC - 12-4-10

Independent Auditors	Reconta Ernst & Young S.p.A.
Members of the Executive Committee (3)	Lorenzo PELLICIOLI (Chairman) Pietro BOROLI Paolo CERETTI Marco DRAGO Jaymin PATEL Marco SALA
Members of the Audit and Compliance Committee (3)	Severino SALVEMINI (Chairman) Jeremy HANLEY, KCMG Anthony RUYS
Members of the Remuneration Committee (3)	Gianmario TONDATO DA RUOS (Chairman) Robert DEWEY Jr. 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 28, 2009.
(3) As enacted by the Board of Directors at a meeting held on April 15, 2008.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP

Lottomatica Group 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 Group 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 this report.

As further described in the Business Overview section of 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 248,000 terminals in about 109,400 points of sale (including approximately 26,100 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. 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. Prior to this license, Lottomatica had operated only sports pools with a concession that began in 2003 and expired in December 2007. Lottomatica, in order to develop the Italian sports betting/interactive market, has continued to acquire further points of sale. As of December 31, 2009, 1,685 points of sale were acquired.

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, 25 of the 44 lottery authorities in the United States, and 53 non-U.S. lottery authorities.

DOCUMENT REDACTED BY TLC - 12-4-10

The Group operates in the gaming machine market through Lottomatica's Italian subsidiary Lottomatica Videolot Rete S.p.A., its Canadian subsidiary Spielo Manufacturing, ULC ("Spielo"), a leading provider of video lottery terminals ("VLTs") and related products and services to the global gaming industry, and its Atronic group of companies ("Atronic"). Lottomatica Videolot Rete operates on its networks with amusement with prize machines ("AWPs"). Atronic, a leading video gaming machine provider in Europe, Asia and Latin America, operates in the United States and is licensed in approximately 208 worldwide gaming jurisdictions.

The Group 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 through GTECH G2, a division of GTECH comprised of its Finsoft, Boss Media and St. Minver groups of subsidiaries.

Additionally, the Group has leveraged its distribution and transaction processing competence to expand its activities to include commercial services through its networks worldwide.

On January 1, 2009 the Group adopted International Financial Reporting Standard ("IFRS") 8 – *Operating Segments*, which requires certain disclosures regarding reportable operating segments in our consolidated financial statements for the year ended December 31, 2009. For management purposes, the Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit.

The Group's reportable segments are as follows:

- The Italian Operations segment operates and provides a full range of gaming services, including online, instant and traditional lotteries, scratch and win, sports betting, machine gaming, interactive skill games and non-lottery commercial transactions;
- The GTECH Lottery segment operates and provides a full range of services, technology and products to government sponsored online, instant and traditional lotteries;
- The Gaming Solutions segment operates and provides solutions, products and services relating to VLTs and associated systems for the government sponsored market and video and traditional mechanical reel slot machines and systems for the commercial gaming markets; and
- The GTECH G2 segment provides digitally-distributed, multi-channel gaming entertainment products and services, including sports betting, lottery, bingo, poker, casino games and quick games, as well as retail solutions for real-time transaction processing and information systems for the sports-betting market.

The Group has operations in more than 50 countries worldwide on six continents and had 7,672 employees as of December 31, 2009. For additional information on the Group, please go to its website at: www.gruppolottomatica.it/eng/aboutus/index.htm.

DOCUMENT REDACTED BY TLC - 12-4-10

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.

As described earlier in this report, after adopting IFRS 8 *Operating Segments*, the Group's four reportable operating segments in 2009 are: (i) Italian Operations; (ii) GTECH Lottery; (iii) Gaming Solutions; and (iv) GTECH G2. Comparative information for 2008 has been revised for the 2009 presentation.

The gaming industry experienced a dynamic year in 2009 during which there were significant developments. Lottomatica Group produced good results off of a solid operating performance. The Group's core businesses, GTECH Lottery and Lottomatica's Italian operations, continued to perform well while producing reliable and sustainable contributions.

The Group's Gaming Solutions business began to recover from a severe downturn in the machine gaming markets. While not fully rebounded, there are encouraging signs of improvement in the Gaming Solutions business, particularly in the government-sponsored markets.

In the Interactive and Sports Betting space, the Group is benefiting from "first-mover" advantages as the interactive market begins to take form. Interactive projects with lottery customers in Belgium and Switzerland, along with the launch of a unified on-line lottery and sports betting platform for a lottery customer in Chile, have begun to establish the Group's credentials in this area.

The Group has been able to navigate through the current difficult economic conditions with a steadfast commitment to maintaining an investment grade credit rating. During 2009, financings were undertaken for a total of €1.1 billion that included a share capital increase. These activities provide the Group with a solid capital structure that allows it to respond to opportunities, including the bid for the Italian Scratch & Win license.

Due to the commercial success of the Group, the visibility and sustainability of its results has improved. Assuming all options to extend contracts are exercised and we are successful in purchasing video lottery terminal ("VLT") licenses in Italy, approximately 64% of the service revenues generated by the Group's worldwide commercial portfolio is under contract for at least four years. The weighted average length of the Group's service contracts is five years.

Should the Group be awarded the license of Scratch & Win as the sole bidder, approximately 83% of service revenues would be under contract for at least four years and the weighted average length of the Group's service contracts would increase to seven years.

The Group's Italian operations continued to make significant contributions in 2009 but it has become evident that the lottery market in Italy is maturing. To address this trend, the Group has introduced new games, increased price points and improved marketing. Management is confident that these efforts will be successful but the growth the Group has experienced, particularly in Scratch & Win, has moderated.

DOCUMENT REDACTED BY TLC - 12-4-10

Other sectors of the Italian gaming market have experienced significant growth. There have been high levels of growth in the Italian machine gaming, sports betting, and interactive sectors. The Group has made substantial investments in these sectors and, in a relatively short time, has achieved market leadership positions in each. Contributions from the on-going expansion in these sectors are expected to become meaningful to the Group over the next few years. Machine Gaming, Sports Betting and Interactive account for approximately one third of Italian Operations segment revenues and management expects those sectors to be the primary drivers of future growth.

In regards to some of the developments in the Italian market, it is important to note that investments made to acquire new VLT licenses in 2009 and 2010 will produce results over the nine year license term. The rate of return on this investment over that period is very attractive. It is expected that VLTs will begin making measurable contributions in 2011. It is of interest that the new VLTs will be introduced in different types of retail spaces than that of the Group's other AWP installed base of forty-eight thousand (48,000) machines. The impact of new VLTs on our existing AWP machines should be minimized due to the differing retail placement.

The traditional online lottery segment, in which GTECH continues to hold its leadership position, experienced some encouraging trends. Operator opportunities are becoming more prevalent. In particular, we expect to launch a new lottery in Spain during the third quarter of 2010 in which GTECH will essentially serve as the operator in partnership with our customer ONCE. Spain is becoming a significant base of operations for GTECH. There is also a good deal of potential for interactive operator opportunities there as well. In the United States, the Illinois Lottery is proceeding with a kind of outsourcing that will engage an operator to help drive greater returns. Done properly, that could be a game changing concept in the United States.

In a highly promoted launch in January 2010, the two United States ("US") multi-state jackpot games, PowerBall and Mega Millions, began cross selling one another's games. Initial results are promising. Thirty-three states joined in the effort. Due to the unpredictability of jackpots, it will take a few quarters to be able to judge the full impact of cross-selling. There are still some states, such as California and Florida that have yet to adopt the program. Nevertheless, the cooperation of the two sponsoring groups is very encouraging and increases the potential for the introduction of new national games in the US.

GTECH Printing has made good progress. It recently signed its first primary contract with the New Mexico Lottery. That is significant because while GTECH Printing had been gaining a prominent foothold with many customers as a secondary printer, the New Mexico award signals their emergence as a major competitor for primary contracts. Also this year, a new printing press has been put into service that can print eleven billion tickets annually. That is the highest capacity of any press in the instant ticket industry.

In addition, revenue starved governments are looking to their lottery programs for more contributions. Numerous US states, including Maryland, Pennsylvania and Kansas, have introduced government sponsored machine gaming programs that have created opportunities for the Group's Spielo subsidiary.

DOCUMENT REDACTED BY TLC - 12-4-10

From the perspective of management, 2009 was a year of fairly dynamic change in the gaming industry. Markets in Europe began to liberalize. The Italian market emerged as a model for expansion into new exciting growth sectors. The US market began developing a national platform for lottery games and operator opportunities in all segments and geographies of the gaming market are beginning to take form. The Group has invested, prepared well and is ready to capture the opportunities these developments and trends will bring.

A review of the Group's operating results demonstrates that the fundamentals of the Group's business remain strong despite significant recessionary hurdles. Full year revenues were up approximately 6% and EBITDA rose approximately 4%. At a time when the economies of many regions in which the Group conducts business were down by two to six percent, the Group's performance stands in contrast to those trends.

Against the backdrop of encouraging results, the Group did take a non-cash impairment charge of approximately €76 million principally related to its GTECH G2 segment. The interactive market continues to grow but at a lower rate than previous years and new regulatory frameworks are emerging which are impacting the timing of some of the Group's expected contributions from this area.

The following is a review of the performance of the operating segments of the Group's business: Italian Operations, GTECH Lottery, Gaming Solutions and GTECH G2.

Lottomatica's Italian operations had another good year. Total revenues were up by 15%. New games are being introduced in Scratch & Win and Lotto that are helping to create some excitement and bolster sales.

Supported by a network of almost 1,700 retail locations offering either fixed odds or sports pools betting, revenues from Sports Betting in 2009 increased by 29% over 2008.

Machine Gaming wagers reached the €4 billion mark in 2009, up approximately 13% over 2008. The introduction and launch of VLTs is anticipated to take place in July 2010.

In the interactive space, which is still in the investment stage, wagers of approximately €355 million were taken in, primarily from online poker.

Service revenues from GTECH Lottery operations in 2009 were up 3.3% over 2008. Total revenues from GTECH Lottery in 2009 were not comparable to 2008 due to the timing of product sales. In 2008, GTECH had some large products sales that were not replicated in 2009. As a rule, management prefers to look to service revenues which are a more reliable indicator and a direct driver of the profitability and sustainability of results.

GTECH had a successful year commercially, winning a re-bid in New York and a major new operator contract in Spain as well as 12 extensions of contracts. GTECH Printing continued to increase its market presence, winning 10 new contracts and increasing its customer base to 43 lotteries.

Gaming Solutions reinforced its leadership position in the central monitoring systems space with a contract win in Maryland. The New York lottery extended its relationship with Gaming Solutions by seven years. In another example of the complementary nature of the Group's business units, Gaming Solutions will also be offering gaming products to other machine operators in Italy through an arrangement with Lottomatica's machine gaming subsidiary there.

DOCUMENT REDACTED BY TLC - 12-4-10

In the GTECH G2 segment, nationally regulated markets are beginning to form in Europe, a region in which GTECH's lottery customers enjoy significant brand awareness and trust.

Presented below are the Group's key performance indicators (in thousands of euros, except per share amounts).

	For the year ended December 31,		Increase (decrease)	
	2009	2008	€	%
Revenue	2,176,857	2,058,940	117,917	5.7
EBITDA	783,682	755,876	27,806	3.7
Operating income	366,421	339,995	26,426	7.8
EBIT	336,246	352,016	(15,770)	(4.5)
Net income	112,354	137,870	(25,516)	(18.5)
Diluted earnings per share	0.45	0.62	(0.17)	(27.4)

Consolidated revenue in 2009 increased 5.7% over 2008. Service revenue grew approximately 11% to €2.1 billion and product sales in 2009 totaled €161.4 million, compared to €240.7 million in 2008 when significant product sales were recorded from Finland and the United Kingdom.

EBITDA increased 3.7% driven by growth in the Italian Operations segment.

Operating income increased €26.4 million resulting from a €96.2 million increase in the Gaming Solutions segment, principally due to non-cash impairment charges in 2008 that did not recur in the current year and a €16.8 million increase in the Italian Operations segment due to growth in its Machine Gaming, Sports Betting and Interactive markets. Offsetting these increases was €25.8 million and €65.3 million of lower operating income in the GTECH Lottery and GTECH G2 segments, respectively. GTECH Lottery was impacted by the cyclicality of product sales as described above and in 2009, GTECH G2 incurred non-cash impairment charges due to potential changes in the regulation of online gaming in Europe.

DOCUMENT REDACTED BY TLC - 12-4-10

EBITDA AND EBIT

EBITDA and EBIT are considered alternative performance measures that are not defined measures under 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:

	For the year ended December 31,		Increase (decrease)	
(thousands of euros)	2009	2008	€	%
Operating income	366,421	339,995	26,426	7.8
Depreciation	236,601	225,461	11,140	4.9
Amortization	94,400	86,095	8,305	9.6
Impairment loss	76,025	100,778	(24,753)	(24.6)
Other	10,235	3,547	6,688	188.6
EBITDA	783,682	755,876	27,806	3.7
Operating income	366,421	339,995	26,426	7.8
Equity loss	(1,833)	(1,825)	(8)	(0.4)
Other income	4,172	6,193	(2,021)	(32.6)
Other expense	(16,690)	(2,699)	(13,991)	>200.0
Foreign exchange gain (loss), net	(15,824)	10,352	(26,176)	>200.0
EBIT	336,246	352,016	(15,770)	(4.5)

ACQUISITIONS

Business combination activity in the Italian Operations segment consists of strategic investments to exploit growth opportunities in the Sports Betting and Machine Gaming markets. The aim is to acquire additional sports betting rights or to increase our directly-managed gaming machine base (amusement with prize machines). In keeping with this strategy, the material business combination activity that occurred during 2009 is described below.

Labet
On June 25, 2009, Lottomatica acquired 100% of the shares of Labet, an Italian entity that is engaged in the sports betting business for a cash purchase price of €20.2 million.

DOCUMENT REDACTED BY TLC - 12-4-10

Europa Gestione
On June 4, 2009, Lottomatica acquired 100% of the shares of Europa Gestione, an Italian entity that owns and operates amusement with prize machines for a cash purchase price of €12.2 million.

Topolino
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 cash purchase price of €3.5 million.

The initial accounting for these acquisitions is 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 one year from their respective acquisition dates.

COMPARISON OF 2009 WITH 2008

Consolidated revenue in 2009 increased 5.7% over 2008 as detailed by operating segment below.

	For the year ended December 31,		Increase (decrease)	
(thousands of euros)	2009	2008	€	%
Italian Operations	1,176,091	1,022,634	153,457	15.0
GTECH Lottery	780,612	865,440	(84,828)	(9.8)
Gaming Solutions	152,549	142,790	9,759	6.8
GTECH G2	71,132	48,350	22,782	47.1
	2,180,384	2,079,214	101,170	4.9
Elimination of intersegment revenue	(3,851)	-	(3,851)	-
Purchase accounting **(a)**	324	(20,274)	20,598	101.6
Total revenue	2,176,857	2,058,940	117,917	5.7

(a) Represents the amortization of acquired tangible and intangible assets in connection with the August 2006 acquisition of GTECH by Lottomatica.

DOCUMENT REDACTED BY TLC - 12-4-10

Italian Operations segment

Consolidated revenue includes the following amounts for the Italian Operations segment:

	For the year ended December 31,		Increase (decrease)	
(thousands of euros)	2009	2008	€	%
Lotto	364,124	378,827	(14,703)	(3.9)
Instant tickets	329,088	323,789	5,299	1.6
Other	2,473	2,580	(107)	(4.1)
Lottery	695,685	705,196	(9,511)	(1.3)
Sports Betting	186,461	144,726	41,735	28.8
Machine Gaming	160,883	89,204	71,679	80.4
Interactive	38,937	-	38,937	-
Commercial Services	94,125	83,508	10,617	12.7
Total revenue	1,176,091	1,022,634	153,457	15.0

The Italian Operations segment includes all Italian licenses related activities including our exclusive concessionaires (lotteries) and multi-provider concessionaires (sports betting and pools, horse-race betting and pools, gaming machines, skill game wagers such as online poker, and transaction processing of non-lottery commercial transactions).

A substantial portion of revenue from the Italian Operations segment is derived from the Lotto concession under which 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.

DOCUMENT REDACTED BY TLC - 12-4-10

A detailed analysis of the 2009 performance of each product and service reported within the Italian Operations segment as compared to 2008 is described below.

Lotto

Lotto revenue declined 3.9% due to a corresponding decline in Lotto wagers as detailed in the table below. Wagers on a new keno-style game, 10 and Lotto, which launched in June 2009, partially offset the decline in Lotto wagers.

	For the year ended December 31,		Increase (decrease)	
(millions of euros)	2009	2008	Wagers	%
Core wagers	4,620.1	5,045.8	(425.7)	(8.4)
Wagers for late numbers	1,043.7	806.2	237.5	29.5
	5,663.8	5,852.0	(188.2)	(3.2)

Instant tickets

Instant ticket revenue increased 1.6% primarily due to higher sales of Scratch and Win tickets as detailed in the table below. The €194.2 million increase in instant ticket sales was principally driven by the continued success of existing tickets (€5 Il Miliardario, €10 Il Megamiliardario and €10 Tesoro del Faraone), and the introduction a new ticket, €20 Magico Natale, in October 2009.

	For the year ended December 31,		Increase (decrease)	
	2009	2008	Amount	%
Total tickets sold (in millions)	2,413.0	2,531.0	(118.0)	(4.7)
Total sales (in millions)	€ 9,371.9	€ 9,177.7	€ 194.2	2.1
Average price point	€ 3.88	€ 3.63	€ 0.25	6.9

Sports Betting

Sports betting revenue increased 28.8% due to the strong performance of fixed odds sports-betting operations (20.3% market share, in terms of total wagers, as of December 31, 2009) as detailed in the table below. As of December 31, 2009, 1,189 fixed odds sports-betting and 496 sports pool points of sale locations were operational.

	For the year ended December 31,		Increase (decrease)	
(millions of euros)	2009	2008	Wagers	%
Fixed odds sports betting wagers	819.5	635.0	184.5	29.1
Sports pool wagers	113.8	150.5	(36.7)	(24.4)
	933.3	785.5	147.8	18.8

DOCUMENT REDACTED BY TLC - 12-4-10

Machine Gaming
Machine Gaming revenue increased 80.4% primarily driven by a €463.1 million increase in wagers on AWPs as detailed in the table below.

	For the year ended December 31,		Increase (decrease)	
	2009	2008	Amount	%
AWP wagers (in millions)	€ 4,011.3	€ 3,548.2	€ 463.1	13.1
AWP machines installed (end of December)	48,226	48,991	(765)	(1.6)

Interactive
During 2009, €38.9 million of revenue was generated from €354.9 million of skill game wagers, principally from online poker.

Commercial Services
Commercial Services revenue increased 12.7% principally due to an increase in bill payment services and electronic top-up services for prepaid mobile.

GTECH Lottery segment
Consolidated revenue includes the following amounts for the GTECH Lottery segment:

	For the year ended December 31,		Increase (decrease)	
(thousands of euros)	2009	2008	€	%
United States	440,408	417,434	22,974	5.5
International	278,028	277,750	278	0.1
Service revenue	718,436	695,184	23,252	3.3
United States	9,699	9,803	(104)	(1.1)
International	52,477	160,453	(107,976)	(67.3)
Product sales	62,176	170,256	(108,080)	(63.5)
United States	450,107	427,237	22,870	5.4
International	330,505	438,203	(107,698)	(24.6)
Total revenue	780,612	865,440	(84,828)	(9.8)

DOCUMENT REDACTED BY TLC - 12-4-10

GTECH Lottery 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 Lottery product sale revenue is derived primarily from the installation of new online lottery and gaming systems, installation of new software and sales of lottery and gaming terminals and equipment in connection with the expansion of existing lottery and gaming 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.

Service Revenue
United States lottery service revenue increased 5.5% primarily due to the weakening euro against the US dollar.

International lottery service revenue was comparable to 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.

Product Sales
International lottery product sale revenue decreased 67.3% from the prior year. Product sale revenue from year to year fluctuates due to the mix, volume and timing of product sale transactions. Product sales in 2009 included the sale of new lottery terminals to our customer in Denmark and a new online lottery system to our customer in Belarus. Product sales in 2008 included a new lottery central system to our customer in Finland, 28,500 lottery terminals to our customer in the United Kingdom and a central system to our customer in Saxony, Germany.

Gaming Solutions segment
Consolidated revenue includes the following amounts for the Gaming Solutions segment:

	For the year ended			
	December 31,		Increase (decrease)	
(thousands of euros)	2009	2008	€	%
Service Revenue	58,007	56,465	1,542	2.7
Product Sales	94,542	86,325	8,217	9.5
Total revenue	152,549	142,790	9,759	6.8

Product sales were €8.2 million higher during 2009 when compared to 2008. Product sales in 2009 included the sale of new video lottery terminals to our customers in Oregon and Sweden. Product sales in 2008 included the sale of video slot/electronic bingo gaming terminals and associated bingo system to our customer in Manitoba and new video lottery terminals to our customer in Sweden.

DOCUMENT REDACTED BY TLC - 12-4-10

GTECH G2 segment

Consolidated revenue includes the following amounts for the GTECH G2 segment:

	For the year ended December 31,		Increase (decrease)	
(thousands of euros)	2009	2008	€	%
Service Revenue	66,502	43,730	22,772	52.1
Product Sales	4,630	4,620	10	0.2
Total revenue	71,132	48,350	22,782	47.1

GTECH G2 service revenue increased 52.1% over the same period last year due to four additional months of revenue from Boss Media and St. Minver (which were acquired on April 24, 2008 and April 30, 2008, respectively).

Consolidated operating costs

	For the year ended December 31,		Increase (decrease)	
(thousands of euros)	2009	2008	€	%
Raw materials, services and other costs	1,052,429	991,247	61,182	6.2
Personnel	428,305	410,513	17,792	4.3
Depreciation	236,601	225,461	11,140	4.9
Amortization	94,400	86,095	8,305	9.6
Impairment loss	76,025	100,778	(24,753)	(24.6)
Capitalization of internal construction costs - labor and overhead	(77,324)	(95,149)	17,825	18.7
Total operating costs	1,810,436	1,718,945	91,491	5.3
Percentage of total revenue	83.2%	83.5%		

Consolidated operating costs during 2009 increased 5.3% over 2008 principally due to higher costs related to the 5.7% increase in revenue; higher costs related to the effect of the weakening euro against the US dollar; and four additional months of costs from Boss Media and St. Minver (which were acquired on April 24, 2008 and April 30, 2008, respectively). These cost increases were offset by lower costs related to lower product sale revenue in 2009.

The €76.0 million of impairment loss in 2009 principally relates to impairment losses in the GTECH G2 segment due to potential changes in the regulation of online gaming in Europe. A significant recent European Court decision has upheld the interest of numerous European States in creating Nationally Regulated Gaming Markets under which cross-border online gaming operators may be required to apply for jurisdiction specific online gaming licenses. Given the uncertain timeline of new licenses and impact to cross-border transactions, we estimate that growth in this segment will continue but at a slower pace.

DOCUMENT REDACTED BY TLC - 12-4-10

The €100.8 million of impairment loss in 2008 includes €74.0 million of goodwill and other impairment losses primarily related to Atronic America's operations in the Gaming Solutions segment and €26.8 million related to a lottery system we deployed for an international customer in the Lottery segment that encountered a sustained period of political instability that prevented the lottery system from launching.

The Group devotes substantial resources to enhance our present products and systems and develop new products. The aggregate amount of research and development expenditures recognized as expense during 2009 and 2008 was €62.4 million and €62.5 million, respectively.

The Group's worldwide employees are comprised of the following personnel:

	Number of employees		
	As of December 31,		2009
Personnel Description	2009	2008	Average
Executives	400	398	397
Middle Management	977	933	963
All Other Permanent Employees	6,131	5,975	6,098
Employees with Temporary Employment Contracts	164	190	195
	7,672	7,496	7,653

Other expense

	For the year ended			
	December 31,		Increase (decrease)	
(thousands of euros)	2009	2008	€	%
Debt issuance costs	(5,391)	-	5,391	-
Termination of interest rate swaps	(3,936)	-	3,936	-
Other	(7,363)	(2,699)	4,664	172.8
	(16,690)	(2,699)	13,991	>200.0

In December 2009, the Group issued €750 million of guaranteed notes due December 5, 2016 (the "Notes"). The proceeds of the Notes, net of associated fees and costs, were used to reimburse the LTO Term Loan Facility, a portion of the GTECH Senior Credit Facilities and other debt, extending the average maturity of the Group's debt while adding further diversity to the Group's capital structure. As a result, unamortized debt issuance costs and interest rate swaps associated with the reimbursed debt were written off.

DOCUMENT REDACTED BY TLC - 12-4-10

Foreign exchange gain (loss), net

Foreign exchange gains and losses are classified as realized (cash) or unrealized (non-cash) as follows:

	For the year ended			
	December 31,		Increase (decrease)	
(thousands of euros)	2009	2008	€	%
Cash foreign exchange loss	(18,970)	(5,984)	12,986	>200.0
Non-cash foreign exchange gain	3,146	16,336	13,190	80.7
	(15,824)	10,352	26,176	>200.0

Cash foreign exchange loss

In order to better match future cash flows with the Group's revenue concentration from European countries (which has increased in recent years), GTECH borrowed in euro under the GTECH Senior Credit Facilities in 2009. These euro denominated borrowings resulted in approximately €19.0 million of cash foreign exchange loss when in December 2009, a portion of the proceeds from the Notes were used to reimburse the outstanding euro borrowings under the GTECH Senior Credit Facilities.

Non-cash foreign exchange gain (loss)

Non-cash foreign exchange gain (loss) was incurred on the following:

	For the year ended			
	December 31,		Increase (decrease)	
(thousands of euros)	2009	2008	€	%
Polish zloty loan	6,043	14,734	8,691	59.0
Other	(2,897)	1,602	4,499	>200.0
	3,146	16,336	13,190	80.7

Polish zloty loan

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. ("GTECH Polska"), loaned Polish zloty 255.6 million (at market interest rates) to GTECH Global Services Corporation Limited ("GGSC"), whose functional currency is the US dollar. GGSC repaid this loan in 2009 principally using the proceeds of non-cash dividends from GTECH Polska. Non-cash foreign exchange gains incurred on this loan resulted from fluctuations in the Polish zloty to US dollar exchange rate.

DOCUMENT REDACTED BY TLC - 12-4-10

Interest expense

(thousands of euros)	For the year ended December 31, 2009	2008	Increase (decrease) €	%
Capital Securities	(64,658)	(64,403)	255	0.4
GTECH Senior Credit Facilities	(57,139)	(70,777)	(13,638)	(19.3)
Lottomatica Term and Revolving Facilities	(14,984)	(7,781)	7,203	92.6
Notes	(3,030)	-	3,030	-
4.8% Bonds	-	(17,303)	(17,303)	(100.0)
Other	(11,707)	(17,291)	(5,584)	(32.3)
	(151,518)	(177,555)	(26,037)	(14.7)

The decrease in interest expense was principally due to lower interest rates on variable rate debt, partially offset by the weakening euro against the US dollar.

Weighted Average Diluted Shares

Weighted average diluted shares during 2009 totaled 150.4 million shares, comparable to 2008.

On November 24, 2009, the Group raised €350 million through the issue of 19.7 million shares as discussed below. Because this transaction occurred late in 2009, it did not have any material effect on weighted average diluted shares in 2009.

Income Taxes

The Group's effective income tax rate during 2009 was 40.3% compared to 25.6% during 2008. The rate increase was primarily due to the impairment of certain investments, termination of the Group's intercompany debt funding structure, and losses in certain foreign subsidiaries without any associated tax benefit.

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION

The Group's objective is to maintain adequate liquidity and flexibility through the use of cash generated from 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.

DOCUMENT REDACTED BY TLC - 12-4-10

Summary Statements of Cash Flows

(thousands of euros)	For the year ended December 31, 2009	2008
Net cash flows from operating activities	695,442	680,804
Purchases of systems, equipment and other assets related to contracts	(253,059)	(195,178)
Purchases of intangible assets	(102,775)	(18,439)
Acquisitions	(44,737)	(249,667)
Acquisitions - cash acquired	196	39,689
Purchases of property, plant and equipment	(15,848)	(26,176)
Contingent consideration	(2,171)	(13,415)
Other investing activities, net	1,210	2,806
Net cash flows used in investing activities	(417,184)	(460,380)
Proceeds from issuance of Notes	750,000	-
Proceeds from issuance of ordinary share capital	350,000	-
Debt and share issuance costs	(12,976)	(9,113)
Dividends paid - non-controlling interest	(43,560)	(31,357)
Dividends paid	(100,940)	(125,393)
Interest paid	(153,776)	(159,850)
Net repayments of debt	(703,011)	(149,598)
Treasury share purchases	-	(74,830)
Other financing activities, net	(1,535)	3,208
Net cash flows from (used in) financing activities	84,202	(546,933)
Net cash flows	362,460	(326,509)

Analysis of Cash Flows

During 2009, we generated €695.4 million of net cash flows from operating activities, an increase of €14.6 million over 2008, primarily due to changes in net working capital.

The €253.1 million of capital additions for systems, equipment and other assets were principally related to spending in Italy, New York, New Jersey, Chile and West Virginia. Intangible asset additions of €102.8 million were principally related to the non-refundable payment representing 50% of the total cost of 10,761 video lottery terminal ("VLT") rights in Italy. By the end of April 2010, Lottomatica may elect to reduce the total number of VLT rights that it intends to purchase and if it does not make such an election, the payment for the remaining 50% of such VLT rights is due on June 30, 2010. As a result of the purchase of the VLT rights, Lottomatica's license to operate in the VLT market is extended until 2019.

Although acquisition activity in 2008 was significant with the acquisitions of Boss Media AB, the Atronic group of companies and St. Enodoc Holdings, in 2009, we continue to make strategic investments to exploit growth opportunities in the Sports Betting and Machine Gaming markets in the Italian Operations segment.

DOCUMENT REDACTED BY TLC - 12-4-10

On November 24, 2009, the Group raised €350 million through the issuance of 19.7 million shares to Mediobanca International (Luxembourg) S.A. ("Mediobanca") at a 15% premium to market, the proceeds of which will support development plans in Italy, primarily for the renewal of the Gratta & Vinci (Scratch & Win) concession and the purchase of VLT rights.

In order to raise the funds necessary to subscribe for the shares, Mediobanca commissioned UBI Banca International S.A. to issue mandatory exchangeable bonds ("the Bonds") which, upon maturity on October 29, 2012, must be exchanged into Lottomatica ordinary shares. The Bonds were placed with qualified investors on a private placement basis and bear interest at 8.75% per annum payable semi-annually in arrears in equal installments on October 29th and April 29th of each year, commencing on April 29, 2010.

Lottomatica entered into a swap agreement with Mediobanca whereby Mediobanca paid an upfront fixed amount to Lottomatica of €46 million, corresponding to the 15% premium to market. Lottomatica will pay fixed payments semi-annually to Mediobanca that correspond to interest on the Bonds that are not converted at any interest payment date. The present value of these payments has been recorded as a financial liability in the consolidated statement of financial position (the "Swap Liability").

In December 2009, the Group issued €750 million of guaranteed notes due December 5, 2016 (the "Notes"). The proceeds of the Notes, net of associated fees and costs, were used to repay a portion of the existing debt of the Group (along with other general corporate purposes), extending the average maturity of the Group's debt while adding further diversity to the Group's capital structure. The Notes received a rating of Baa3 and BBB- by Moody's Investors Service Limited and Standard & Poor's Rating Service, respectively, and are listed on the Luxembourg Stock Exchange.

Interest paid of €153.8 million in the current year principally relates to the Capital Securities and GTECH Senior Credit Facilities. At December 31, 2009, we had €469.3 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 the GTECH Senior Credit Revolving Facilities (totaling US$500 million) and LTO Revolving Credit Facility (totaling €300 million). At December 31, 2009, there was €643.7 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 December 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.

DOCUMENT REDACTED BY TLC - 12-4-10

Summary Statements of Financial Position

(thousands of euros)	December 31, 2009	December 31, 2008	Increase (decrease) €	Increase (decrease) %
Systems, equipment and other assets related to contracts, net	774,558	758,717	15,841	2.1
Goodwill	3,006,783	3,074,571	(67,788)	(2.2)
Intangible assets, net	822,886	847,281	(24,395)	(2.9)
Deferred income taxes	6,030	23,633	(17,603)	(74.5)
Other non-current assets	118,966	113,886	5,080	4.5
Total non-current assets	4,729,223	4,818,088	(88,865)	(1.8)
Inventories	134,080	129,560	4,520	3.5
Trade and other receivables	791,803	773,595	18,208	2.4
Cash and cash equivalents	469,335	109,274	360,061	>200.0
Other current assets	74,258	91,102	(16,844)	(18.5)
Non-current assets classified as held for sale	5,890	7,456	(1,566)	(21.0)
Total assets	6,204,589	5,929,075	275,514	4.6
Equity	1,896,807	1,649,832	246,975	15.0
Long-term debt, less current portion	2,621,990	2,573,802	48,188	1.9
Deferred income taxes	134,127	229,621	(95,494)	(41.6)
Non-current financial liabilities	142,317	134,604	7,713	5.7
Other non-current liabilities	78,154	75,381	2,773	3.7
Total non-current liabilities	2,976,588	3,013,408	(36,820)	(1.2)
Accounts payable	905,677	800,653	105,024	13.1
Short-term borrowings	5,079	60,848	(55,769)	(91.7)
Current financial liabilities	59,885	12,741	47,144	>200.0
Current portion of long-term debt	67,186	61,109	6,077	9.9
Income taxes payable	20,945	49,457	(28,512)	(57.7)
Other current liabilities	272,422	281,027	(8,605)	(3.1)
Total equity and liabilities	6,204,589	5,929,075	275,514	4.6

The Group changed the December 31, 2008 statement of financial position to: (i) adjust the presentation of foreign currency translation associated with the July 2, 2007 acquisition of Finsoft Limited to properly reflect the functional currency as British pounds sterling; and (ii) to offset deferred income tax assets and deferred income tax liabilities in accordance with IAS 12 *Income Taxes*.

Accordingly, (i) Goodwill and Intangible assets, net, decreased €11.7 million and €5.9 million, respectively, which was offset by a corresponding €17.6 million decrease in Equity; and (ii) deferred income tax assets and liabilities decreased by €211.8 million.

DOCUMENT REDACTED BY TLC - 12-4-10

The €15.8 million increase in systems, equipment and other assets related to contracts, net was principally due to €258.4 million of capital additions, which was partially offset by €224.1 million of depreciation and €14.6 million of foreign currency translation.

The €67.8 million decrease in goodwill was principally due to €67.2 million of foreign currency translation; €23.8 million of impairment loss primarily relating to the GTECH G2 segment; €7.7 million resulting from the finalization of the Royal Gold and Atronic purchase accounting; and €8.4 million of changes in the fair value of contingent liabilities related to the Finsoft Limited, St. Enodoc Holdings Limited and Boss Media AB acquisitions. These decreases were partially offset by €39.3 million of acquisition activity during 2009 (primarily Labet and Europa Gestione).

The €24.4 million decrease in intangible assets, net was principally due to €94.5 million of amortization; €49.8 million of impairment loss primarily related to the GTECH G2 segment; and €13.6 million of foreign currency translation. These decreases were partially offset by €102.8 million of intangible assets acquired during 2009 (primarily the purchase of VLT rights); €15.7 million of 2009 acquisition activity (primarily Labet); and €15.0 million principally resulting from the finalization of the Royal Gold and Atronic purchase accounting.

The €17.6 million decrease in deferred income taxes was principally due to the acceleration of tax amortization in excess of book amortization with respect to the Atronic group of companies.

The €18.2 million increase in trade and other receivables was principally due to increased sales and timing of collections in the Italian Operations segment.

The €247.0 million increase in equity was primarily due to the share capital increase and €112.4 million of net income. These increases were partially offset by €100.9 million of dividends paid to shareholders of the parent and €43.6 million of dividends paid to non-controlling shareholders.

The €48.2 million increase in long-term debt, less current portion was principally due to €750 million of proceeds from the Notes, which was partially used to repay amounts due under the LTO Term Loan Facility and GTECH Senior Credit Facilities. This net increase was partially offset by the reclassification of debt coming due within twelve months to current portion of long-term debt, and €43.9 million of foreign currency translation.

The €95.5 million decrease in deferred income taxes was primarily due to the recognition of deferred tax assets relating to foreign operating losses, provisions currently not deductible for income tax purposes and the amortization of acquired intangibles.

The €7.7 million increase in non-current financial liabilities was primarily due to €56.4 million of Swap Liability related to the share capital increase, partially offset by a €21.1 million improvement in the fair value of interest rate swaps and the €22.2 million reclassification of the Boss Media contingent liability and Finsoft contingent consideration to current financial liabilities.

DOCUMENT REDACTED BY TLC - 12-4-10

The €105.0 million increase in accounts payable was principally due to the timing of payments in Italy and for GTECH's ongoing lottery system implementations, along with an increase in accounts payable primarily related to higher sales of Scratch and Win tickets.

The €55.8 million decrease in short-term borrowings was principally due to repayments of outstanding amounts due under uncommitted lines of credit.

The €47.1 million increase in current financial liabilities was primarily due to €29.9 million of Swap Liability related to the share capital increase and the reclassification of the Boss Media contingent liability and Finsoft contingent consideration, which are expected to be settled within the next twelve months, from non-current financial liabilities as described above.

The €6.1 million increase in current portion of long-term debt was primarily due to the reclassification of debt coming due within twelve months as described above, partially offset by €50 million of debt repayments by utilizing a portion of the proceeds of the Notes.

The €28.5 million decrease in income taxes payable was primarily due to the timing of estimated tax payments.

DOCUMENT REDACTED BY TLC - 12-4-10

Consolidated Net Financial Position

The Group's consolidated net financial position at December 31, 2009 improved €291.0 million from its net financial position at December 31, 2008 principally due to the November 2009 share capital increase. Consolidated net financial position is calculated as follows:

	December 31,		
(thousands of euros)	2009	2008	Change
Cash on hand	453	392	61
Cash at bank	468,882	108,882	360,000
Cash and cash equivalents	469,335	109,274	360,061
Current financial receivables	4,613	20,288	(15,675)
Capital Securities	46,618	46,491	127
Swap Liability	29,924	-	29,924
Atronic related debt	21,782	11,384	10,398
Boss Media contingent liability	17,521	-	17,521
Short-term borrowings	467	58,803	(58,336)
Other	15,838	18,020	(2,182)
Current financial debt	132,150	134,698	(2,548)
Net current financial debt (cash)	(341,798)	5,136	(346,934)
GTECH Senior Credit Facilities	1,145,100	1,359,888	(214,788)
Notes	740,821	-	740,821
Capital Securities	733,180	730,525	2,655
Swap Liability	56,391	-	56,391
Interest rate swaps	53,094	73,740	(20,646)
Atronic related debt	2,803	69,793	(66,990)
LTO Term Loan Facility	-	353,354	(353,354)
Lottomatica Senior Credit Revolving Facility	-	50,000	(50,000)
Boss Media contingent liability	-	14,252	(14,252)
Other	32,918	56,854	(23,936)
Non current financial debt	2,764,307	2,708,406	55,901
Net financial position	2,422,509	2,713,542	(291,033)

DOCUMENT REDACTED BY TLC - 12-4-10

Financial risk management objectives and policies

Our principal financial instruments, other than derivatives, are comprised of debt and cash and cash equivalents. The main purpose of these financial instruments is to fund the capital needs of the Group's operations. We have various other financial assets and liabilities, such as trade receivables and trade payables, which arise directly from operations.

The primary risk inherent in our financial instruments is the market risk arising from adverse changes in interest rates and foreign currency exchange rates. We enter into derivative transactions, including principally interest rate swaps and forward currency contracts, for the purpose of managing interest rate and currency risks arising from our operations and its sources of financing. It is, and has been throughout the year under review, our policy not to engage in currency or interest rate speculation. Detailed information on our financial risk management objectives and policies, including specific disclosures required by CONSOB, is provided in Footnote 41 of the Consolidated Financial Statements included herein.

Reconciliation of Group Equity

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

	Attributable to owners of the parent			
(thousands of euros)	Lottomatica Group S.p.A.	All other subsidiaries	Non-Controlling interests	Consolidated
Balance at January 1, 2009	1,812,808	(221,404)	58,428	1,649,832
Fair value of interest rate swaps	-	13,147	-	13,147
Amortization of unrecognized gain on interest rate swap	(570)	-	-	(570)
Unrecognized net loss on derivative instruments	-	(732)	-	(732)
Unrecognized net loss on available for sale investment	-	(78)	-	(78)
Foreign currency translation	-	(22,499)	-	(22,499)
Net income for the year	110,603	(42,454)	44,205	112,354
Ordinary share capital issued	350,000	-	-	350,000
Share issuance costs	(7,073)	-	-	(7,073)
Swap liability associated with share issuance	(58,018)	-	-	(58,018)
Dividend distribution	(100,940)	-	(43,560)	(144,500)
Share-based payment	916	-	-	916
Atronic/Spielo intragroup sale	(26,462)	26,462	-	-
Put/call option arising from business combination	-	4,169	-	4,169
Other movements in equity	-	(141)	-	(141)
Balance at December 31, 2009	2,081,264	(243,530)	59,073	1,896,807

DOCUMENT REDACTED BY TLC - 12-4-10

Transactions with Related Parties

During 2009 there were no significant transactions, including intragroup, with related parties which qualified as unusual or atypical. Any related party transactions formed part of the normal business activities of the companies in the Group, including GTECH's sale to Lottomatica of its interests in Atronic and Spielo. Such transactions were concluded at standard market terms for the nature of goods and/or services offered.

Information on transactions with related parties, including specific disclosures required by CONSOB, is provided in Footnote 38 of the Consolidated Financial Statements included herein.

DOCUMENT REDACTED BY TLC - 12-4-10

SIGNIFICANT BUSINESS DEVELOPMENTS

Since the start of 2009, the Group has reported a number of significant business developments, in addition to significant contract developments discussed later in this report.

Developments During 2009

Business Developments

In June 2009, Lottomatica announced that it had become the first Italian operator to receive certification of compliance with the responsible gaming standards established by the European Lotteries Association.

In July 2009, the shareholders resolved in ordinary session to adopt the 2009-2013 Share Allocation Plan and the 2009-2015 Stock Option Plan, both reserved for employees of Lottomatica and/or of its subsidiaries. Both plans had been previously announced and made available to the public.

The 2009-2013 Share Allocation Plan is comprised of an aggregate maximum of 673,729 ordinary shares, subject to increase to correspond in terms of value to the gross total dividends and reserves actually distributed by Lottomatica to holders of ordinary shares in the period commencing on notification to the beneficiaries of their participation in the plan to the actual allocation of shares. The Board of Directors has identified beneficiaries and set the maximum number of shares to grant to each one. The allocation of shares will be conditioned on Lottomatica's reaching a total consolidated EBITDA level for the combined financial years of 2009, 2010 and 2011, as well as meeting a certain ratio between consolidated net financial debt and consolidated EBITDA, which will be more specifically set by the Board of Directors. Distribution of shares will occur after shareholder approval of the annual accounts for the financial year ended December 31, 2011, with ability to partially postpone the distribution to 2013. The plan will terminate on December 31, 2013.

The 2009-2015 Stock Option Plan is comprised of an aggregate maximum number of 1,850,510 options assigned. The Board of Directors has determined the number of options to be assigned to each beneficiary. Options were granted to beneficiaries and will be exercisable at the end of the three-year vesting period. The exercise of options by the beneficiaries will be subject to Lottomatica's reaching a total consolidated EBITDA level for the combined financial years of 2009, 2010 and 2011, as well as meeting a certain ratio between consolidated net financial debt and consolidated EBITDA, which will be more specifically determined by the Board of Directors. The plan will terminate on December 31, 2015.

In September 2009, the Shareholders' Meeting of Invest Games, S.A. ("Invest Games"), the Luxembourg-based company wholly owned by Lottomatica Group S.p.A., approved a share capital increase to service the contribution into Invest Games of an amount of GTECH Holdings Corporation shares equal to the entire participation of Lottomatica Group S.p.A. in GTECH Holdings Corporation. GTECH Holdings Corporation is the parent company of GTECH Corporation. The transaction simplified and streamlined the Group's corporate structure, and in particular concentrated in Invest Games the GTECH Holdings Corporation participation.

DOCUMENT REDACTED BY TLC - 12-4-10

At the same Shareholders' Meeting, approval was granted for an additional share capital increase to Invest Games directed to GTECH Corporation in order to accommodate the transfer of the assets of Lottomatica International Hungary Kft., a company incorporated under the laws of Hungary and wholly owned, directly and through Lottomatica International S.r.l., by Lottomatica Group S.p.A. This latter transaction resulted in the reduction of the indebtedness of GTECH Corporation and the improvement of its capital structure.

In October 2009, Lottomatica applied to the Amministrazione Autonoma Monopoli di Stato ("AAMS") to buy up to 10,761 VLT rights in Italy, and made a non-refundable payment representing 50% of the total cost of such VLT rights By the end of April 2010, Lottomatica may elect to reduce the total number of VLT rights that it intends to purchase and if it does not make such an election, the payment for the remaining 50% of such VLT rights is due on June 30, 2010. As a result of the purchase of the VLT rights, Lottomatica's license to operate in the VLT market is extended until 2019.

In October 2009, the World Lottery Association (the "WLA") conferred level 4 certification to Lottomatica following review of Lottomatica's submission under the WLA Responsible Gaming Framework. Level 4 certification signifies that Lottomatica has a mature and well established responsible gaming program in place and that Lottomatica is implementing its plan to integrate specific responsible gaming program elements into its daily operations. It further attests that Lottomatica is also integrating the considerations of its external stakeholders and has in place the human resources and processes necessary for continuous improvement.

In October 2009, Lottomatica's 18- month share buy-back program expired. Under the program, a total of 3,943,022 ordinary shares were bought for a total consideration of €74.8 million, 596,832 shares of which were allocated to the share-based management compensation plans.

In October 2009, following the procedure contemplated in the open and competitive tender for a new Scratch & Win concession in Italy, Consorzio Lotterie Nazionali (a consortium in which Lottomatica owns a 63% interest and which was created for Scratch & Win in Italy) made the only formal offer for a license to operate the national instant lotteries in Italy for a period of nine (9) years. In November 2009, the judgment by the Regional Administrative Court of Lazio was filed and made known to the public, granting the challenge filed by Sisal S.p.A. for the annulment of the above-mentioned tender for the management of the national instant lotteries. Both the AAMS and Consorzio Lotterie Nazionali filed an appeal requesting an annulment of the decision by the Regional Administrative Court of Lazio. Sisal filed its own appeal asking for a referral to the European Court of Justice.

On November 24, 2009, Lottomatica raised €350 million by issuing 19,728,536 shares to Mediobanca International (Luxembourg) S.A. ("Mediobanca") for €17.7408 per share (a 15% premium to the market price of €15.4268), the proceeds of which will support development plans in Italy, primarily for the renewal of the Gratta & Vinci (Scratch &Win) concession and the purchase of video lottery terminal rights.

In order to raise the funds necessary to subscribe for the shares, Mediobanca commissioned UBI Banca International S.A. to issue mandatory exchangeable bonds ("the Bonds") which, upon maturity on October 29, 2012, must be exchanged into Lottomatica ordinary shares.

DOCUMENT REDACTED BY TLC - 12-4-10

The Bonds were placed with qualified investors on a private placement basis and bear interest at 8.75% per annum payable semi-annually in arrears in equal installments on October 29th and April 29th of each year, commencing on April 29, 2010.

Lottomatica entered into a swap agreement with Mediobanca whereby Mediobanca paid an upfront fixed amount to Lottomatica of €46 million, corresponding to the 15% premium. Mediobanca will also pay semi-annually to Lottomatica an amount corresponding to the fees due under a stock lending agreement regarding certain shares owned by Lottomatica. Lottomatica will pay fixed payments semiannually to Mediobanca that correspond to interest on the Bonds that are not converted at any interest payment date. The present value of these interest payments has been recorded as a financial liability in the consolidated statement of financial position (the "Swap Liability").

In December 2009, the Group issued €750 million of guaranteed notes due December 5, 2016 (the "Notes"). The proceeds of the Notes, net of associated fees and costs, were used to repay a portion of the existing debt of the Group (along with other general corporate purposes), extending the average maturity of the Group's debt while adding further diversity to the Group's capital structure. The Notes received a rating of Baa3 and BBB- by Moody's Investors Service Limited and Standard & Poor's Rating Service, respectively, and are listed on the Luxembourg Stock Exchange.

Managerial Developments

In April 2009, Lottomatica announced that its Board of Directors had accepted the resignation of Lorenzo Pellicioli as Chief Executive Officer of the Group, and unanimously approved his recommendation of Marco Sala as the new Group CEO. Mr. Pellicioli remained as Chairman. It was also announced that Renato Ascoli, Head of the Business Division at Lottomatica, was named General Manager of Lottomatica responsible for the Italian market.

Developments After Close of Calendar Year 2009

With regard to the tender for a new Scratch & Win concession in Italy discussed above, after a hearing held on March 9, 2010 the State Council accepted the appeal submitted by AAMS and by Consorzio Lotterie Nazionali and a portion of the appeal submitted by Sisal, and ruled that Article 21, Paragraph 5 of the law 102/2009 regulating the tender, as well as the clauses of the tender reflecting such article, are not applicable. Paragraph 5 of said law is related to the interim period during which Consorzio Lotterie Nazionali would continue to manage the existing instant lotteries through January 2012.

On March 30, 2010, AAMS issued a decree to reopen the prior public tender for the new Scratch & Win concession and to remove from that tender the clauses which the State Council had found to be inapplicable in its March 9, 2010 ruling. AAMS has set a date of May 10, 2010 for submission of bids to participate in the reopened tender.

As described in Footnotes 6 and 40 of the Consolidated Financial Statements included herein, GTECH Global Services Corporation Limited ("GGSC") has an 87.454% interest in GEMed AB and GGSC has the option, which it may exercise between April 1, 2010 and June 30, 2010 to require Medströms Invest AB ("Medströms") to sell its 12.546% interest in GEMed to GGSC and Medströms has an identical put right.

On April 1, 2010, Medströms exercised its put right and on April 12, 2010, GGSC paid Medstrom SEK 200 million (€20.5 million at the transaction date) for the remaining 12.546% interest in GEMed.

DOCUMENT REDACTED BY TLC - 12-4-10

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:** Market risk is the risk that changes in interest rates and foreign currency exchange rates will negatively impact the value of assets and liabilities.

A portion of the Group's debt portfolio is exposed to changes in market interest rates. Changes in interest rates generally will not significantly impact the fair market value of such indebtedness, but could have a material effect on Lottomatica Group's results of operations, business, financial condition or prospects.

Lottomatica is a global business and derives a substantial portion of its revenues from operations outside of the European Union. Our financial statements could be materially different from period to period if there is a significant movement in the euro versus other currencies.

(ii) **Credit Risk:** Credit risk is the risk of a financial loss arising from a customer or counterparty not meeting their contractual obligations. A significant portion of the Group's revenue is derived from concessions with Amministrazione Autonoma dei Monopoli di Stato (AAMS), resulting in significant concentration of credit risk exposure. Management believes that in the future, a significant portion of its business and profitability will continue to depend upon concessions with AAMS.

(iii) **Liquidity Risk:** Liquidity risk is the risk that suitable sources of funding for the Group's operations may not be available. In recent years, certain contracts in Italy have required an upfront payment for a license to operate the contract. GTECH contracts typically require upfront capital expenditures. The ability of the Group to maintain existing contracts upon their renewal and invest in new contracts opportunities depends on the ability of the Group to access new sources of capital to fund these investments.

(iv) **Country Risk:** Country risk is the risk that changes to regulations or laws, or in the economy of a country in which we conduct business, will negatively impact expected returns. Lottomatica is a global business and derives a substantial portion of its revenues from operations outside of Italy. Risks associated with Lottomatica's international operations include increased governmental regulation of the on-line lottery industry in the markets where it operates; exchange controls or other currency restrictions; and significant political instability. Other economic risks that Lottomatica's international activity subjects it to might include inflation, foreign exchange risks (both depreciation and devaluation), illiquid foreign exchange markets, high interest rates, debt default, unstable capital markets and foreign direct investment restrictions. Political risks include change of leadership, change of governmental policies, new foreign exchange controls regulating the flow of money into or out of a country, failure of a government to honor existing contracts, changes in tax laws and corruption, as well as global risk aversion driven by political unrest, war and terrorism. Finally, social instability risks include high crime in certain of the countries in which Lottomatica operates due to poor economic and political conditions, riots, unemployment and poor health conditions.

DOCUMENT REDACTED BY TLC - 12-4-10

(v) **Operational Risk:** Operational risk is the risk that external events or internal factors will result in losses. The Group's Italian concessions, lottery contracts in the United States and in other jurisdictions, and other service contracts often require substantial performance bonds to secure its performance under such contracts and require the Group to pay substantial monetary liquidated damages in the event of non-performance by the Group. Claims on performance bonds, drawings on letters of credit and/or payment of liquidated damages could have a material adverse effect on the Group's results of operations, business, financial condition or prospects.

(vi) **Legal Proceedings:** Due to the nature of its business, the Group is involved in a number of legal, regulatory and arbitration proceedings regarding, among other matters, claims by and against it as well as injunctions by third parties arising out of the ordinary course of its business and is subject to investigations and compliance inquires related to its ongoing operations. The outcome of these proceedings and similar future proceedings cannot be predicted with certainty. Unfavourable resolution of such proceedings or significant delays in adjudicating such proceedings could have a material adverse effect on the Group's results of operations, business, financial condition or prospects. For a description of certain legal proceedings to which the Group is a party, see Note 39 to the consolidated financial statements.

(vii) **Government Relations:** The Group's activities are subject to extensive and complex governmental regulation which varies from jurisdiction to jurisdiction where the Group operates, which includes individual suitability standards for officers, directors, major shareholders and key employees. The Group believes that it has developed procedures designed to comply with such regulatory requirements. However, any failure by the Group to so comply and/or inability to obtain required suitability findings could lead regulatory authorities to seek to restrict the Group's business in their jurisdictions.

In addition, the Group is subject to extensive background investigations in its lottery business. Authorities generally conduct such investigations prior to and after the award of a lottery contract. Authorities are generally empowered to disqualify the Group from receiving a lottery contract or operating a lottery system as a result of any such investigation. The Group's failure, or the failure of any of its personnel, systems or machines, in obtaining or retaining a required license or approval in one jurisdiction could negatively impact its ability to obtain or retain required licenses and approvals in other jurisdictions. Any such failure would decrease the geographic areas where the Group may operate and as a result could have a material adverse effect on the Group's results of operations, business, financial condition or prospects.

Further, there have been, are currently and may in the future continue to be, investigations of various types, conducted by governmental authorities into possible improprieties and wrongdoing in connection with efforts to obtain and/or the awarding of lottery contracts and related matters. Because such investigations frequently are conducted in secret, the Group may not necessarily know of the existence of an investigation in which it might be involved. Because the Group's reputation for integrity is an important factor in its business dealings with lottery and other governmental agencies, a governmental allegation or a finding of improper conduct by or attributable to the Group in any manner or the prolonged investigation of these matters by governmental or regulatory authorities could have a material adverse effect on the Group's results of operations, business, financial condition or prospects, including its ability to retain existing contracts or to obtain new or renewal contracts. In addition, adverse publicity resulting from any such proceedings could have a material adverse effect on the Group's reputation, results of operations, business, financial condition or prospects.

DOCUMENT REDACTED BY TLC - 12-4-10

PREDICTABLE DEVELOPMENTS

The financial crisis and the consequential economic downturn have caused substantial changes around the world. Although some signs of recovery have recently emerged, the economic rebound has yet to manifest its influence.

In 2009, governments around the globe supported a strategy of increased liquidity to ease credit conditions and avoid further perturbations; these policies, which have proven to be effective on the financial markets, have left unresolved the issue of employment levels in several countries. In early 2010, another wave of instability was created by developments in some European states that have severe deficits, and which require a tight financial discipline by governments.

Our industry has been, and continues to be, resilient to economic downturns. We were able to confirm previous performance; due to the selective investment strategy implemented in recent years, we have experienced continuous growth in revenue and EBITDA. 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. In our traditional Italian market, many changes are taking place, with new games being launched (both numerical games and VLT operations have been authorized), and new licenses for instant lottery being awarded; further positive opportunities for the Group may emerge in other countries relative to the business model adopted by states to operate lotteries.

The Group has the needed resources, both in terms of capital and know-how, to play a leading role in this evolving landscape. We believe the Group is very well placed to retain its position in all geographies where we operate.

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 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;
- Roll out new distribution platforms, focusing particularly on interactive channels; and
- Timely launch VLT program in Italy, proposing its turnkey solutions to other concessionaires.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA STOCK INFORMATION

SHAREHOLDING STRUCTURE

Based on most recent filings as of February 19, 2010

Shareholder	Numbers of Shares	% of Outstanding Shares
Gruppo De Agostini	102,629,324	59.663
Mediobanca [1]	21,918,941	12.742
Assicurazioni Generali	4,989,596	2.901

Lottomatica owns 3,346,190 treasury shares, equal to about 1.945% of share capital.

Underwritten and paid up share capital as of December 31, 2009 amounts to €172,015,373, composed of 172,015,373 ordinary shares with a nominal value of €1 each.
Authorized share capital amounts to €180,857,821, composed of 180,857,821 ordinary shares with a nominal value of €1 each.

.....

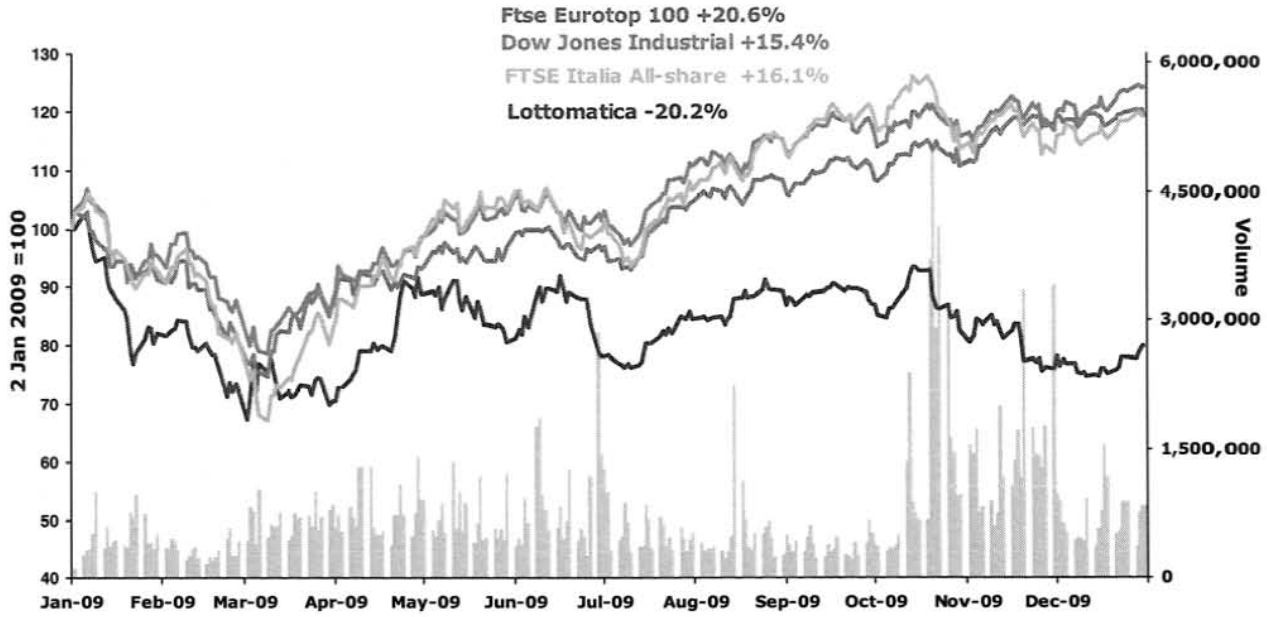
LOTTOMATICA STOCK PERFORMANCE FOR THE PERIOD ENDED DECEMBER 31, 2009

The average price of the stock for the twelve months ended December 31, 2009 was €14.6. Over 190 million shares were traded in 2009, with a daily exchange of approximately 752,047 shares.

Lottomatica's capitalization was approximately €2.1 billion on December 31, 2009 (€2.4 billion market capitalization, including 19.7 million shares issued but not listed until February 2010).

[1] Approximately 11.47% of Mediobanca's 12.742% share ownership is being held solely and exclusively to serve the conversion of certain Mandatory Exchangeable Bonds issued by UBI Banca International SA in 2009. Mediobanca has relinquished all of the voting, administrative, beneficial and economic rights related to that 11.47% interest.

DOCUMENT REDACTED BY TLC - 12-4-10



(Source: Bloomberg Borsa Italiana)

DOCUMENT REDACTED BY TLC - 12-4-10

BUSINESS OVERVIEW

The Group operates worldwide in the gaming market, proposing its range of products and know-how according to the specific needs of each individual customer. The following is a description of the Group's products and brands by the Group's four reportable operating segments: Italian Operations, GTECH Lottery; Gaming Solutions and GTECH G2.

ITALIAN OPERATIONS SEGMENT

Since 1993, Lottomatica has been the sole concessionaire for the Italian Lotto game, a traditional game that was played off-line for centuries. Lottomatica has gained substantial experience managing all the activities along the lottery value chain, such as collecting wagers through its network, paying out prizes, managing all accounting and other back office functions, running advertising and promotion, operating data transmission networks and processing centers, training staff, providing retailers with assistance and supplying materials for the game.

Lottomatica operates both online lotteries and games, which are conducted through computerized systems in which lottery or gaming terminals are connected to a central computer system and which are generally games where players select their own numbers, such as Lotto, and off-line lotteries, which are games involving preprinted paper tickets and are not computerized (except for ticket distribution and validation purposes).

A list of Lottomatica's concessions in Italy is set forth on ***Table 1*** of this report.

Online Lottery

Lotto is a traditional game that was played off-line for centuries and that originated roughly 500 years ago in Genoa. In July 2006, Lottomatica introduced Lotto Istantaneo, a game that allows players an option to participate in an instant draw game using the same numbers selected for the Lotto game.

As compensation for its management of Lotto, Lottomatica receives a fee equal to a percentage of the amount wagered.

Lottomatica is required to provide a performance bond in an amount equal to 0.3% of total wagers to the Amministrazione Autonoma dei Monopoli di Stato ("*AAMS*") to guarantee performance of Lottomatica's obligations pursuant to the Lotto concession.

Upon termination of the Lotto concession, Lottomatica is required to transfer, free of charge, to the AAMS upon its request, ownership of the entire automated systems which relate to the operation of the Lotto game. A similar requirement exists with respect to the termination of the other concessions as well.

DOCUMENT REDACTED BY TLC - 12-4-10

Instant and Traditional Lotteries

In October 2003, the Ministry of Economy and Finances granted to Consorzio Lotterie Nazionali, a consortium 63% owned by Lottomatica, the exclusive concession to operate instant and traditional Lotteries, which prior to that time had been operated by AAMS. The remaining quotas of the consortium are held by Scientific Games International, Inc. (20%), Arianna 2001 S.p.A. (15%) and others (2%). The concession expires in March 2010, with respect to traditional lotteries, and in May 2010, with respect to instant lotteries, unless such terms are extended at the discretion of the AAMS. Instant and traditional lotteries are available at over 47,300 points of sale (of which approximately 33,810 are also Lotto points of sale), mainly consisting of tobacconists but also at bars, motorway restaurants and newspaper stands. The Lotto, Sports Pools and Other Pari-Mutual Betting and Services networks and terminals also support the instant and traditional lotteries, for which Lottomatica provides a dedicated data processing center.

As compensation for its management of the traditional and instant lotteries, Lottomatica receives a fee equal to a percentage of the amount wagered. As discussed under "Significant Business Developments During 2009", in an open and competitive tender for a new Scratch & Win concession in Italy, Consorzio Lotterie Nazionale (a consortium in which Lottomatica owns 63%) made the only formal offer for a license to operate the national instant lotteries in Italy.

Sports Betting

Following a competitive tender completed in the last quarter of 2006, Lottomatica has been awarded a non-exclusive concession by the AAMS to operate sports betting, and the right to operate sports betting over the Internet.

Since 2007, Lottomatica has extended its presence in the sports betting market following several acquisitions of domestic traditional sports betting operators. In particular, in 2008, Lottomatica acquired Totosi, the leading Italian sports betting operator online, with the object of protecting its existing customer base and acquiring new customers through the Internet. On the retail side, in 2009 Lottomatica entered the betting shop market, to acquire locations fully dedicated to betting locations so that its betting competencies cover all types of locations and cater to all customer needs. The betting shop deployment plan will be completed by the end of the second quarter of 2010. This has allowed Lottomatica to further strengthen its leadership position in the Italian market. Overall, in 2009 the Italian sports betting market reached more than €4 billion and is still growing, in terms of licensed operators becoming second worldwide only to the United Kingdom market.

Lottomatica has also been granted rights to operate horse betting.

Interactive

Starting at the end of December 2008, Lottomatica entered into the Interactive business, providing poker on-line and skill games such as board games, soft games and fantacalcio.

DOCUMENT REDACTED BY TLC - 12-4-10

Machine Gaming

Lottomatica was granted, in July 2004, a license by the AAMS to activate and operate a network in Italy that links amusement and entertainment machines installed in outlets consisting of bars, licensed betting halls, tobacconists and hotels to a central system. Lottomatica has agreements with approximately 640 operators who have connected to approximately 48,000 machines.

In October 2009, Lottomatica applied to the AAMS to purchase up to 10,761 VLT rights in Italy, and made a non-refundable payment representing 50% of the total cost of such VLT rights. By the end of April 2010, Lottomatica may elect to reduce the total number of VLT rights that it intends to purchase and if it does not make such an election, the payment for the remaining 50% of such VLT rights is due on June 30, 2010. As a result of the purchase of the VLT rights, Lottomatica's license to operate in the VLT market is extended until 2019.

Commercial Services

Leveraging its distribution network and transaction processing experience, Lottomatica offers 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.

Commercial Services. Lottomatica distributes services for commercial operators including electronic top-up services for prepaid mobile and fixed-line telephone accounts, ticketing for sporting and musical events, and collects payments from end-users for which it retains a fee.

Payment Services. Lottomatica provides collection and payment services in Italy for the payment of utility bills, local fines and duties and also collects payments due on behalf of creditors.

Processing Services. Lottomatica provides a processing and network service on behalf of third parties, without collecting amounts due. The most important of these services are telephone top-ups and digital Terrestrial TV cards, payment of car road taxes, fidelity card services and stamp duties services.

In Italy, Lottomatica's services network comprises over 66,875 points of sale (including approximately 26,084 points of sale where Lottomatica provides only processing services for third-parties and about 40,791 which overlap with Lotto points of sale) comprised of tobacconists, bars, petrol stations, newspaper stands and motorway restaurants. Lottomatica has over 102,240 POS terminals installed at these locations and approximately 32,000 Lis Printers installed at tobacconists. The Lis Printer is a proprietary dedicated terminal for printing stamp duties. All services are provided through Lottomatica's own separate services network (other than car road tax processing, which continues to be handled through the Lotto terminals). Not all points of sale with a POS terminal offer all services provided by Lottomatica in Italy.

DOCUMENT REDACTED BY TLC - 12-4-10

GTECH LOTTERY SEGMENT

GTECH delivers value added services and technology solutions to its customers worldwide. As a global leader in the online lottery business, GTECH is a full service technology partner catering to all of the systems and support needs of online lottery operators worldwide. GTECH also operates several lotteries in the Caribbean through its LILHCo subsidiary. GTECH provides instant ticket management systems to securely operate the instant ticket programs of more than 40 lottery jurisdictions. Although most lotteries look to GTECH for online transaction processing of instant tickets, GTECH entered into the instant ticket printing business in 2007 and continues to grow that business through its subsidiary GTECH Printing Corporation. GTECH provides complete gaming systems technology to government-sponsored machine gaming venues. GTECH also operates in the high growth interactive gaming and sports betting segments of the global gaming market.

CONTRACT AWARD PROCESS

In the United States, lottery authorities generally commence the contract award process by issuing a request for proposals from various lottery vendors. The request for proposals usually indicates certain requirements specific to the jurisdiction, such as the number of terminals and breadth of services desired, the particular games which will be required, particular pricing mechanisms, the experience required of the vendor and the amount of any performance bonds that must be furnished. After the bids have been evaluated and a particular vendor's bid has been accepted, the lottery authority and the vendor generally negotiate a contract in more detailed terms. Once the contract has been finalized, the vendor begins to install the lottery system.

GTECH's marketing efforts for its lottery products and services frequently involve senior management in addition to its professional marketing staff. These efforts consist primarily of marketing presentations to the lottery authorities of jurisdictions in which requests for proposals have been issued.

Marketing of GTECH's lottery products and services to lottery authorities outside the United States is often performed in conjunction with licensees and consultants with whom GTECH contracts for representation in specific market areas. Although generally neither a condition of their contracts with GTECH nor a condition of their contracts with lottery authorities, such licensees and consultants often agree with GTECH to provide on-site services after installation of the online lottery system.

After the expiration of the initial or extended contract term, a lottery authority in the United States generally may either seek to negotiate further extensions or commence a new competitive bidding process. Internationally, lottery authorities do not typically utilize as formal a bidding process, but rather negotiate proposals with one or more potential vendors.

From time to time, there are challenges or other proceedings relating to the awarding of the lottery contracts.

GTECH'S LOTTERY CONTRACTS

GTECH serves online government sponsored lotteries under facilities management or product sales contractual arrangements which are described in more detail below.

DOCUMENT REDACTED BY TLC - 12-4-10

Facilities Management Contracts

GTECH's Facilities Management Contracts typically require GTECH to construct, install and operate the lottery system for an initial term, which is typically at least five to seven years, and usually contain options permitting the lottery authority to extend the contract under the same terms and conditions for one or more additional periods, generally ranging from one to five years. In addition, GTECH's customers occasionally renegotiate extensions on different terms and conditions.

GTECH's revenues under Facilities Management Contracts are generally a variable amount of monthly or weekly service fees which are paid to GTECH directly from the lottery authority based on a percentage of such lottery's gross online and instant ticket sales. The level of lottery ticket sales within a given jurisdiction is determined by many factors, including population density, the types of games played and the games' design, the number of terminals, the size and frequency of prizes, the nature of the lottery's marketing efforts and the length of time the online lottery system has been in operation.

Under GTECH's Facilities Management Contracts, GTECH typically retains title to the lottery system and provides its customers with the services necessary to operate and manage the lottery system. GTECH installs and commences operations of a lottery system after being awarded a Facilities Management Contract and, following the start-up of the lottery system, GTECH is responsible for all aspects of the system's operations. GTECH typically operates lottery systems in each jurisdiction on a stand-alone basis through the installation of two or more dedicated central computer systems, although in a few instances several jurisdictions share the same central system. In addition, in most jurisdictions GTECH employs a work force consisting of a site director, marketing personnel, computer operators, communications specialists and customer service representatives who service and maintain most aspects of the system.

Under certain of GTECH's Facilities Management Contracts the lottery authority has the right to purchase GTECH's lottery system (including the central system, terminals, software and communications network) during the contract term at a predetermined price, which is calculated so that it exceeds the net book value of the lottery system at the time the right is exercisable. In addition, some of GTECH's lottery contracts permit the lottery authority to acquire title to GTECH's system-related equipment and software during the term of the contract or upon the expiration or earlier termination of the contract, in some cases (i.e., were GTECH to materially breach or be unable to perform under certain circumstances) without paying GTECH any compensation related to the transfer of that equipment and software to the lottery authority. GTECH's role, if any, with respect to the continued operation of a lottery system in the event of the exercise of such a purchase option generally is not specified in such contracts and thus would be subject to negotiation. Under many of GTECH's Facilities Management Contracts, the lottery authority also has the option to require GTECH to install additional terminals and/or add new lottery games. Such installations may require significant expenditures by GTECH. However, since GTECH's revenues under such contracts generally depend on the level of lottery ticket sales, such expenditures have generally been recovered through the revenues generated by the additional equipment or games and revenues from existing equipment.

Under a number of GTECH's lottery contracts, in addition to constructing, installing and operating the lottery systems in these jurisdictions, GTECH is providing a wide range of support services and equipment for the lottery's instant-ticket games, such as marketing, distribution and automation of validation, inventory and accounting systems, for which GTECH receives fees based upon a percentage of the sales of instant-ticket games.

A list of GTECH's Facilities Management Contracts is set forth on **Table 2** of this report.

DOCUMENT REDACTED BY TLC - 12-4-10

Product Sales Contracts

Under Product Sales Contracts, GTECH constructs, sells, delivers and installs turnkey lottery systems or lottery equipment and licenses the computer software for a fixed price, and the lottery authority subsequently operates the lottery system. GTECH also sells additional terminals and central computers to expand existing systems and/or replace existing equipment under Product Sales Contracts.

In connection with GTECH's Product Sales Contracts, GTECH generally designs the lottery system, trains the lottery authority's personnel and provides other services required to make and keep the system operational. GTECH also generally licenses its software to its customers for a fixed additional fee.

Historically, product sales revenues have been derived from the installation of new online lottery systems, installation of new software and the sale of lottery terminals and equipment in connection with the expansion of existing lottery systems. The size and timing of these transactions at times have resulted in variability in product sales revenues from period to period.

A list of GTECH's direct or indirect customers that since January 2008 have purchased (or have agreed to purchase) from GTECH new online lottery systems, software and/or terminals and equipment in connection with the expansion or replacement of existing lottery systems is set forth on **Table 3** of this report.

ONLINE PRODUCTS AND SERVICES

A Suite of Solutions for Lotteries Worldwide

GTECH's lottery systems consist of lottery terminals, central computer systems, communications and game software, and communications equipment which connect the terminals and the central computer systems. The systems' terminals are typically located in high-traffic retail outlets, such as newsstands, convenience stores, food stores, tobacco shops and liquor stores. GTECH's broad spectrum of solutions enables it to support lotteries at every stage of their development, from the smallest "start-up" to a fully matured operation.

Terminals. GTECH designs, manufactures and provides the point-of-sale terminals used in its online lottery systems. GTECH's first model terminals were introduced in 1985. Since then, GTECH has developed an entire suite of industry-leading flexible retail solutions that support the wide range of retailer needs across a variety of retail trade channels. This includes a family of clerk-operated terminals, player self-service terminals including instant ticket vending machines (ITVMs) and hand-held terminals, to support each unique lottery sales environment. A list of GTECH's ITVM contracts is set forth on **Table 4** of this report.

Software. GTECH designs and provides, or licenses from third parties, all applications solutions for its lottery systems. GTECH's highly sophisticated and specialized software is designed to provide the following characteristics: rapid processing; storage and retrieval of transaction data in high volumes and in multiple applications; the ability to down-line load (i.e., to reprogram the lottery terminals from the central computer installation via the communications system to add new games and other solutions); a high degree of security and redundancy to guard against unauthorized access and tampering and to ensure continued operations without data loss; and a comprehensive management information and control system. GTECH's Enterprise Series has an open architecture that it believes sets the industry standard for the development, deployment, integration and support of next-generation online lottery solutions, including those which permit sales of lottery products via secure infrastructure over the Internet, without compromising the integrity of the games. The open system architecture of the Enterprise Series allows lotteries to upgrade their systems, and integrate a broad spectrum of third-party hardware and software solutions to achieve greater performance.

DOCUMENT REDACTED BY TLC - 12-4-10

Central Computers. Each of GTECH's lottery systems contains one or more central computer sites to which the lottery terminals are connected. GTECH's central computer systems are primarily manufactured by IBM Corporation and Hewlett-Packard Company. The specifications for the configuration of its central computer installations are designed to provide continuous availability, a high throughput rate and maximum security. Central computer installations typically include: redundant mainframe computers, various peripheral devices (such as magnetic storage devices, management terminals and hard copy printers), and various safety, environmental control and security subsystems (including back-up power supplies), which are all manufactured by third parties, and a microcomputer-based communication and switching subsystem. In addition, GTECH supplies management information systems that provide lottery personnel access to important financial and operational data without compromising the security of the online system. Based upon the development of its Enterprise Series, GTECH is able to integrate qualified third party software applications.

Communications. GTECH's lottery terminals are typically connected to the central computer installations by dedicated communications channels. Due to the varying nature of telecommunications services available in lottery jurisdictions, GTECH has developed the capability to utilize and interface with a wide range of communications technologies to provide a reliable and secure data communications pathway between the lottery terminals and the central computers. These technologies include: VSAT, GPRS, CDMA, EDGE, EVDO, DSL, Frame Relay, Cable, ATM, MPLS and FIOS. According to industry sources that GTECH regards as reliable, GTECH is also the largest single enterprise user of satellite technology for point-of-sale devices in the world.

Games. An important factor in maintaining and increasing public interest in lottery games is the development of innovative and compelling new game content. In conjunction with lottery authorities, GTECH utilizes principles of demographics, sociology, psychology, mathematics and computer technology to design customized lottery games which are intended to appeal to the populations served by its lottery systems. The principal characteristics of game design include: frequency of drawing, size of pool, cost per play and setting of appropriate odds. GTECH believes that its expertise in game design has enhanced the marketing of its lottery systems and has contributed to increases in the revenues of many of its customers. GTECH currently has a substantial number of variations of lottery games in its software library and new games under development. GTECH believes that this game library and the "know how" and experience accumulated by its professionals since its inception make it possible for GTECH to meet the requirements of its customers for specifically tailored games on a timely and comprehensive basis.

Marketing. In Facilities Management jurisdictions in which GTECH has been awarded a lottery contract, GTECH is frequently asked to assist the lottery authority in the marketing of lottery games to the public. Because GTECH revenues under Facilities Management Contracts are based on a percentage of the lottery's gross online and/or instant ticket sales, the value of GTECH's marketing efforts can have an impact in driving revenue for both GTECH and the lottery. The full breadth of marketing expertise and services are offered to support lottery efforts. Marketing assistance generally includes:

- Game Portfolio Management
- Business Development
- Marketing Development
- Sales Development
- Corporate Social Responsibility
- Professional/Consulting Services
- Retailer terminal distribution and optimization, including utilization of GTECH's "GMark", a computerized marketing analysis system used to determine optimal placement of lottery terminals in retail locations

DOCUMENT REDACTED BY TLC - 12-4-10

- Market Research, including Focus Group Testing of new games and products, primary and secondary research studies, Annual Worldwide Player Survey, and Annual Customer Satisfaction Survey
- Retail Expansion and Development.

INSTANT TICKET PRINTING BUSINESS

GTECH Printing Corporation (GPC) is a rapidly growing and technologically advanced instant game supplier. GPC has 43 customers worldwide. GPC also currently employs approximately 130 employees. As an end-to-end provider of instant tickets and related services, GPC specializes in the fast delivery of high-quality instant ticket games. With the industry's largest, fastest, and highest quality press and the utmost commitment to customer service, GPC seeks to provide customers with instant tickets as well as development of initial marketing plans throughout the processes of entire graphic design, programming, production, packaging, shipping and delivery.

The Facility & Press

GTECH Printing Corporation has invested over $45 million to create the most advanced instant game facility in the world. The facility is located in Lakeland, Florida, with access to all major highways and international shipping ports in Florida. GPC's Gallus press is capable of printing 48,000 tickets per minute and more than 11 billion tickets annually. GTECH Printing has the capacity to package 90 million tickets per day. Engineered for maximum production flexibility, precision, security and speed, the new press features 22 individually servo-controlled stations for high quality registration, color control, and bar code imaging. GPC's in-line finishing technology is a multi-purpose system that aims to improve efficiency, enhances design capabilities, and allows for new games ideas to be entered into the market.

GPC also has a backup facility located in Plant City, Florida. With these two facilities, GTECH Printing now has approximately 20% of the world's instant game printing capacity.

Instant tickets are sold at numerous types of retail outlets but most successfully in grocery and convenience stores. GTECH anticipates that new methods of distribution and game play including Internet-based promotions and games will provide additional growth opportunities. Government sponsored lotteries grant printing contracts on both an exclusive and non-exclusive basis where there is typically one primary vendor and one or more secondary vendors. A primary contract permits the vendor to supply the majority of the lottery's ticket printing needs and includes the complete production process from concept development through production and shipment. It also typically includes marketing and research support. A primary printing contract can also include any or all of the following services: warehousing, distribution, telemarketing, and sales/field support. A secondary printing contract includes providing back up printing services and alternate product sources. It may or may not include a guarantee of a minimum or maximum number of games.

Instant ticket contracts are priced on a percent of instant ticket sales or on a price per unit basis and generally range from 2-5 years with extension opportunities.

DOCUMENT REDACTED BY TLC - 12-4-10

GAMING SOLUTIONS SEGMENT

The Group's Gaming Solutions segment operates and provides solutions, products and services related to video lottery terminals (VLTs) and associated systems for the government sponsored and commercial gaming markets. The Gaming Solutions segment is the world's leading provider of central systems for government sponsored machine gaming programs and is a single source provider for online central systems, system design, jackpot and bonusing solutions, terminals and game-content. Gaming Solutions is typically compensated either on a "participation" basis whereby the Group retains the title to the equipment and receives a percentage of sales or "net win" per machine or on a product sales basis whereby the Group receives a purchase price for the equipment.

The Gaming Solutions segment includes the Atronic group, a leading international provider of gaming machines, systems and game-content to commercial gaming operators in Europe, Asia and Latin America, and Spielo, a global leader in the video lottery markets focused on North America and Europe with an emerging presence in the U.S. commercial gaming markets. Both companies benefit from the increasing convergence of the global gaming spaces as they pursue the integration of their technology and content competencies.

GTECH G2 SEGMENT

Since the mid 1980's, GTECH has been providing certain customers with sports betting technology solutions. Since 2002, GTECH has been delivering interactive solutions that allow its lottery customers to provide Internet, mobile and interactive digital television access by their players.

In 2007 GTECH acquired 100% of Finsoft Limited (a leading sports betting technology provider in Europe), and in 2008 acquired approximately 87.45% of Boss Media AB and its subsidiaries (a provider of digital gaming software and services for poker, casino and bingo), and 90% of St. Enodoc, the parent of St. Minver (a Gibraltar-based operator of white-label gaming services). Collectively, these subsidiaries form GTECH G2, which provides digitally-distributed, multi-channel gaming entertainment products and services, including sports betting, lottery, bingo, poker, casino games and quick games, as well as retail solutions for real-time transaction processing and information systems in the sports-betting market.

GTECH G2 has over 700 employees in Europe and Asia. The segment has over 150 gaming or media customers operating under license in various European jurisdictions. The business model varies by product but is broadly a fixed upfront and recurring licenses fee for sports betting technology, which varies by size (number of CPUs/Web Servers, seats per call center and retail POS), software integration and support fees (per diem). For games, online casino, poker and end-to-end sports book trading/risk management services, a revenue share based on the Gross Gaming Yield (or GGY) is charged to the gaming operator/media company.

GTECH G2 operates 4 poker networks in Europe with over 100,000 persons playing on these networks each day. It has 32 sports betting customers and over 50 bingo customers on Europe's third largest bingo network. Its online casino customers handled more than €3.5 billion through 850 million wagers in 2009. The casino and games suite has also been leveraged to support leading server based machine gaming software, currently operating on more than 9,000 gaming machines in Central and Eastern Europe.

DOCUMENT REDACTED BY TLC - 12-4-10

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. Nevertheless the Company recognizes the importance of supporting efforts on environmental issues together with those already undertaken in other areas of corporate social responsibility. Therefore, since 2008 Lottomatica has undertaken to finalize its own environmental policy and has commenced programs of monitoring and reducing the environmental consequences of its activities and products. The Group's programs are primarily related to locations in Italy and the United States, where 60% of the workforce is concentrated, but its commitments are relevant to all locations worldwide.

The Environmental Initiatives of Lottomatica

In early 2009 Lottomatica identified the main impacts of its 2008 activities and those areas in which to focus in developing the environmental policy. On the basis of findings from this phase of analysis and preliminary evaluation, it is in the course of defining its environmental policy and a plan of action for the mitigation and safeguarding of the environment.

A first step, already taken and whose consolidation was a priority in 2009, is the establishment of a systematic process and a structured collection and analysis of environmental data in order to make the measurement of performance reliable and efficient.

The Identification of Impacts

The main environmental impacts of Lottomatica's activities are associated with use of paper as a raw material, energy consumption and transport of persons and goods. The company is also responsible for consumption of water resources and for waste generation. These impacts are due to the activities of corporate offices, to play slips and other printing activities by Lottomatica's subsidiary PCC Giochi e Servizi S.p.A., and to the management activities of the business.

Environmental Impacts

Use of resources

- Paper
- Combustible materials
- Electricity
- Water
- Atmospheric emissions
- Waste water discharges
- Waste production

DOCUMENT REDACTED BY TLC - 12-4-10

Identification of Areas of Intervention

As a result of the identification of impacts and its initial analysis of the available data, the Company identified the following areas of intervention in which it endeavoured to improve its environmental commitment during 2009.

Knowing and Managing

- Structuring an efficient and reliable process for collecting and analyzing environmental data

Reducing the Impacts

- Efficient use of office paper and choice of ecological paper
- Increasing waste collection in the offices
- Introduction of rules for the efficient use of electricity
- Purchase of a share of energy from renewable energy sources

Involvement and Awareness

- Spread of best practices for an environmentally friendly office
- Information on the environmental impacts of the Group's activities
- Reduction of CO_2 emissions: compensation of CO2 emissions generated by production of the Lotto Game play slips through reforestation activities in a national park, according to the principles of Kyoto Protocol.

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.

DOCUMENT REDACTED BY TLC - 12-4-10

- 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 and cardboard; hardware in information technology and in manufacturing; metals and cardboard in the production process; lamps and fluorescent tubes; grease; bottles and cans; and batteries;
- Reduction of trash sent to landfill by 8% as compared to 2008;
- 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 documents double-sided;
- Reducing use of colored ink by printing in black and white where possible;
- Distributing information to new employees via electronic media, as opposed to paper handouts;
- Installing timers to shut down high-energy use areas overnight;
- Applying automatic energy conservation settings to company desktop computers; application to laptop computers still in testing phase, but anticipated rollout in 2010;
- Partnering with local recyclers to collect and recycle used personal and business computers and electronics;
- Installation of a secure bike rack to encourage employee commuting by bicycle/scooter; and
- A GREENovation Contest that offered rewards to GTECH employees for innovative ideas implemented as part of the GREEN GTECH pledge.

DOCUMENT REDACTED BY TLC - 12-4-10

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 has converted from non-biodegradable bubble wrap and Styrofoam peanuts 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.

DOCUMENT REDACTED BY TLC - 12-4-10

SIGNIFICANT CONTRACT DEVELOPMENTS

Developments During 2009

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.

In April 2009, GTECH announced that it had been chosen by the Arizona Lottery to provide a new instant ticket product management and distribution system and related services. The five year contract, which followed a competitive procurement, commenced in January 2010 and provides for five one-year extension options.

In May 2009, following a competitive procurement, GTECH entered into a contract with Société de la Loterie de la Suisse Romande for the implementation of a comprehensive interactive gaming platform. GTECH will also provide four (4) years of ongoing support services.

In May 2009, GTECH's subsidiary, GTECH Printing Corporation, entered into a three (3) year, secondary instant ticket printing services contract with the Massachusetts State Lottery Commission. The contract, which followed a competitive procurement, has two one-year extension options.

In June 2009, following a competitive procurement, GTECH signed 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. Final approval was granted in September 2009. GTECH expects to commence receiving revenues under the contract in June 2010.

In June 2009, GTECH Printing Corporation announced that the Arizona Lottery had chosen it for instant ticket printing services. The five (5) year contract, which followed a competitive procurement provides for five one-year extension options.

In July 2009, GTECH Printing Corporation entered into a contract with Loteria Nacional de Nicaragua for instant ticket printing services. The two (2) year contract followed a competitive procurement.

In July 2009, GTECH entered into a contract amendment with the Wisconsin Lottery to continue providing online lottery technology and services for an additional two (2) year period ending in June 2013.

In August 2009, GTECH entered into a contract with the North Carolina Education Lottery to continue providing online lottery technology and services, as well as new products, for an additional four (4) year period ending in March 2017.

DOCUMENT REDACTED BY TLC - 12-4-10

In September 2009, GTECH entered into a contract amendment with Washington's Lottery to continue providing online lottery technology and ongoing services, as well as new self-service products and software enhancements, for an additional four (4) year period ending in June 2016.

In September 2009, GTECH entered into a contract amendment with the Oregon State Lottery to continue providing video lottery central system technology and services for an additional two (2) year period ending in October 2012.

In October 2009, GTECH entered into a contract amendment with the California Lottery to continue to provide gaming system equipment and related services for an additional one (1) year period ending in October 2014, as well as new messaging devices and enhanced player services.

In October 2009, GTECH entered into a contract amendment with the Arizona Lottery to continue providing online lottery technology and ongoing services for an additional three (3) year period ending in August 2014.

In October 2009, GTECH Global Lottery SLU and Spain's leading integrated logistics operator, Logista S.A., entered into a contract with Organizacion Nacional de Ciegos de Espana (ONCE) to provide end-to-end lottery technology, marketing services, logistics and retailer services for a complementary retailer network. The joint venture created by GTECH and Logista was awarded a multi-year contract following a competitive procurement. The contract, which is subject to positive verification of related game regulation modifications by the Protectorate Board, the government administrative body that supervises relevant acts of ONCE, will continue through December 2020.

In October 2009, following a competitive procurement, GTECH signed a contract to provide the Atlantic Lottery Corporation in Canada with 3,000 IMAGINE™ online lottery terminals and messaging display technology.

In October 2009, Lottomatica's subsidiary, Spielo Manufacturing ULC, entered into a contract with Gamenet S.p.A. in Italy to provide a new server-based gaming central system, retailer terminals, several thousand video lottery terminals (VLTs), game content and services, under a multi-year agreement. Operations are expected to commence in the first half of 2010.

In November 2009, GTECH Printing Corporation was selected to provide instant ticket services to TIPOS national lottery company, a.s. in the Slovak Republic. The ten year contract commenced in November and was the result of a competitive procurement. The contract has unlimited options for extensions.

In November 2009, Spielo Manufacturing ULC signed a seven year extension of its current video lottery terminal (VLT) participation agreement with the New York Lottery. The contract extension will commence on January 1, 2011 and will run through December 31, 2017.

In November 2009, GTECH Printing Corporation was awarded a two year instant ticket printing services contract with the Wisconsin Lottery. The contract, which is the result of a competitive procurement, commenced in November 2009. In addition to the initial two year term, the contract has three one-year mutual contract extensions.

DOCUMENT REDACTED BY TLC - 12-4-10

In November 2009, GTECH signed a five-year and five-month contract with the Maryland State Lottery Commission to supply, operate and support the central system that will monitor as many as 15,000 video lottery terminals at up to five casinos as part of the state's new gaming program. The contract, which followed a competitive procurement, was approved by the Maryland State Lottery Commission, the Maryland Department of Information Technology and, in January 2010, by the Maryland Board of Public Works, thus finalizing the agreement. The central system is expected to be operational by mid-2010. The contract includes the potential for a five-year extension.

In December 2009, GTECH signed a three year contract extension to provide additional lottery terminals and services to Boldt Gaming SA, which in turn will provide such products and services to Instituto Provincial De Loterias Y Casinos (IPLC) of the Province of Buenos Aires in Argentina. The contract between IPLC and Boldt Gaming, and the contract between Boldt Gaming and GTECH, have been extended through November 2012.

In December 2009, GTECH signed a contract amendment with Washington's Lottery for the provision of GTECH's latest self-service lottery vending machine, Gemini™, as well as additional instant ticket vending devices and multimedia technology. GTECH expects to complete the installation of the equipment by November 2010.

Developments After the Close of 2009

In January 2010, GTECH signed a five-year contract extension with SAZKA, a.s., the operator of lottery and betting games in the Czech Republic, to continue providing online lottery products and services, as well as install and operate a new IP-telecommunications network. The contract extension will commence on January 1, 2018.

In February 2010, Lottomatica announced that GTECH Printing Corporation was chosen as the primary instant ticket vendor for the New Mexico Lottery. The contract award was the result of a competitive procurement and is anticipated to commence in March 2010. The term of the proposed contract will be four (4) years with four (4) one-year extension options available.

DOCUMENT REDACTED BY TLC - 12-4-10

Tables of Customer Contracts

DOCUMENT REDACTED BY TLC - 12-4-10

Table 1 Italian Concessions

The table below sets forth Lottomatica's Italian Concessions as of December 31, 2009.

Holder	Purpose	Date of Commencement of Current Contract[1]	Date of Expiration of Current Contract	Current Extension Options[2]
Lottomatica Group S.p.A.	Activation and operation of the network for the Lotto Game	March 1993	June 2016[3]	Not renewable
Consorzio Lotterie Nazionali	Operation of the National Lotteries for instant and periodic drawings	October 2003	March 14, 2010 for lotteries with periodic drawings – May 30, 2010 for lotteries with instant drawings	Renewable
Consorzio Lotterie Nazionali	Experimental Operation – as central operator – of the on-line Scratch and Win Lotteries	November 2006	October 2009	Not Applicable
Lottomatica Videolot Rete S.p.A.	Activation and operation of the network for the telematic operation of legalized amusement with prize machine (Video Lotteries)	July 2004	October 2010	Renewable only for 1 year at AAMS discretion
Lottomatica Scommesse S.r.l.	Activation and operation of the network for sports gaming, toto betting and sports betting, operated through interactive channel also for the operation of Skill Games. No. 4032	March 2007	June 2016	Not renewable
Lottomatica Scommesse S.r.l.	Activation and operation of the new horse gaming, toto betting and horse betting. No. 4313	March 2007	June 2016	Not renewable

DOCUMENT REDACTED BY TLC - 12-4-10

Holder	Purpose	Date of Commencement of Current Contract[1]	Date of Expiration of Current Contract	Current Extension Options[2]
Lottomatica Scommesse S.r.l.	Activation and operation of the new horse gaming, toto betting and horse betting. No. 4803	August 2009	June 2016	Not renewable.
Lottomatica Scommesse S.r.l.	Activation and operation of sports betting. Seventeen concessions[4]	March 2009 (only no. 3146) May 2009 December 2009 (only no. 3302)	June 2012	Not renewable.
Lottomatica Scommesse S.r.l.	Activation and operation of horse betting. Seven concessions[5]	May 2009 December 2009 (only no. 1612)	June 2012	Not renewable.
Toto Carovigno S.p.A.	Activation and operation of horse betting. Concession No. 1100	January 2007	June 2012	Not renewable
Toto Carovigno S.p.A.	Activation and operation of sports betting. Two concessions [6]	April and August 2007	June 2012	Not renewable
L.S. ALPHA S.r.l.	Activation and operation of horse betting. Seven concessions [7]	November and December 2008	June 2012	Not renewable
L.S. ALPHA S.r.l.	Activation and operation of sports betting. Nine concessions [8]	November 2008	June 2012	Not renewable
LABET S.r.l.	Activation and operation of the network for sports betting, toto betting and sports betting, operated through interactive channel also for the operation of Skill Games. No. 4113	June 2009	June 2016	Not renewable.

DOCUMENT REDACTED BY TLC - 12-4-10

Holder	Purpose	Date of Commencement of Current Contract[1]	Date of Expiration of Current Contract	Current Extension Options[2]
LABET S.r.l.	Activation and operation of horse betting. One concession.[9]	June 2009	June 2012	Not renewable.
LABET S.r.l.	Activation and operation of sports betting. Seventeen concessions.[10]	June 2009	June 2012	Not renewable.

[1] Reflects the date upon which the contract became effective.
[2] Reflects extensions available to the governmental authority under the same terms as the current contract.
[3] As discussed in Note 39 to the Notes to the Consolidated Financial Statements concerning litigation, the indicated expiration date is under dispute with AAMS.
[4]Concessions no. 3146, 3155, 3165, 3169, 3180, 3184, 3192, 3199, 3264, 3480, 3674, 3672, 3705, 3732, 3733, 3742 and 3302.
[5]Concessions no. 1038, 1045, 1055, 1056, 1058, 1062, 1239 and 1612.
[6] Concessions no. 3067 and no. 3673 also through interactive channel.
[7]Concessions no. 1014, 1089, 1095, 1101, 1106, 1120 and 1191.
[8] Concessions no. 3173, 3413, 3414, 3416, 3475, 3558, 3559, 3651 and 3751.
[9]Concession no. 1531.
[10]Concessions no. 3064, 3065, 3066, 3103, 3119, 3167, 3504, 3514, 3515, 3516, 3517, 3519, 3520, 3521, 3522, 3523 and 3621.

DOCUMENT REDACTED BY TLC - 12-4-10

Table 2 Facilities Management Contracts

Unless otherwise indicated, the table below sets forth the lottery authorities with which GTECH had Facilities Management Contracts as of December 31, 2009 for the installation and operation of lottery systems, and as to which GTECH is the sole supplier of central computers and terminals and material services. The table also sets forth information regarding the term of each contract and, as of December 31, 2009, the approximate number of terminals installed in each jurisdiction.

Jurisdiction	Approximate Number of Lottery Terminals Installed (1)	Date of Commencement of Current Contract*	Date of Expiration of Current Contract Term	Current Extension Options**
United States:				
Arizona (2)	2,700	November 2005	August 2014	2 one-year
California	21,400	October 2003	October 2014	(3)
D.C. (4)	600	June 1999	November 2010	---
Florida	13,700	January 2005	March 2011	2 two-year
Georgia	8,800	September 2003	September 2013	---
Illinois	7,300	April 2000	October 2010	---
Kansas	1,900	July 2008	June 2018	---
Kentucky	2,800	April 1997	June 2011	---
Louisiana	2,800	June 1997	June 2010	---
Michigan	11,100	January 2009	January 2015	6 one-year
Minnesota	3,100	June 2002	February 2016	---
Missouri	4,600	December 2004	June 2012	3 one-year and additional 5 years
New Jersey	6,100	January 2009	September 2017	Up to 3 years
New York (5)	16,400	November 2000	August 2010	---
North Carolina	6,000	January 2006	March 2017	---
Oregon (6)	3,500	October 2007	November 2015	3 one-year
Rhode Island	1,200	January 1997	June 2023	---
South Dakota	620	August 2009	August 2014	5 one-year
Tennessee	4,950	January 2004	April 2015	---
Texas	17,300	October 2001	August 2011	---
Virginia	5,300	June 2006	October 2014	3 one-year or 1 three-year
Washington	4,600	July 2006	June 2016	---
West Virginia	1,700	June 2009	June 2014	2 one-year
Wisconsin	3,800	November 2003	June 2012 (7)	1 one-year (7)
International:				
Anguilla -LILHCo	16	May 2007	May 2017	---

DOCUMENT REDACTED BY TLC - 12-4-10

Jurisdiction	Approximate Number of Lottery Terminals Installed (1)	Date of Commencement of Current Contract*	Date of Expiration of Current Contract Term	Current Extension Options**
Antigua/ Barbuda -LILHCo	50	September 1996	September 2016	---
Argentina -Loteria National Sociedad del Estado (8)	900	November 1993	January 2010	---
-Boldt IPLC (8)	4,300	November 1999	November 2012	---
Barbados - LILHCo	240	June 2005	June 2023	---
Bermuda - LILHCo	1	---	---	Automatic annual renewal
Chile - Pollo Chilena de Beneficencia	2,600	September 2008	August 2016	Up to 24 months
China - Beijing Welfare Lottery	2,180	February 2004	December 2015	Automatic 3 one-year
- Shenzhen Welfare Lottery	188	July 2005	December 2015	---
Colombia - ETESA (9)	5,000	December 1999	January 2011	1 five-year
- Apuestas En Linea, S.A.	3,000	March 2007	September 2012	---
Czech Republic - SAZKA	7,000	October 1992	December 2017 (10)	---
Dominican Republic - Loto Real Del Cibao, C.X.A.	1,000	August 2008	August 2028	---

DOCUMENT REDACTED BY TLC - 12-4-10

Jurisdiction	Approximate Number of Lottery Terminals Installed (1)	Date of Commencement of Current Contract*	Date of Expiration of Current Contract Term	Current Extension Options**
Ireland -An Post Nat'l Lottery Company	3,700	June 2002	December 2011	---
Jamaica -Supreme Ventures Limited	1,100	November 2000	January 2016	---
Luxembourg -Loterie Nationale (11)	530	June 2001	October 2012	---
Mexico -Pronosticos Para La Assistencia Publica	9,400	September 2005	September 2012	1 two-year
Morocco -La Societe de Gestion de la Loterie Nationale and La Marocaine des Jeux et Les Sports	2,000	August 1999	August 2010	Two year extension option
Nigeria -National Sports Lottery plc.	3,500 (12)	November 2008	December 2016 (12)	10 years (12)
Poland -Totalizator Sportowy	11,700	May 2001	December 2011	1 one-year
Slovak Republic -TIPOS a.s.	2,250	March 1996	December 2013	---

DOCUMENT REDACTED BY TLC - 12-4-10

Jurisdiction	Approximate Number of Lottery Terminals Installed (1)	Date of Commencement of Current Contract*	Date of Expiration of Current Contract Term	Current Extension Options**
St. Kitts/Nevis -LILHCo	45	April 1996 February 2004 (13)	April 2016 February 2014 (13)	--- 1 ten-year (13)
St. Maarten -LILHCo	47	September 2007	September 2017	1 ten-year (14)
Taiwan - Taiwan Sport Lottery Corp. (15)	900	April 2008	December 2013	---
Trinidad & Tobago -National Lotteries Control Board	800	December 1993	September 2011	---
Turkey -Turkish National Lottery (16)	4,070	February 1996	(16)	(16)
United Kingdom - The National Lottery (17)	29,000	February 2009	January 2019	---
U.S. Virgin Islands -LILHCo	70	December 2001	December 2011	2 five-year

* Reflects the date upon which the contract became effective.

**Reflects extensions available to the lottery authority under the same terms as the current contract. Lottery authorities occasionally negotiate extensions on different terms and conditions.

(1) Total does not include instant-ticket validation terminals or instant ticket vending machines.
(2) GTECH and the Arizona Lottery entered into a separate contract effective January 10, 2010 for the provision of an instant ticket management and distribution system and related services. The agreement will be for a 5 year term with 5 one-year extension options.

DOCUMENT REDACTED BY TLC - 12-4-10

(3) At the end of the final extension option period, the contract will remain in effect under the same terms and conditions until either party provides at least 2 years notice of termination.
(4) Operated by Lottery Technology Enterprises, a joint venture in which GTECH has a 1% interest, and to which GTECH supplies lottery goods and services.
(5) In June 2009, GTECH executed a new integrated services contract with the New York Lottery to provide new online lottery solutions and services. Final approval was granted in September 2009. System conversion under the new contract is expected to occur in June 2010. The term of the contract will be for a seven-year period following system conversion and will include an option by the Lottery to extend for an additional three years.
(6) GTECH is also a party to a separate Video Central Computer System Lease entered into with the Oregon State Lottery Commission in November 1995. GTECH provides maintenance services pursuant to that agreement. The term of the agreement has been extended to October 2012. The parties may extend the agreement for an additional one (1) year period thereafter on mutual agreement.
(7) Effective July 2009, the contract between GTECH and the Wisconsin Department of Revenue, Lottery Division, was extended to June 2012. The amendment further provides that effective June 2012, the term of the contract will be extended to June 2013.
(8) Under these contractual arrangements, the lottery authorities purchased the lottery system and related software license from GTECH at the commencement of the respective contracts.
(9) GTECH's contract with the Colombia ETESA lottery authority is not a true facilities management contract in that title to the equipment vests in ETESA at the end of the term.
(10) After the close of 2009, GTECH entered into a five-year contract extension with SAZKA, a.s., such extension to commence on January 1, 2018.
(11) The Luxembourg lottery authority can extend the software license granted by GTECH for up to 10 years after the end of the initial term and any extensions of the contract. No further extensions may be exercised after October 2012.
(12) The terminals in use in this contract are not GTECH terminals, but arethe National Sports Lottery's handheld terminals. GTECH's contract expires on the date of expiry of the National Sports Lottery's license, which is in December 2016 with an option to extend for 10 years.
(13) Due to a form of devolution within the political structure of the twin island federation of St. Kitts and Nevis, there is a separate license term for the island of Nevis which is not synchronous with the term applicable in St. Kitts.
(14) The extension option for this contract may be exercised on mutual agreement of the parties.
(15) Operated by Taiwan Sport Lottery Corporation, a joint venture in which GTECH has a 24.5% interest and to which GTECH supplies lottery goods and services.
(16) The term of the contract with the Turkey lottery authority renews for successive one-year extension terms unless either party gives timely notice of non-renewal. In addition, the Turkey lottery authority has the option to assume responsibility for the provision of certain lottery services at any time after the second anniversary of system start-up.
(17) Operated by Camelot Group plc on a facilities management basis.

DOCUMENT REDACTED BY TLC - 12-4-10

Table 3 Product Sales Contracts

The table below lists certain of GTECH's direct and indirect customers that since January 2008 have purchased (or have agreed to purchase) from GTECH new online systems, software and/or terminals and equipment in connection with the expansion or replacement of existing lottery systems. It does not include jurisdictions in which GTECH has a facilities management contract with the lottery authorities unless the product sale is set forth in a separate contract.

Jurisdiction	Customer
Argentina	Boldt – Instituto Provincial de Loterias y Casinos de la Provincia de Buenos Aires
Australia	New South Wales Lotteries Corporation
	Lotterywest (f/k/a Western Australia Lotteries Commission)
	Lotteries Commission of South Australia
Belarus	Sport-Pari
Belgium	Loterie Nationale de Belgique
Canada	Atlantic Lottery Corporation
	British Columbia Lottery Corporation
	Western Canada Lottery Corporation
Czech Republic	SAZKA, a.s.
Denmark	Danske Spil A/S
Finland	Veikkaus Oy
France	La Francaise des Jeux
Georgia	Scientific Games Inc.
Germany	Westdeutsche Lotterie GmbH & Co.
	Sachsisch Lotto - GmbH
	Lotterietreuhandgesellschaft mbH Thüringen
Indiana	Hoosier Lottery
Israel	Mifal Hapayis
Lithuania	UAB Olifèja
Luxembourg	Loterie Nationale
Maryland	Maryland State Lottery Commission
Massachusetts	Massachusetts State Lottery Commission
Mauritius	Lottotech Ltd.
Netherlands	Stichting De nationale Sporttotalisator
New Zealand	New Zealand Lotteries Commission
Pennsylvania	Scientific Games OES Online Entertainment Systems, Inc.
Portugal	Santa Casa dc Misericordia dc Lisboa
Singapore	Singapore Pools (Pte) Ltd.
Spain	Organizacion Nacional de Ciegos Espanoles
	Temporary Union of Companies Logista-GTECH UTE
Switzerland	Loterie de la Suisse Romande
Ukraine	Ukraine National Lottery
United Kingdom	Camelot Group plc.
Virginia	Virginia Lottery

DOCUMENT REDACTED BY TLC - 12-4-10

Table 4 ITVM Contracts

The table below sets forth the lottery authorities with which GTECH has ITVM Facilities Management Contracts ("*FMCs*"). This table also provides (except where noted by footnote) historical information respecting the number of ITVMs that are currently in service, under various ITVM Product Sales Contracts ("*PSCs*"). Finally, the table below sets forth information regarding the term of each FMC, as well as the approximate number of ITVMs installed in each FMC jurisdiction, as of December 31, 2009.

Jurisdiction	FMC or PSC	Approximate Number of ITVMs In Service	Date of Commencement of Current FMC Contract*	Date of Expiration of Current FMC Contract Term	Current Extension Options**
Arizona	(1)	850	--	--	--
	FMC (2)	--	(2)	(2)	(2)
California	PSC	4,200	--	--	--
Florida	(1)	1,000	--	--	--
France	PSC	575	--	--	--
Georgia	(1)	230	--	--	--
Iceland	PSC	25	--	--	--
Illinois	FMC	3,470	July 2004	September 2010	1 three-year
Indiana	PSC	1,570	--	--	--
Italy	PSC	500	--	--	--
Kentucky	FMC	1,500	December 2007	December 2010 (3)	2 one-year
Luxembourg	FMC	130	September 2005	October 2012	--
Maine	(4)	150	September 2004	June 2011	--
Maryland	PSC	1,000	--	--	--
Massachusetts	PSC	2,200	--	--	--
Michigan	(1)	1,350	--	--	--
Minnesota	(1)	110	--	--	--
Missouri	FMC	620	March 2007	June 2012	(5)
New Hampshire	PSC	250	June 2005	June 2010	--
New Jersey	(1)	200	--	--	--
New York	(6)	5,200	(6)	(6)	--
North Carolina	FMC	660	January 2006	March 2017	--
Oregon	PSC	500	--	--	--
Pennsylvania	PSC	3,800	--	--	--
Rhode Island	(1)	150	--	--	--
Romania	FMC	(7)	(7)	(7)	--

DOCUMENT REDACTED BY TLC - 12-4-10

Jurisdiction	FMC or PSC	Approximate Number of ITVMs In Service	Date of Commencement of Current FMC Contract*	Date of Expiration of Current FMC Contract Term	Current Extension Options**
Singapore Pools	PSC	(8)	(8)	(8)	--
Slovenia	FMC	(9)	May 2009	(9)	--
South Dakota	(1)	50	--	--	--
Switzerland	PSC	75	--	--	--
Tennessee	(1)	600	--	--	--
Texas	(1)	1,320	--	--	--
Virginia	(10)	2,000	June 2004	June 2011	3 one-year or 1 three-year
Washington	FMC	1,000	November 2004	November 2010	--
	(1)	--	(11)	--	--
Wisconsin	(1)	500	--	--	--

* Reflects the date upon which the contract became effective.

**Reflects extensions available to the lottery authority under the same terms as the current contract. Lottery authorities occasionally negotiate extensions on different terms and conditions.

(1) Represents ITVMs installed under an on-line lottery Facilities Management Contract. See Facilities Management Contracts table above for additional information.

(2) See Footnote 2 of Table 2. By amendment to the instant ticket management and distribution contract dated September 2009, the Arizona Lottery elected to exercise certain options, including the provision by GTECH of ITVMs.

(3) The contract contains a different term for the lease of the equipment than for the contract term itself, running from the date of acceptance of the equipment with 2 one-year extensions at the option of the Kentucky Lottery Corporation. The current date of expiration of the equipment lease is March 2011.

(4) GTECH's contract with the Maine Department of Administrative & Financial Services, Bureau of Alcoholic Beverages & Lottery Operations, is not a traditional facilities management contract, but rather is a lease agreement for a monthly fee in which GTECH provides related services.

(5) The contract is renewable on a year-to-year basis following the initial term on mutual agreement of the parties.

(6) GTECH provides maintenance services for ITVMs which are owned by the New York lottery authority. The term of this agreement will expire with regard to certain ITVMs in June 2010 when the new on-line system is fully implemented as determined on a month-to-month basis, and in June 2011 or when the new on-line system is implemented as determined on a month-to-month basis with regard to any non-interconnected ITVMs owned by the New York Lottery. The agreement may be extended beyond June 2011 for any non-interconnected ITVMs for a

DOCUMENT REDACTED BY TLC - 12-4-10

period of up to 1 year. Any such extensions are subject to the prior approval of the New York State Attorney General and the State Comptroller.

(7) GTECH and Compania Nationala Loteria Romana SA entered into an ITVM Pilot Agreement in 2008 for the provision of ITVMs for a term ending 13 weeks after completion of the installation of the ITVMs. The terminals are in the process of being removed.

(8) GTECH and Singapore Pools entered into an ITVM Pilot Agreement in February 2009 for the provision of ITVMs manufactured by Sadamel Ticketing Systems, a Swiss corporation for which GTECH Far East Pte. Limited is the world-wide distributor, for a term ending 52 weeks after the date of installation of the first ITVM.

(9) GTECH and Loteria Slovenije, d.d. entered into a pilot agreement for the provision of ITVMs for a term ending 15 weeks after installation of the ITVMs has been completed. The ITVMs have not yet been installed.

(10) The Virginia Lottery entered into a seven-year contract with Oberthur Gaming Technologies Corporation (OGT) under which GTECH has subcontracted to provide 1,500 ITVMs and management of warehousing and distribution of instant tickets. Additionally, 200 ITVMs have been provided by GTECH under the Facilities Management Contract which is described in Table 2.

(11) In December 2009 GTECH amended its Lottery Gaming System contract with Washington's Lottery to provide for the supply of Lottery Vending Machines at each lottery retailer at which an ITVM is currently installed.

DOCUMENT REDACTED BY TLC - 12-4-10

LONG TERM INCENTIVE PLANS

Long term incentive plans adopted by Lottomatica in favour of directors and/or employees of Lottomatica and/or its direct or indirect subsidiaries provide for stock option grants and restricted stock awards to their directors, executives and key employees. The principal purpose of granting long-term incentives is to assist the Group in attracting and retaining directors, officers and other key employees, to provide a market competitive total compensation package and to motivate recipients to increase shareholder value by enabling them to participate in the value which has been created. Most of the plans are based upon three year performance measurements, generally based upon Lottomatica's EBITDA. In general, the total value delivered is allocated 65% to stock options and 35% to restricted stock, except for the plans approved during 2009 in which the value is allocated 35% to stock options and 65% to restricted stock. The following are summaries of the long term incentive plans in force as of December 31, 2009.

Stock Option Plans

2005 – 2010 Plans
The September 21, 2005 Extraordinary Shareholders' Meeting of Lottomatica also resolved to set December 31, 2010, as the expiration date for the following subscriptions:
• a maximum of €297,580, for a maximum of 297,580 new ordinary shares, par value of €1 each, with ordinary rights, excluding the right of option under Article 2441, paragraph 5, of the Italian Civil Code. To date 297,580 options have been issued, of which 191,280 remain exercisable and 106,300 have been cancelled;
• a maximum of €57,016, for a maximum of 57,016 new ordinary shares, par value of €1 each, with ordinary rights, excluding the right of option under Article 2441, paragraph 5, of the Italian Civil Code. To date none of the 57,016 options have been issued;
• a maximum of €219,812, for a maximum of 219,812 new ordinary shares, par value of €1 each, with ordinary rights, excluding the right of option under Article 2441, paragraph 5, of the Italian Civil Code serving to the exercise of 219,812 options assigned by Lottomatica, of which 95,336 remain exercisable and 124,476 have been cancelled.

2006 – 2014 Plan
The Lottomatica Board of Directors' Meeting of October 18, 2006 resolved to increase the share capital by a maximum amount of €1,500,000 by issuing up to 1,500,000 new ordinary shares with a par value of €1 each, with ordinary rights, excluding the right of option under Article 2441, paragraph 4, second sentence of the Italian Civil Code to be subscribed by December 31, 2014, serving the exercise of 1,188,600 options assigned on the same date by the Board of Directors' Meeting and within the framework of the stock option plan 2006-2014 reserved for employees of Lottomatica and/or its subsidiaries. As of December 31, 2009 there are 690,509 options outstanding under the Plan.

2007 – 2015 Plan
The Lottomatica Board of Directors' Meeting of May 3, 2007 resolved to increase the share capital against payments, in one or more tranches and in divisible form, by a maximum amount of €1,973,790 by issuing up to 1,973,790 new ordinary shares with a par value of €1 each, with ordinary rights, excluding the right of option under Article 2441, paragraph 4, second sentence of the Italian Civil Code, to be subscribed by December 31, 2015, serving the exercise of 1,973,790 options assigned on the same date by the Board of Directors' Meeting and not yet due within the framework of the stock option plan 2007-2015 reserved for employees of Lottomatica and/or its subsidiaries, other than 115,200 options that may be exercised prior to the vesting period pursuant to the resolution of the Lottomatica Board of Directors of December 11, 2007. As of December 31, 2009 there are 1,459,280 options outstanding under the Plan.

DOCUMENT REDACTED BY TLC - 12-4-10

2008-2016 Plan
The Lottomatica Board of Directors' Meeting of April 22, 2008 resolved to increase the share capital against payment, in one or more tranches and in divisible form, by a maximum amount of €2,318,045 by issuing up to 2,318,045 new ordinary shares with a par value of €1 each, with ordinary rights, excluding the right of option under Article 2441, paragraph 4, second sentence of the Italian Civil Code, to be subscribed by December 31, 2016, serving the exercise of 2,318,045 options assigned on the same date by the Board of Directors' Meeting and not yet due within the framework of the stock option plan 2008-2016 reserved for employees of Lottomatica and/or its subsidiaries. As of December 31, 2009 there are 2,133,662 options outstanding under the Plan.

2009-2015 Plan
The Lottomatica Board of Directors' Meeting of July 30, 2009 resolved to increase the share capital against payment, in one or more tranches and in divisible form, by a maximum amount of €1,850,510 by issuing up to 1,850,510 new ordinary shares with a par value of €1 each, with ordinary rights, excluding the right of option under Article 2441, paragraph 4, second sentence of the Italian Civil Code, to be subscribed by December 31, 2015, serving the exercise of 1,850,510 options assigned on the same date by the Board of Directors' Meeting and not yet due within the framework of the stock option plan 2009-2015 reserved for employees of Lottomatica and/or its subsidiaries. As of December 31, 2009 there are 1,840,220 options outstanding under the Plan.

Restricted Stock

(a) Executive Purchase of Shares at the Rights Offering Price

The Lottomatica Board of Directors' Meeting of August 29, 2006 resolved to increase the share capital against payment, in divisible form, by a maximum amount of €2,000,000 by issuing up to 2,000,000 new ordinary shares with a par value of €1 each, with ordinary rights, excluding the right of option under Article 2441 of the Italian Civil Code, to be assigned by December 15, 2007, to employees of Lottomatica and/or its subsidiaries for the price of €24.425 each. Of the 2,000,000 shares, 1,528,582 have been assigned with a sale restriction period ranging from one to three years from August 29, 2006 depending upon the employee's position at Lottomatica or at its subsidiaries. The restriction has expired on August 29, 2009.

(b) Share Allocation Plans (article 2349 of the Italian Civil Code)

- 2006-2011 Share Allocation Time Based Plan, Reserved for Employees of Lottomatica and/or its subsidiaries, approved by the Shareholders' Meeting of Lottomatica of October 18, 2006;
- 2007-2010 Share Allocation Plan, Reserved for Employees of Lottomatica and/or its subsidiaries, approved by the Shareholders' Meeting of Lottomatica of April 23, 2007 that, at the same time, empowered the Board of Directors for five years to increase the share capital in one or more tranches by a maximum amount of €3,200,000 by issuing up to 3,200,000 new ordinary shares, with a par value of €1 each;
- 2008-2011 Share Allocation Plan, Reserved for Employees of Lottomatica and/or its subsidiaries, approved by the Shareholders' Meeting of Lottomatica of April 15, 2008 that, at the same time, empowered the Board of Directors to purchase a maximum number of Company owned shares equal to 10% of the share capital also available for the implementation of the stock plans;
- 2009-2013 Share Allocation Plan, Reserved for Employees of Lottomatica and/or its subsidiaries, approved by the Shareholders' Meeting of Lottomatica of July 2, 2009.

DOCUMENT REDACTED BY TLC - 12-4-10

Originally Approved Grants

The Board of Directors' Meeting of Lottomatica of October 18, 2006 resolved to assign up to 733,125 of ordinary shares within the framework of the time-based plan 2006-2011, of which the Board of Directors' resolved:

- On May 3 and December 11, 2007 an increase in share capital, for an overall maximum nominal amount of €154,752 by issuing up to 154,752 new ordinary shares, with a par value of €1 each, with ordinary rights;
- On July 31, 2008 and on July 30, 2009, to assign an overall maximum amount of 192,645 Lottomatica owned shares.

The Board of Directors' Meeting of Lottomatica of May 3, 2007 resolved to assign up to 285,130 ordinary shares within the framework of the 2007-2010 Share Allocation Plan, of which the Board of Directors' resolved:

- On December 11, 2007 and on April 22, 2008 an increase in share capital, for an overall maximum nominal amount of €108,842 by issuing up to 108,842 new ordinary shares, with a par value of €1 each, with ordinary rights;
- On April 28, 2009 to assign a maximum amount of 67,337 Lottomatica owned shares.

The Board of Directors' Meeting of Lottomatica of April 22, 2008 resolved to assign up to 286,916 ordinary shares within the framework of the 2008-2011 Share Allocation Plan, of which the Board of Directors' on April 28, 2009 resolved to assign a maximum amount of 76,765 Lottomatica owned shares.

The Board of Directors' Meeting of Lottomatica of July 30, 2009 resolved to assign up to 673,729 ordinary shares within the framework of the 2009-2013 Share Allocation Plan.

Current Plan Balances

As of December 31, 2009, the following numbers of shares are outstanding in each plan: 188,557 in the framework of the *time-based* 2006-2011, 62,332 ordinary shares in the framework of the 2007-2010 Plan, 190,620 ordinary shares in the framework of the 2008-2011 Plan and 669,976 ordinary shares in the framework of 2009-2013 Plan.

DOCUMENT REDACTED BY TLC - 12-4-10

PROCESSING OF PERSONAL DATA

Article 34 of Legislative Decree No. 196 of June 30, 2003, requires certain security measures to be taken in the event of the electronic processing of personal data, according to the procedures set forth in the technical specifications under Annex B to the law. Among these requirements is the one specified in letter (g) for "an updated Security Policy Statement" (DPS, Documento Programmatico sulla Sicurezza).

DPS, in compliance with the law, specifies the technical and organizational security measures adopted on the basis of risk analysis as well as task and responsibility distribution within the data processing structure in order to protect personal data regarding their correct storage and handling.

Lottomatica Group S.p.A. regularly reviews and updates the DPS which it did most recently on March 31, 2009 in accordance with Legislative Decree No. 196/03.

DOCUMENT REDACTED BY TLC - 12-4-10

Consolidated Financial Statements and Footnotes

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(thousands of euros)	*Notes*	December 31, 2009	December 31, 2008
ASSETS			
Non-current assets			
Systems, equipment and other assets related to contracts, net	8	774,558	758,717
Property, plant and equipment, net	9	88,522	86,023
Goodwill	10	3,006,783	3,074,571
Intangible assets, net	11	822,886	847,281
Investments in associates		443	6,093
Other non-current assets	13	22,692	21,380
Non-current financial assets	14	7,309	390
Deferred income taxes	15	6,030	23,633
Total non-current assets		4,729,223	4,818,088
Current assets			
Inventories	16	134,080	129,560
Trade and other receivables	17	791,803	773,595
Other current assets	13	61,577	65,160
Current financial assets	14	4,613	20,288
Income taxes receivable		8,068	5,654
Cash and cash equivalents	18	469,335	109,274
Total current assets		1,469,476	1,103,531
Non-current assets classified as held for sale	19	5,890	7,456
TOTAL ASSETS		6,204,589	5,929,075
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital		172,015	152,287
Share premium		1,404,252	1,139,071
Treasury shares		(63,502)	(73,184)
Retained earnings		66,807	95,647
Other reserves	20	258,162	277,583
		1,837,734	1,591,404
Non-controlling interests		59,073	58,428
Total equity		1,896,807	1,649,832
Non-current liabilities			
Long-term debt, less current portion	21	2,621,990	2,573,802
Deferred income taxes	15	134,127	229,621
Long-term provisions	22	22,970	27,042
Other non-current liabilities	23	55,184	48,339
Non-current financial liabilities	14	142,317	134,604
Total non-current liabilities		2,976,588	3,013,408
Current liabilities			
Accounts payable		905,677	800,653
Short-term borrowings	21	5,079	60,848
Other current liabilities	23	270,564	278,751
Current financial liabilities	14	59,885	12,741
Current portion of long-term debt	21	67,186	61,109
Short-term provisions	22	1,858	2,276
Income taxes payable		20,945	49,457
Total current liabilities		1,331,194	1,265,835
TOTAL EQUITY AND LIABILITIES		6,204,589	5,929,075

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

(thousands of euros)	*Notes*	For the year ended December 31 2009	2008
Service revenue		2,015,452	1,818,267
Product sales		161,405	240,673
Total revenue	7	2,176,857	2,058,940
Raw materials, services and other costs	24	1,052,429	991,247
Personnel	25	428,305	410,513
Depreciation	26	236,601	225,461
Amortization	27	94,400	86,095
Impairment loss	28	76,025	100,778
Capitalization of internal construction costs - labor and overhead		(77,324)	(95,149)
Total costs		1,810,436	1,718,945
Operating income	7	366,421	339,995
Interest income		3,468	10,955
Equity loss		(1,833)	(1,825)
Other income		4,172	6,193
Other expense	29	(16,690)	(2,699)
Foreign exchange gain (loss), net	30	(15,824)	10,352
Interest expense	31	(151,518)	(177,555)
		(178,225)	(154,579)
Income before income tax expense		188,196	185,416
Income tax expense	15	75,842	47,546
Net income		112,354	137,870
Attributable to:			
Owners of the parent		68,149	93,748
Non-controlling interests		44,205	44,122
		112,354	137,870
Earnings per share/ADRs			
Basic - net income attributable to owners of the parent	32	€ 0.45	€ 0.62
Diluted - net income attributable to owners of the parent	32	€ 0.45	€ 0.62

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(thousands of euros)	*Notes*	For the year ended December 31 2009	2008
Net income		112,354	137,870
Other comprehensive income			
Net gain (loss) on interest rate swaps (cash flow hedges)	33	20,859	(62,641)
Income tax benefit (expense)		(7,712)	22,716
		13,147	(39,925)
Amortization of gain on interest rate swap on discontinued cash flow hedge		(570)	(570)
Net gain (loss) on derivative instruments (cash flow hedges)	33	(1,047)	1,192
Income tax benefit (expense)		315	(585)
		(732)	607
Net gain (loss) on available-for-sale financial assets		(78)	88
Net gain (loss) on translation of foreign operations	33	(30,013)	51,621
Income tax benefit (expense)		7,514	(14,984)
		(22,499)	36,637
Other comprehensive loss for the year, net of tax		(10,732)	(3,163)
Total comprehensive income for the year, net of tax		101,622	134,707
Attributable to:			
Owners of the parent		57,417	90,585
Non-controlling interests		44,205	44,122
		101,622	134,707

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of euros)	*Notes*	For the year ended December 31 2009	2008
Operating activities			
Income before income tax expense		188,196	185,416
Non-cash adjustments to reconcile income before income tax expense to net cash flows			
Depreciation	26	236,601	225,461
Intangibles amortization	27	94,522	86,276
Other amortization	27	(122)	(181)
Impairment loss	28	76,025	100,778
Interest income		(3,468)	(10,955)
Interest expense	31	151,518	177,555
Non-cash foreign exchange gain	30	(3,146)	(16,336)
Share-based payment expense	35	916	14,682
Other non-cash items		20,048	7,575
Income tax paid		(145,202)	(135,071)
Cash flows before changes in operating assets and liabilities		615,888	635,200
Changes in operating assets and liabilities:			
Inventories		(3,429)	35,513
Trade and other receivables		(24,514)	(56,978)
Accounts payable		121,975	122,539
Advance payments from customers		(16,960)	(43,914)
Taxes other than income taxes		(20,703)	(35,516)
Other assets and liabilities		23,185	23,960
Net cash flows from operating activities		695,442	680,804
Investing activities			
Purchases of systems, equipment and other assets related to contracts		(253,059)	(195,178)
Purchases of intangible assets	11	(102,775)	(18,439)
Acquisitions	6	(44,737)	(249,667)
Acquisitions - cash acquired	6	196	39,689
Purchases of property, plant and equipment		(15,848)	(26,176)
Other investments		(3,078)	(6,187)
Loans receivable, net of repayments		(2,964)	-
Dynamite Design and Marketing Limited contingent consideration	40	(1,989)	-
St Enodoc Holdings Limited contingent consideration	40	(182)	-
Toto Carovigno S.p.A. advance and escrow refund (payment)		4,621	(4,368)
Interest received		5,427	11,056
Finsoft Limited contingent consideration	40	-	(13,415)
Other		(2,796)	2,305
Net cash flows used in investing activities		(417,184)	(460,380)
Financing activities			
Proceeds from issuance of long-term debt		750,000	763,440
Proceeds from issuance of ordinary share capital		350,000	-
Debt issuance costs		(3,479)	(9,113)
Share issuance costs		(9,497)	-
Dividends paid - non-controlling interests		(43,560)	(31,357)
Net proceeds from (repayment of) short-term borrowings		(49,124)	44,542
Dividends paid	36	(100,940)	(125,393)
Interest paid		(153,776)	(159,850)
Principal payments on long-term debt		(653,887)	(957,580)
Proceeds from exercise of stock options		-	2,915
Treasury share purchases		-	(74,830)
Other		(1,535)	293
Net cash flows from (used in) financing activities		84,202	(546,933)
Net increase (decrease) in cash and cash equivalents		362,460	(326,509)
Effect of exchange rate changes on cash		(2,399)	1,718
Cash and cash equivalents at the beginning of the year		109,274	434,065
Cash and cash equivalents at the end of the year	18	469,335	109,274

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2009

	Attributable to owners of the parent							
(thousands of euros)	Issued Capital	Share Premium	Treasury Shares	Retained Earnings	Other Reserves (Note 20)	Total	Non-Controlling Interests	Total Equity
Balance at January 1, 2009	152,287	1,139,071	(73,184)	95,647	277,583	1,591,404	58,428	1,649,832
Net income for the year	-	-	-	68,149	-	68,149	44,205	112,354
Other comprehensive loss	-	-	-	-	(10,732)	(10,732)	-	(10,732)
Total comprehensive income	-	-	-	68,149	(10,732)	57,417	44,205	101,622
Ordinary share capital issued	19,728	330,272	-	-	-	350,000	-	350,000
Share issuance costs, net of €3.4 million of tax benefit	-	(7,073)	-	-	-	(7,073)	-	(7,073)
Swap liability associated with share issuance, net of €27.7 million of tax benefit	-	(58,018)	-	-	-	(58,018)	-	(58,018)
Dividend distribution (€0.68 per share) (Note 36)	-	-	-	(100,940)	-	(100,940)	-	(100,940)
Appropriation of 2008 income in accordance with Italian law	-	-	-	(77)	77	-	-	-
Share-based payment (Note 35)	-	-	-	-	916	916	-	916
Shares issued under stock award plans	-	-	9,682	-	(9,682)	-	-	-
Dividend distribution	-	-	-	-	-	-	(43,560)	(43,560)
Put/call option arising from business combination	-	-	-	4,169	-	4,169	-	4,169
Other movements in equity	-	-	-	(141)	-	(141)	-	(141)
Balance at December 31, 2009	172,015	1,404,252	(63,502)	66,807	258,162	1,837,734	59,073	1,896,807

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2008 (Restated)

	Attributable to owners of the parent							
(thousands of euros)	Issued Capital	Share Premium	Treasury Shares	Retained Earnings	Other Reserves (Note 20)	Total	Non-Controlling Interests	Total Equity
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 year	-	-	-	93,748	-	93,748	44,122	137,870
Other comprehensive loss	-	-	-	-	(3,163)	(3,163)	-	(3,163)
Total comprehensive income	-	-	-	93,748	(3,163)	90,585	44,122	134,707
Dividend distribution (€0.825 per share) (Note 36)	-	(56,471)	-	(68,922)	-	(125,393)	-	(125,393)
Treasury share purchase plan	-	(456,926)	-	-	456,926	-	-	-
Treasury shares purchased (3,943,022 shares)	-	74,830	(74,830)	-	(74,830)	(74,830)	-	(74,830)
Appropriation of 2007 income in accordance with Italian law	-	-	-	(77)	77	-	-	-
Shares issued upon exercise of stock options	233	2,682	-	-	-	2,915	-	2,915
Share-based payment (Note 35)	-	-	-	-	14,682	14,682	-	14,682
Shares issued under stock award plans	155	-	1,646	-	(1,801)	-	-	-
Dividend distribution	-	-	-	-	-	-	(31,357)	(31,357)
Put/call option arising from business combination	-	-	-	(5,461)	-	(5,461)	-	(5,461)
Other movements in equity	-	-	-	888	(31)	857	521	1,378
Balance at December 31, 2008	152,287	1,139,071	(73,184)	95,647	277,583	1,591,404	58,428	1,649,832

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Lottomatica Group 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 principal activities of the Group are described in Note 7.

In these notes, the term "Lottomatica" refers to Lottomatica Group 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 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 Stock Exchange of Milan 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 consolidated financial statements for the year ended December 31, 2009 were approved for issuance in accordance with a resolution of the Board of Directors on March 3, 2010. On this date, the Board of Directors also proposed to distribute a dividend of €0.74 per share.

2. Adoption of new and revised International Financial Reporting Standards

The Group's accounting policies are consistent with those of the previous financial year except the Group adopted new, amended and revised International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) Standards and Interpretations as of January 1, 2009 as described below.

IFRS 2 Share-Based Payment: Vesting Conditions and Cancellations (Revised)
The Group adopted the Revised IFRS 2 on January 1, 2009 that clarifies the definition of vesting conditions and prescribes the treatment for an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment had no material impact on the financial position or performance of the Group.

IFRS 7 Financial Instruments: Disclosures
The Group adopted an amendment to IFRS 7 on January 1, 2009 that requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendment also clarifies the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The adoption of this amendment had no material impact on the financial position or performance of the Group.

IFRS 8 Operating Segments
The Group adopted IFRS 8 on January 1, 2009 that replaces IAS 14 *Segment Reporting* upon its effective date. IFRS 8 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 IFRS 8 disclosures are provided in Note 7, including the related revised comparative information. The adoption of this standard had no material impact on the financial position or performance of the Group.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Adoption of new and revised International Financial Reporting Standards (continued)

IAS 1 Presentation of Financial Statements (Revised)
The Group adopted the Revised IAS 1 on January 1, 2009 that requires owner and non-owner changes in equity to be separated. The statement of changes in equity includes 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. The adoption of this amendment had no material impact on the financial position or performance of the Group.

IAS 23 Borrowing Costs (Revised)
The Group adopted the Revised IAS 23 on January 1, 2009 that requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amendment, the Group has adopted the standard on a prospective basis. Therefore, borrowing costs are capitalized on qualifying assets with a commencement date on or after January 1, 2009. The adoption of this amendment had no material impact on the financial position or performance of the Group.

IAS 27 Consolidated and Separate Financial Statements
The Group adopted an amendment to IAS 27 on January 1, 2009 that 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. The new requirements affect only the parent's separate financial statement and do not have an impact on the consolidated financial statements.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
The Group adopted amendments to IAS 32 and IAS 1 on January 1, 2009 that allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The adoption of these amendments had no material impact on the financial position or performance of the Group.

IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement
The Group adopted amendments to IFRIC 9 and IAS 39 on January 1, 2009 that requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. The adoption of these amendments had no material impact on the financial position or performance of the Group.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Adoption of new and revised International Financial Reporting Standards (continued)

IFRIC 18 Transfers of Assets from Customers
The Group adopted IFRIC 18 for transfers of assets from customers received on or after July 1, 2009. The interpretation, which is particularly relevant to the utility sector, provides additional guidance on accounting for transfers of assets from customers. It clarifies the requirements of IFRSs for agreements in which an entity receives an item of property, plant and equipment from a customer that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The adoption of this interpretation had no material impact on the financial position or performance of the Group.

Improvements to IFRSs issued in May 2008
In May 2008 the IASB issued an 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 material impact on the financial position or performance of the Group.

IAS 1 Presentation of Financial Statements
The Group adopted an amendment to IAS 1 on January 1, 2009 clarifying that 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. The adoption of this amendment had no material impact on the financial position or performance of the Group.

IAS 16 Property, Plant and Equipment
The Group adopted an amendment to IAS 16 on January 1, 2009 that replaced the term "net selling price" with "fair value less costs to sell" in the definition of recoverable amount. The adoption of this amendment had no material impact on the financial position or performance of the Group.

IAS 20 Accounting for Government Grants and Disclosures of Government Assistance
The Group adopted an amendment to IAS 20 on January 1, 2009 requiring that the benefit of a government loan at a below-market rate of interest be treated as a government grant. The adoption of this amendment had no material impact on the financial position or performance of the Group.

IAS 23 Borrowing Costs
The Group adopted an amendment to IAS 23 on January 1, 2009 that 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. The adoption of this amendment had no material impact on the financial position or performance of the Group.

IAS 36 Impairment of Assets
The Group adopted an amendment to IAS 36 on January 1, 2009 that requires when discounted cash flows are used to estimate "fair value less cost to sell", additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use". The adoption of this amendment had no material impact on the financial position or performance of the Group.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Adoption of new and revised International Financial Reporting Standards (continued)

IAS 38 Intangible Assets
The Group adopted an amendment to IAS 38 on January 1, 2009 that 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. In addition, 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 adoption of this amendment had no material impact on the financial position or performance of the Group.

Other amendments resulting from Improvements to IFRSs issued in May 2008 to the following standards 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 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 39 Financial Instruments: Recognition and Measurement***
- ***IAS 40 Investment Property***
- ***IAS 41 Agriculture***

3. Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

3.2 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for those items measured at fair value as disclosed in the accounting policies below. The 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.

Format of the consolidated financial statements
The Group presents current and non-current assets, and current and non-current liabilities as separate classifications in its consolidated statements of financial position.

The consolidated income statements are presented using a classification based on the nature of expenses, rather than based on their function of expense, as management believes this presentation provides information that is more relevant.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.2 Basis of preparation (continued)

The consolidated statements of changes in equity include only details of transactions with owners, with non-owner changes in equity presented as a single line (i.e. comprehensive income). Comprehensive income is presented in two statements; a separate income statement and consolidated statement of comprehensive income.

The consolidated statements of cash flows are presented using the indirect method.

3.3 Basis of consolidation

Basis of consolidation
The consolidated financial statements include the financial statements of Lottomatica and its subsidiaries as of December 31 each year.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisitions of non-controlling interests are accounted for using the entity method, whereby the difference between the consideration and the book value of the share of net assets acquired is recognized in equity.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.4 Reclassifications

December 31, 2008 consolidated statement of financial position
The Group changed the December 31, 2008 statement of financial position for the following:

- To adjust the presentation of foreign currency translation associated with the July 2, 2007 acquisition of Finsoft Limited to properly reflect the functional currency as British pounds sterling; and
- To offset deferred income tax assets and deferred income tax liabilities in accordance with IAS 12 *Income Taxes.*

The effect of these reclassifications is summarized below.

	December 31, 2008		
(thousands of euros)	As Adjusted	As Previously Reported	Reclassification
Finsoft adjustment:			
Assets			
Goodwill	3,074,571	3,086,297	(11,726)
Intangible assets, net	847,281	853,146	(5,865)
Equity			
Other reserves	277,583	295,174	(17,591)
Deferred income tax adjustment:			
Assets			
Deferred income taxes	23,633	235,421	(211,788)
Liabilities			
Deferred income taxes	229,621	441,409	(211,788)

The Group's principal accounting policies are described below.

3.5 Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, regardless of the extent of any non-controlling interest.

For business combinations where the Group has a put option with respect to the non-controlling interest shares, the Group determines whether it has a present ownership interest in those shares. If the Group determines that it has a present ownership interest in the shares, the acquisition is accounted for as an acquisition of those underlying shares and non-controlling interest is not recognized. The cost of the acquisition includes the estimated fair value of the liability to the non-controlling interest shareholders. Following the initial accounting, all changes in the carrying amount of the liability are adjusted against goodwill, except for the unwinding of the discount due to the passage of time which is recognized in the income statement.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.5 Business combinations and goodwill (continued)

If the Group determines it does not have a present ownership interest in the non-controlling interest shares, the non-controlling interest is attributed its share of profits and losses of the acquiree after the business combination. At each reporting date, the amount of the non-controlling interest is presented in the statement of financial position as a financial liability. Any difference between the present value of the amount payable to the minority shareholders and the non-controlling interest is reclassified to equity.

Goodwill is initially measured at cost, being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of an acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Following initial recognition, goodwill is measured at cost less accumulated impairment loss. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operations when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3.6 Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The Group's investments in associates are accounted for using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor separately tested for impairment. The income statement reflects the Group's share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit or loss of associates is included in equity income (loss) on the face of the income statement. This is the profit or loss attributable to equity holders of the associate and therefore is profit or loss after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting year as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.7 Interests in joint ventures

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the income statement.

Upon loss of significant influence over an associate, the Group measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of an associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in the income statement.

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is when the strategic financial and operating policy decisions relating to the activities of the joint venture requires the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the proportionate consolidation method, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the parent company. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealized gains and losses on transactions between the Group and jointly controlled entities. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Upon loss of joint control and provided the former jointly controlled entity does not become a subsidiary or associate, the Group measures and recognizes its remaining investment at its fair value. Any difference between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognized in the income statement. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

3.8 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.9 Foreign currency translation

The Group's consolidated financial statements are presented in euros, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in currencies other than the entity's functional currency (foreign currencies) are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. At the end of each reporting period, foreign currency monetary items are retranslated at the functional currency spot exchange rate in effect at the reporting date. The resulting foreign currency exchange differences are recorded in our consolidated income statement with the exception of differences that arise on monetary items that provide an effective hedge for a net investment in a foreign operation (such as intragroup loans where settlement is neither planned nor likely to occur in the foreseeable future). These are recognized in other comprehensive income until the disposal of the net investment, at which time they are recognized in the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Foreign operations
The assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their income statements are translated at average exchange rates for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.10 Revenue recognition

Revenue is recognized to the extent that it is probable the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts. Specific recognition criteria must also be met before revenue is recognized as discussed below.

Lottery, gaming, sports betting, interactive, and non-lottery commercial transaction processing services
We generally conduct our business under three types of contractual arrangements: Operating Contracts, Facilities Management Contracts and Product Sales Contracts.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.10 Revenue recognition (continued)

Operating contracts

Certain of our revenue, primarily revenue from Italian Operations, are derived from operating contracts. Under operating contracts, we manage all 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. We also provide sports pools and sports betting services. Under sports pools arrangements, we manage the sports pool whereby the sports pool prizes are divided among those players who select the correct outcome. There are no odds involved in sports pools and each winner's payoff depends on the number of players and the size of the pool. We also set odds and assume risks under fixed odds sports betting contracts.

Fees earned under operating contracts are recognized as revenue in the period earned and are classified as service revenue in our consolidated income statement when all of the following criteria are met:

- Persuasive evidence of an arrangement exists, which is typically when a customer contract has been signed
- Services have been rendered
- Our fee is deemed to be fixed or determinable and free of contingencies or significant uncertainties
- Collectibility is reasonably assured

Under sports pools arrangements, we collect the wagers, pay prizes, pay a percentage fee to retailers, withhold our fee, and remit the balance to the respective regulatory agency. We assume no risk associated with sports pool wagering. We record revenue net of prize payouts, taxes, retailer commissions and remittances to state authorities, because we are acting as an agent to the authorities.

In sports betting contracts, we establish and assume the risks related to the odds. Under fixed odds betting, the potential payout is fixed at the time bets are placed and we bear the risk of odds setting. We are responsible for collecting the wagers, paying prizes, and paying fees to retailers. We retain the remaining cash as profits. Under these arrangements, we record revenue net, calculated as total wagers less the estimated payout for prizes, because the betting contract is considered a derivative and is required to be recorded at fair value. Taxes and retailer commissions are shown as expenses.

Facilities management contracts

A substantial portion of our revenue is derived from facilities management contracts, under which we construct, install, operate and retain ownership of the online system. These contracts generally provide for a variable amount of monthly or weekly service fees paid to us directly from our customer based on a percentage of sales or net machine income.

Fees earned under facilities management contracts are recognized as revenue in the period earned and are classified as service revenue in our consolidated income statement when all of the following criteria are met:

- Persuasive evidence of an arrangement exists, which is typically when a customer contract has been signed
- Services have been rendered
- Our fee is deemed to be fixed or determinable and free of contingencies or significant uncertainties
- Collectibility is reasonably assured

In instances where customer acceptance of the product or system is required, revenue is deferred until all the acceptance criteria have been met.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.10 Revenue recognition (continued)

Product sales contracts

Under multiple element product sales contracts, we generally construct, sell, deliver and install a turnkey system or deliver equipment, and license the computer software for a fixed price, and our customer subsequently operates the system. Product sale contracts generally include customer acceptance provisions and general customer rights to terminate the contract if we are in breach of the contract.

Because product sales contracts include significant customization, modification and other services prior to customer acceptance that are considered essential to the software inherent in our systems, revenue is recognized using contract accounting upon customer acceptance as long as the cost to deliver remaining obligations or elements to the customer can be reasonably estimated. Upon revenue recognition, sufficient revenue is deferred associated with estimated costs to deliver any remaining elements to the customer. Multiple elements are generally recorded as a single unit of accounting at an overall blended margin. Customer acceptance milestones typically coincide with phases of delivery resulting in a percentage of completion recognition of product sales revenues. Amounts due to us and costs incurred by us in constructing the system prior to customer acceptance are deferred. We recognize losses, if any, on fixed price contracts when the amount of the loss is probable and determinable. Revenue attributable to the system is classified as product sales in our consolidated income statement and is recognized upon customer acceptance as long as there are no substantial doubts regarding collectibility.

Revenues attributable to any ongoing services provided subsequent to customer acceptance are classified as service revenue in our consolidated income statement in the period earned.

In certain product sale contracts (primarily the stand alone sale of lottery or video lottery terminals and software deliverables that do not involve significant customization of software) where we are not responsible for installation, we recognize revenue when all of the following criteria are met:

- Persuasive evidence of an arrangement exists, which is typically when a customer contract has been signed
- The product has been delivered
- Our fee is deemed to be fixed or determinable and free of contingencies or significant uncertainties
- Collectibility is reasonably assured

In instances where customer acceptance of the product is required, revenue is deferred until any acceptance criteria have been met.

For those product sale contracts not recognized under contract accounting, in instances where post contract support (PCS) is included, up front revenue is deferred over the contracted PCS period if defined, or over the average expected customer relationship period if the PCS period is not defined or not substantial, unless a fair value revenue amount is determinable. In the cases where a fair value revenue amount is determinable, that amount is deferred and recognized over the remaining contracted PCS period.

Our typical payment terms under product sale contracts include customer progress payments based on specific contract milestones with final payment due on or shortly after customer acceptance.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.10 Revenue recognition (continued)

In those cases where we provide extended payment terms to our customer, we consider the standard business environment of the customer and industry to determine if extended payment terms are a common practice. Where extended payment terms are not our typical profile, terms that extend substantially beyond the date the product is delivered, may result in the necessity to defer revenue (no more than 12 months payment extension would be acceptable). In such cases, it is presumed that the fee is not fixed or determinable. In other cases where it is an industry practice to provide extended payment terms, we consider the impact of the extended payment terms on the ability to reliably measure revenue and costs due to the time value of money, credit risk associated with the extended payment terms, the potential for fee reductions, and the risk of future concessions. Depending on these considerations, revenue recognition for transactions with extended payment terms may be permitted whereby the nominal amount of the revenue is recorded at a discount to take into consideration the time value of money. We are not currently recording any revenue upfront.

Non-lottery commercial transaction processing services

We offer high-volume transaction processing services outside of our core market of providing online lottery services that consist of the acquiring, processing and transmission of commercial non-lottery transactions. Such transactions include bill payments, electronic tax payments, utility payments, prepaid cellular telephone recharges and retail-based programs.

We earn a fee for processing commercial non-lottery transactions that is transaction-based (a fixed fee per transaction or a fee based on a percentage of monetary volume processed). We recognize these fees as service revenue at the time a transaction is processed based on the net amount retained.

Deferred revenue and liquidated damage assessments

Amounts received from customers in advance of revenue recognition are recorded in other current liabilities in our consolidated statements of financial position. We generally record liquidated damage assessments, which are penalties incurred due to a failure to meet specified deadlines or performance standards, as a reduction of revenue in the period they become probable and estimable.

Interest income

Revenue is recognized as interest accrues using the effective interest method.

3.11 Income taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated income statement. Management periodically evaluates positions taken in the income tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.11 Income taxes (continued)

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred income tax asset to be recovered.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized outside income or loss is recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3.12 Post employment benefits

The Group has a defined benefit plan (staff severance fund) to provide certain post employment benefits to Italian employees following termination from the Group. Italian employees may choose to participate in an unfunded plan within the Group or transfer their plan balance to independent external funds. These benefits are funded only to the extent paid to the external funds. The cost of providing benefits under the plan, for those employees that participate in the unfunded plan within the Group, is determined using the projected unit credit actuarial valuation method. The cost of providing benefits for those employees that choose to transfer their plan to independent external funds are considered as defined contributions and are accrued as the employees render the related service. Actuarial gains and losses are immediately recognized in the consolidated income statement. The defined benefit liability represents the present value of the Group's defined benefit plan obligation.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.13 Share-based payment transactions

Employees of the Group may receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions with employees is measured by reference to the fair value on the date they are granted. The fair value is determined using a binomial model, further details of which are provided in Note 35.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date in which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as of the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share, further details of which are provided in Note 32.

3.14 Financial instruments – initial recognition and subsequent measurement

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognized initially at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group's financial assets include cash and cash equivalents, trade and other receivables, loans and other receivables, available-for-sale financial investments, and derivative financial instruments.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.14 Financial instruments – initial recognition and subsequent measurement (continued)

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments; or
- Available-for-sale financial investments

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in the income statement.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The effective interest rate method amortization and losses arising from impairment are recognized in the consolidated income statement.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest method. The effective interest rate method amortization and losses arising from impairment are recognized in the consolidated income statement. The Group did not have any held-to-maturity investments during the years ended December 31, 2009 and 2008.

Available-for-sale financial investments
Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the net unrealized gain/(loss) reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the income statement, or determined to be impaired, at which time the cumulative loss is recognized in the income statement and removed from the net unrealized gain/(loss) reserve.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.14 Financial instruments – initial recognition and subsequent measurement (continued)

The Group evaluated its available-for-sale financial investments to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to held-to-maturity is permitted only when the entity has the ability and intent to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest rate method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition
A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either
  (a) the Group has transferred substantially all the risks and rewards of the asset; or
  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

b) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.14 Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets carried at amortized cost
For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recorded in the income statement.

Available-for-sale financial investments
For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement, is removed from other comprehensive income and recognized in the income statement. Impairment loss on equity investments is not reversed through the income statement; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in the income statement. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.14 Financial instruments – initial recognition and subsequent measurement (continued)

c) Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, directly attributable debt issuance costs.

The Group's financial liabilities include accounts and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, finance lease obligations, loan guarantees, Swap Liability and derivative financial instruments.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as follows:

- Financial liabilities at fair value through profit or loss; or
- Loans and borrowings

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the income statement.

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The effective interest rate method amortization is included in interest expense in the consolidated income statement.

Financial guarantee contracts
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.14 Financial instruments – initial recognition and subsequent measurement (continued)

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

e) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market bid prices or dealer price quotations (bid price for long position and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models. An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 14.

f) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement
The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges and hedges of a net investment in a foreign operation, which are recognized in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk); or
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or
- Hedges of a net investment in a foreign operation.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.14 Financial instruments – initial recognition and subsequent measurement (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges
The change in the fair value of an interest rate hedging derivative is recognized in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognized in the income statement.

For fair value hedges relating to items carried at amortized cost, the adjustment to the carrying value may be amortized, using the effective interest method, as soon as the adjustment exists (through the income statement over the remaining term to maturity) or may begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedge item is derecognized, the unamortized fair value is recognized immediately in the income statement.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the income statement.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the net unrealized gain/(loss) reserve, while any ineffective portion is recognized immediately in the income statement.

Amounts recognized as other comprehensive income are transferred to the income statement when the hedged transaction affects income or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects income or loss.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.14 Financial instruments – initial recognition and subsequent measurement (continued)

Hedges of a net investment in a foreign operation
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the income statement.

Current versus non-current classification
Derivative instruments that are not a designated and effective hedging instrument are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e. the underlying contracted cash flows).

Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting), for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

3.15 Treasury shares

Lottomatica's own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration paid or received is recognized in other reserves.

3.16 Systems, equipment and other assets related to contracts, net

Systems, equipment and other assets related to contracts are stated on the basis of cost, net of accumulated depreciation and/or accumulated impairment loss, if any. The cost is depreciated over the estimated useful life of the assets using the straight-line method depending on the type of cost. Cost is comprised of two categories:

- hard costs (for example: terminals, mainframe computers and communications equipment) and;
- soft costs (for example: software development).

Hard costs are generally depreciated over the base term of the contract plus extension years provided for in the contract but not to exceed 10 years. Soft costs are depreciated using the straight line method over the base term of the contract, but not to exceed 10 years. Repair and maintenance costs are recognized in the income statement as incurred.

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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.16 Systems, equipment and other assets related to contracts, net (continued)

Systems, equipment and other assets related to contracts are derecognized upon disposal or when no future economic benefits are expected from the assets' use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if appropriate.

3.17 Property, plant and equipment, net

Property, plant and equipment is stated on the basis of cost. The cost, excluding land, is depreciated over the estimated useful life of the assets using the straight-line method. The estimated useful lives are generally 40 years for buildings and five to 10 years for furniture and equipment. Repair and maintenance costs are recognized in the income statement as incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from the assets' use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if appropriate.

3.18 Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at the inception date and whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

For arrangements entered into prior to January 1, 2005, the date of inception is deemed to be January 1, 2005 in accordance with the transitional requirements of IFRIC 4.

Finance leases
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases
Operating lease payments are recognized as an expense in the consolidated income statement on a straight line basis over the lease term.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.20 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment loss. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and any expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least annually, during the fourth quarter ending on December 31. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization expense on intangible assets with finite lives is recorded in our consolidated income statement.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, during the fourth quarter ending on December 31, either individually or at the cash generating unit level, as appropriate. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

3.21 Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an asset when the Group can demonstrate:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during the development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment loss. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit from the related project. The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the year.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.22 Inventories

Inventories are valued at the lower of cost (under the first in, first out method or specific cost basis as considered necessary in the specific circumstances) or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Inventories include amounts we manufacture or assemble for our long-term service contracts, which are transferred to systems, equipment and other assets related to contracts, net upon shipment. Inventories also include amounts related to product sales contracts, including product sales under long-term contracts.

3.23 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment loss is recorded in the consolidated income statement.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that a previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the assets in prior years. Such reversal is recognized in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of goodwill and intangible assets.

Goodwill
Goodwill is tested for impairment annually, as of December 31, or more frequently when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGU's) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment loss relating to goodwill cannot be reversed in future periods.

Intangible assets
Intangible assets with indefinite useful lives are tested for impairment annually, as of December 31, either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.24 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position are comprised of cash at banks and on hand and short-term, highly liquid investments with an original maturity of three months or less at the date of purchase.

3.25 Trade and other receivables

Trade accounts receivable are reported net of allowances for doubtful accounts and liquidated damages (penalties incurred due to a failure to meet specified deadlines or performance standards). Allowances for doubtful accounts are generally recorded when there is objective evidence that we may not be able to collect the related receivables. Bad debts are written off when identified. Allowances for liquidated damages are generally recorded when they are probable and estimable. Short-term receivables are not discounted because the effect of discounting cash flows is not material, unless extended payment terms are granted.

3.26 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financc cost.

4. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated 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 period. 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, that has the most significant effect on the amounts recognized in the 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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 December 31, 2009 and December 31, 2008 was €774.6 million and €758.7 million, respectively. Further details are provided in Note 8 and 28.

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" or "fair value less costs to sell" of the cash-generating units to which the goodwill is allocated. Estimating a value in use or fair value less costs to sell 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 December 31, 2009 and December 31, 2008 was €3.0 billion and €3.1 billion, respectively. Further details are provided in Note 10 and 28.

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 December 31, 2009 and December 31, 2008 was €822.9 million and €847.3 million, respectively. Further details are provided in Note 11 and 28.

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 for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate 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. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 35.

Income taxes
Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and income tax expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Significant accounting judgments, estimates and assumptions (continued)

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 December 31, 2009 was €78.9 million and €23.1 million, respectively. The carrying value of recognized tax losses and unrecognized tax losses at December 31, 2008 was €45.4 million and €3.7 million, respectively. Further details on income taxes are disclosed in Note 15.

Fair value measurement of contingent consideration
Contingent consideration resulting from business combinations is valued at fair value at the acquisition date as part of the business combination. Where the contingent consideration meets the definition of a derivative and thus financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

5. International Financial Reporting Standards issued but not yet effective

The new, amended and revised Standards and Interpretations that were issued by the IASB and IFRIC but not yet effective up to the date of issuance of the Group's financial statements are described below.

IFRS 2 Share-Based Payment: Group Cash-Settled Share-Based Payment Transactions (Revised)
The Revised IFRS 2 was issued in June 2009 and becomes effective for annual periods beginning on or after January 1, 2010. The amendment clarifies the scope and the accounting for group cash-settled share-based payment transactions. The Group is evaluating the impact the amendment will have on the consolidated financial statements when adopted on January 1, 2010.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Revised)
The Revised IFRS 3 and IAS 27 were issued in January 2008 and become effective for financial years beginning on or after July 1, 2009. The amendment to IFRS 3 introduces significant changes in the accounting for business combinations occurring after this date. The changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. The amendment to IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by these amendments will affect future acquisitions or loss of control and transactions with non-controlling interests. The standards may be early applied. The Group is evaluating the impact the amendment will have on the consolidated financial statements when adopted on January 1, 2010.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. International Financial Reporting Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments
IFRS 9 was issued in November 2009 and becomes effective for annual periods beginning on or after January 1, 2013. The standard is the first step in the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* and introduces new requirements for classifying and measuring financial assets. The IASB intends to expand the standard during 2010 to add new requirements for classifying and measuring financial liabilities, derecognition of financial instruments, impairment and hedge accounting. The Group is evaluating the impact the standard will have on the consolidated financial statements when adopted on January 1, 2013.

IAS 24 Related Party Disclosures (Revised)
The Revised IAS 24 was issued in November 2009 and becomes effective for annual periods beginning on or after January 1, 2011. The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition and provides a partial exemption form the disclosure requirements for government-related entities. The Group is evaluating the impact the standard will have on the consolidated financial statements when adopted on January 1, 2011.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
The amendment to IAS 39 was issued in August 2008 and becomes effective for financial years beginning on or after July 1, 2009. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk in particular situations. The Group is evaluating the impact the amendments to the standard will have on the consolidated financial statements when adopted on January 1, 2010.

Improvements to IFRSs issued in May 2008
In May 2008 the IASB issued an omnibus of amendments to its standards, primarily with a view of removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. One of these amendments becomes effective for periods starting after the date of these financial statements and therefore has yet to be adopted by the Group as described below. The Group anticipates that this change will not have a material effect on the consolidated financial statements when adopted.

- ***IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*** – This amendment becomes effective for annual periods beginning on or after July 1, 2009 and clarifies that assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale.

Improvements to IFRSs issued in April 2009
In April 2009 the IASB issued an omnibus of amendments to twelve of its standards, primarily with a view of removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard that are effective for periods starting after the date of these financial statements and therefore have yet to be adopted by the Group as described below. The Group anticipates that these changes will not have a material effect on the consolidated financial statements when adopted.

- ***IFRS 2 Share-Based Payment*** – This amendment becomes effective for annual periods beginning on or after July 1, 2009 and confirms that contributions of a business on the formation of a joint venture and common control transactions are excluded from the scope of IFRS 2.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. International Financial Reporting Standards issued but not yet effective (continued)

- ***IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*** – This amendment becomes effective for annual periods beginning on or after January 1, 2010 and clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

- ***IFRS 8 Operating Segments*** - This amendment becomes effective for annual periods beginning on or after January 1, 2010 and clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- ***IAS 1 Presentation of Financial Statements*** – This amendment becomes effective for annual periods beginning on or after January 1, 2010 and clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

- ***IAS 7 Statement of Cash Flows*** – This amendment becomes effective for annual periods beginning on or after January 1, 2010 and explicitly states that only expenditures that result in recognizing an asset in the statement of financial position can be classified as a cash flow from investing activities.

- ***IAS 17 Leases*** – This amendment becomes effective for annual periods beginning on or after January 1, 2010 and clarifies that when a lease includes both land and building elements, an entity assesses the classification of each element as a finance or operating lease separately.
- ***IAS 18 Revenue*** – This amendment provides additional guidance on how to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
  - Has primary responsibility for providing the goods or service
  - Has inventory risk
  - Has discretion in establishing prices
  - Bears the credit risk

- ***IAS 36 Impairment of Assets*** – This amendment becomes effective for annual periods beginning on or after January 1, 2010 and clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

- ***IAS 38 Intangible Assets*** – Two amendments to IAS 38 become effective for annual periods beginning on or after July 1, 2009 and January 1, 2010, respectively. The first amendment clarifies the accounting for intangible assets acquired in a business combination and the second amendment clarifies the description of valuation techniques commonly used when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets.

- ***IAS 39 Financial Instruments: Recognition and Measurement*** – This amendment becomes effective for annual periods beginning on or after January 1, 2010 and clarifies the type of forward contracts the guidance applies to and provides additional guidance regarding embedded prepayment penalties and hedging transactions.

- ***IFRIC 9 Reassessment of Embedded Derivatives*** – This amendment becomes effective for annual periods beginning on or after July 1, 2009 and clarifies that the scope of IFRIC 9 excludes contracts with embedded derivatives acquired in a combination between entities under common control or in the formation of a joint venture.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. International Financial Reporting Standards issued but not yet effective (continued)

- ***IFRIC 16 Hedges of a Net Investment in a Foreign Operation*** - This amendment becomes effective for annual periods beginning on or after July 1, 2009 and removes the restriction on the entity that can hold hedging instruments.

Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement
The amendment to IFRIC 14 was issued in November 2009 and becomes effective for annual periods beginning on or after January 1, 2011. The amendment applies to pension accounting in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of an early payment as an asset. The adoption of this amendment is not expected to have a material impact on the financial position or performance of the Group when adopted on January 1, 2011.

IFRIC 17 Distributions of Non-Cash Assets to Owners
IFRIC 17 was issued in November 2008 and becomes effective for annual periods beginning on or after July 1, 2009. The interpretation provides guidance on how to account for non-cash distributions to owners and clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the assets and liability. The adoption of this interpretation is not expected to have a material impact on the financial position or performance of the Group when adopted on January 1, 2010.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
IFRIC 19 was issued in November 2009 and becomes effective for annual periods beginning on or after July 1, 2010. The interpretation provides guidance on the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The adoption of this interpretation is not expected to have a material impact on the financial position or performance of the Group when adopted on January 1, 2011.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Business combinations

Acquisitions in 2009

The Group's business combination activity during 2009, which occurred in the Italian Operations segment, is summarized as follows:

(thousands of euros)	Labet	Europa Gestione	Other	Total
Cash purchase price	20,183	12,210	12,776	45,169
Cash acquisition costs	144	149	1,001	1,294
Total cash acquisition cost	20,327	12,359	13,777	46,463
Payable to acquired companies	4,678	3,390	6,570	14,638
Liability to minority shareholder	-	-	1,229	1,229
Receivable from acquired companies	-	(967)	210	(757)
Total non-cash acquisition cost	4,678	2,423	8,009	15,110
Total acquisition cost	25,005	14,782	21,786	61,573
Cash acquisition cost	20,327	12,359	13,777	46,463
Cash acquisition cost paid in 2008	(1,180)	(134)	(412)	(1,726)
Cash acquisition cost paid in 2009	19,147	12,225	13,365	44,737
Net cash acquired	(5)	(71)	(120)	(196)
Net cash outflow	19,142	12,154	13,245	44,541

Business combination activity in the Italian Operations segment consists of strategic investments to exploit growth opportunities in the Sports Betting and Machine Gaming markets. The aim is to acquire additional sports betting rights or to increase our directly-managed gaming machine base (amusement with prize machines). In keeping with this strategy, the material business combination activity that occurred during 2009 is described below.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Business combinations (continued)

Labet

On June 25, 2009, Lottomatica acquired 100% of the shares of Labet, an Italian entity that is engaged in the sports betting business for a cash purchase price of €20.2 million. The following table summarizes the provisional fair values of Labet'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	284	284
Goodwill	-	22,707
Intangible assets, net	9,912	2,601
Other non-current assets	37	37
Current assets	618	618
Total assets acquired	10,851	26,247
Deferred income taxes	2,446	-
Other current liabilities	1,435	1,435
Total liabilities assumed	3,881	1,435
Fair value of net assets acquired	6,970	24,812
Goodwill arising on acquisition	18,035	
Total acquisition cost	25,005	

The results of Labet's operations have been included in the consolidated financial statements since June 25, 2009 and include the following (in thousands of euros):

Total revenue	7,678
Total costs	7,942
Operating loss	(264)

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Business combinations (continued)

Europa Gestione

On June 4, 2009, Lottomatica acquired 100% of the shares of Europa Gestione, an Italian entity that owns and operates amusement with prize machines for a cash purchase price of €12.2 million. The following table summarizes the provisional fair values of Europa Gestione'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	1,334	1,334
Current assets	88	88
Total assets acquired	1,422	1,422
Other non-current liabilities	14	14
Other current liabilities	13	13
Total liabilities assumed	27	27
Fair value of net assets acquired	1,395	1,395
Goodwill arising on acquisition	13,387	
Total acquisition cost	14,782	

The results of Europe Gestione's operations have been included in the consolidated financial statements since June 4, 2009 and include the following (in thousands of euros):

Total revenue	2,137
Total costs	855
Operating income	1,282

Other

Other acquisitions during 2009 primarily relate to the January 7, 2009 acquisition of 100% of the shares of Topolino S.r.l. ("Topolino"), an Italian entity that owns and operates amusement with prize machines, for a cash purchase price of €3.5 million.

The initial accounting for the Labet, Europa Gestione and Topolino 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Business combinations (continued)

The goodwill arising on the acquisitions described above is attributable to the expected synergies and other benefits from combining their assets and activities with the Group.

The 2009 acquisitions are individually and in the aggregate, immaterial to the Group, and accordingly, pro forma financial information has not been presented. Refer to Notes 10 and 11 for disclosures regarding goodwill and intangible assets, net related to these acquisitions.

Acquisitions in 2008

The Group's business combination activity during 2008 is summarized as follows:

(thousands of euros)	Atronic	Boss Media	St. Minver	Toto Carovigno	Other	Total
Cash purchase price	32,000	133,873	36,045	35,757	7,055	244,730
Cash acquisition costs	1,362	2,667	484	309	115	4,937
Total cash acquisition cost	33,362	136,540	36,529	36,066	7,170	249,667
Receivable from acquired companies	-	-	-	-	24,935	24,935
Payable to acquired companies	-	-	-	-	20,760	20,760
Escrow payment in 2006	20,000	-	-	-	-	20,000
Liability to minority shareholder	-	15,778	-	-	-	15,778
Present value of contingent consideration	-	-	5,323	-	-	5,323
Accrued acquisition costs	56	51	38	-	-	145
Interest expense accretion	(227)	-	-	-	-	(227)
Equity loss	-	(485)	-	-	-	(485)
Total non-cash acquisition cost	19,829	15,344	5,361	-	45,695	86,229
Total acquisition cost	53,191	151,884	41,890	36,066	52,865	335,896
Cash acquisition cost	33,362	136,540	36,529	36,066	7,170	249,667
Net cash acquired	(1,527)	(33,567)	(3,478)	(565)	(552)	(39,689)
Net cash outflow	31,835	102,973	33,051	35,501	6,618	209,978

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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. 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	77,375	69,692
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	39,507	40,828
Total liabilities assumed	176,416	178,287
Fair value of net liabilities acquired	(26,277)	(71,442)
Goodwill arising on acquisition	44,812	
Escrow payment in 2006 **(a)**	20,000	
Payment in excess of fair value **(a)**	14,710	
Total acquisition cost	53,245	
Goodwill arising on acquisition:		
At December 31, 2009	44,812	
At December 31, 2008	47,858	
Change in goodwill due to finalization of purchase accounting	(3,046)	
Total acquisition cost:		
At December 31, 2008	53,191	
2009 cash acquisition costs	54	
At December 31, 2009	53,245	

(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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Business combinations (continued)

Boss Media AB

On February 1, 2008, GTECH Global Services Corporation ("GGSC") and Medströms Invest AB ("Medströms"), through GEMed AB (a Swedish private limited liability company owned 87.454% and 12.546% by GGSC and Medströms , 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 and until April 18, 2008, was listed on the OMX Nordic Exchange Stockholm under the ticker symbol "BOSS.ST." The public cash offer resulted in GEMed acquiring approximately 94% of the outstanding shares of Boss Media. Pursuant to Swedish law, on March 10, 2008 GGSC and Medströms commenced a process to compel the sale of the untendered shares, which was completed on September 8, 2008 for a total cost of €9.7 million. On April 18, 2008, Boss Media was delisted from the OMX Nordic Exchange Stockholm.

From February 1, 2008 through March 5, 2008, GEMed (through GGSC) purchased approximately 46.3 million shares of Boss Media for approximately SEK 1.2 billion (€124.2 million) resulting in GGSC owning approximately 82% of 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.

GGSC has the option, which it may exercise between April 1, 2010 and June 30, 2010 to require Medströms to sell its 12.546% stake in GEMed to GGSC and Medströms has an identical put right. The price at which the put/call may be exercised is equal to ten times EBITDA for the period January 1, 2009 through December 31, 2009, such product to be multiplied by Medströms' 12.546% stake in GEMed. The price is subject to both a floor (SEK 108 million) and a cap (SEK 287 million); or approximately €11.6 million floor and €30.8 million cap at the April 24, 2008 SEK to euro exchange rate.

The acquisition has been accounted for on the basis that we have present ownership access to the shares owned by Medströms which are subject to the put/call option and therefore, a non-controlling interest has not been recorded. Accordingly, the cost of the business combination includes the €17.0 million fair value of the estimated liability to Medströms for these shares. The cost of the acquisition has been reduced by €0.5 million, representing GEMed's share of Boss Media's results during the period February 1, 2008 through April 24, 2008.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Business combinations (continued)

The purchase accounting for Boss Media was finalized in April 2009. The following table summarizes the final fair values of Boss Media'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	2,494	2,494
Goodwill	-	4,427
Intangible assets, net	53,824	6,712
Other non-current assets	3,378	3,378
Current assets	45,064	45,064
Total assets acquired	104,760	62,075
Deferred income taxes	14,378	1,237
Other non-current liabilities	2,718	2,718
Other current liabilities	31,859	31,726
Total liabilities assumed	48,955	35,681
Fair value of net assets acquired	55,805	26,394
Goodwill arising on acquisition	97,382	
Total acquisition cost	153,187	
Goodwill arising on acquisition:		
At December 31, 2009	97,382	
At December 31, 2008	96,124	
Change in goodwill due to finalization of purchase accounting	1,258	
Total acquisition cost:		
At December 31, 2008	151,884	
2009 change in liability to minority shareholder	1,229	
2009 cash acquisition costs	74	
At December 31, 2009	153,187	

St. Enodoc Holdings Limited

On April 30, 2008, GGSC 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 consideration of performance targets that were met in 2008 and 2009, contingent consideration of £4.5 million (€5.7 million) and £0.2 million (€0.2 million) was paid in October 2008 and December 2009, respectively. Ten percent of St. Minver remains with Gary Shaw, Founder and Chairman, until at least 2012, at which point both Mr. Shaw and GGSC have the right to cause GGSC to acquire Mr. Shaw's shares at a price equal to fair value to be determined by an independent appraisal as of the date of exercise. GGSC may exercise the call right and Mr. Shaw may exercise the put right at any time after December 31, 2011 and before March 31, 2012 or during each subsequent yearly period between December 31st and March 31st.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Business combinations (continued)

The cost of the acquisition includes the €11.0 million fair value of the estimated contingent consideration based on the performance of the business in 2008 and 2009 (of which €5.7 million was paid in 2008). In addition, the acquisition has been accounted for on the basis that we do not have present ownership access to the shares owned by Mr. Shaw which are subject to the put/call option. Accordingly, we record a charge to equity for the difference between the fair value of the estimated liability to Mr. Shaw for these shares and the non-controlling interest. The non-controlling interest is included in non-current financial liabilities in our consolidated statement of financial position.

The purchase accounting for St. Minver was finalized in April 2009. The following table summarizes the final fair values of St. Minver'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	649	2,720
Intangible assets, net	27,716	217
Other non-current assets	881	881
Current assets	6,883	6,883
Total assets acquired	36,129	10,701
Long-term debt, less current portion	767	767
Deferred income taxes	8,390	-
Current liabilities	7,048	7,048
Total liabilities assumed	16,205	7,815
Fair value of net assets acquired	19,924	2,886
Goodwill arising on acquisition	23,960	
Minority interest	(1,994)	
Total acquisition cost	41,890	

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Business combinations (continued)

Toto Carovigno S.p.A.

On August 29, 2008, Lottomatica acquired 100% of the shares of Toto Carovigno S.p.A., ("Toto Carovigno"), the owner of the Totosi sports-betting brand and the leading Italian online betting company concessionaire for sports and horse race betting, for a total cash purchase price of €35.8 million. In addition, a refundable payment of €4.4 million was paid into escrow during 2008 and refunded to the Group in 2009.

The purchase accounting for Toto Carovigno was finalized in August 2009. The following table summarizes the final fair values of Toto Carovigno'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	908	908
Intangible assets, net	15,842	285
Other non-current assets	621	621
Deferred income taxes	1,949	1,949
Current assets	9,681	9,681
Total assets acquired	29,001	13,444
Deferred income taxes	5,828	872
Long-term provisions	4,551	4,551
Other non-current liabilities	170	170
Other current liabilities	16,011	16,011
Total liabilities assumed	26,560	21,604
Fair value of net assets acquired	2,441	(8,160)
Goodwill arising on acquisition	34,674	
Total acquisition cost	37,115	
Goodwill arising on acquisition:		
At December 31, 2009	34,674	
At December 31, 2008	33,625	
Change in goodwill due to finalization of purchase accounting	1,049	
Total acquisition cost:		
At December 31, 2008	36,066	
2009 cash acquisition costs	1,049	
At December 31, 2009	37,115	

Other

Other acquisitions during 2008 primarily relate to the December 5, 2008 acquisition of 100% of the shares of Royal Gold S.r.l. ("Royal Gold"), an Italian entity that owns and operates amusement with prize machines, for a purchase price of €21.4 million.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Business combinations (continued)

The purchase accounting for Royal Gold was finalized in September 2009. The following table summarizes the final fair values of Royal Gold'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	5,331	5,331
Goodwill	-	410
Intangible assets, net	9,296	-
Total assets acquired	14,627	5,741
Deferred income taxes	2,962	-
Total liabilities assumed	2,962	-
Fair value of net assets acquired	11,665	5,741
Goodwill arising on acquisition	9,759	
Total acquisition cost	21,424	
Goodwill arising on acquisition:		
At December 31, 2009	9,759	
At December 31, 2008	16,065	
Change in goodwill due to finalization of purchase accounting	(6,306)	

The 2008 acquisitions are individually and in the aggregate, immaterial to the Group, and accordingly, pro forma financial information has not been presented. Refer to Notes 10 and 11 for disclosures regarding goodwill and intangible assets, net related to these acquisitions.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Operating segment information

For management purposes, the Group's operating segments have changed and are now organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit. The Group is comprised of the following four reportable operating segments:

- The Italian Operations segment operates and provides a full range of gaming services, including online, instant and traditional lotteries, scratch and win, sports betting, machine gaming, interactive skill games and non-lottery commercial transactions.

- The GTECH Lottery segment operates and provides a full range of services, technology and products to government sponsored online, instant and traditional lotteries.

- The Gaming Solutions segment operates and provides solutions, products and services relating to VLTs and associated systems for the government sponsored market and video and traditional mechanical reel slot machines and systems for the commercial gaming markets.

- The GTECH G2 segment provides digitally-distributed, multi-channel gaming entertainment products and services, including sports betting, lottery, bingo, poker, casino games and quick games, as well as retail solutions for real-time transaction processing and information systems for the sports-betting market.

No operating segments have been aggregated to form the above reportable operating segments. Sales between segments are made at prices that approximate market prices.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating income.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Operating segment information (continued)

The following tables present revenue and operating income (loss) information regarding the Group's reportable operating segments for the years ended December 31, 2009 and 2008, respectively. Prior period amounts have been reclassified to conform to the current year presentation.

	For the year ended December 31, 2009			
(thousands of euros)	Total revenue	Intersegment revenue	Third-party revenue	Operating income/(loss)
Operating Segments				
Italian Operations	1,176,091	-	1,176,091	416,302
GTECH Lottery	780,612	-	780,612	114,493
Gaming Solutions	152,549	-	152,549	(16,551)
GTECH G2	71,132	(3,851)	67,281	(62,658)
	2,180,384	(3,851)	2,176,533	451,586
Eliminations	(3,851)	3,851	-	-
Purchase accounting **(a)**	324	-	324	(85,165)
	2,176,857	-	2,176,857	366,421

	For the year ended December 31, 2008			
(thousands of euros)	Total revenue	Intersegment revenue	Third-party revenue	Operating income/(loss)
Operating Segments				
Italian Operations	1,022,634	-	1,022,634	399,544
GTECH Lottery	865,440	-	865,440	140,285
Gaming Solutions	142,790	-	142,790	(112,770)
GTECH G2	48,350	-	48,350	2,623
	2,079,214	-	2,079,214	429,682
Eliminations	-	-	-	-
Purchase accounting **(a)**	(20,274)	-	(20,274)	(89,687)
	2,058,940	-	2,058,940	339,995

(a) Principally represents the depreciation, amortization and impairment of acquired tangible and intangible assets in connection with the August 2006 acquisition of GTECH by Lottomatica.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Operating segment information (continued)

The following tables present depreciation, amortization and impairment information regarding the Group's reportable operating segments for the years ended December 31, 2009 and 2008, respectively.

	For the year ended December 31, 2009		
(thousands of euros)	Depreciation	Amortization	Impairment
Operating Segments			
Italian Operations	61,543	24,438	2,478
GTECH Lottery	131,474	3,135	1,920
Gaming Solutions	16,482	5,304	1,804
GTECH G2	2,694	7,389	62,981
	212,193	40,266	69,183
Purchase accounting **(a)**	24,408	54,134	6,842
	236,601	94,400	76,025

	For the year ended December 31, 2008		
(thousands of euros)	Depreciation	Amortization	Impairment
Operating Segments			
Italian Operations	50,367	13,797	20
GTECH Lottery	121,809	3,169	13,638
Gaming Solutions	22,657	8,795	73,167
GTECH G2	1,560	6,210	-
	196,393	31,971	86,825
Purchase accounting **(a)**	29,068	54,124	13,953
	225,461	86,095	100,778

(a) Represents the depreciation, amortization and impairment of acquired tangible and intangible assets in connection with the August 2006 acquisition of GTECH by Lottomatica.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Operating segment information (continued)

Geographic information

The following table presents revenue information by geography regarding the Group's reportable operating segments. Revenue from external customers is based on the geographical location of the Group's customers.

	For the year ended December 31,	
(thousands of euros)	2009	2008
Total Revenue		
Italy	1,177,378	1,023,984
United States	535,303	493,735
United Kingdom	63,216	118,367
Sweden	48,077	35,610
Poland	42,115	52,835
Other	310,768	334,409
	2,176,857	2,058,940

The following table presents non-current asset information by geography regarding the Group's reportable operating segments. Non-current assets are based on the geographical location of the Group's assets or, in the case of goodwill and intangible assets, net, location of the entity acquired.

	December 31,	
(thousands of euros)	2009	2008
Non-Current Assets		
United States	3,272,918	3,424,627
Italy	1,114,487	973,300
Sweden	112,324	128,760
United Kingdom	76,065	119,088
Germany	20,358	25,055
Other	119,289	117,142
	4,715,441	4,787,972

Non-current assets consist of the following items in the consolidated statements of financial position:

	December 31,	
(thousands of euros)	2009	2008
Non-Current Assets		
Systems, equipment and other assets related to contracts, net	774,558	758,717
Property, plant and equipment, net	88,522	86,023
Goodwill	3,006,783	3,074,571
Intangible assets, net	822,886	847,281
Other non-current assets	22,692	21,380
	4,715,441	4,787,972

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Systems, equipment and other assets related to contracts, net

(thousands of euros)	Land and Buildings	Terminals and Systems	Furniture and Equipment	Contracts in Progress	Total
Net book value					
Balance at January 1, 2008	20,204	641,925	42,720	35,411	740,260
Acquisitions	9	31,690	600	226	32,525
Additions	1,900	53,316	15,379	131,659	202,254
Depreciation (Note 26)	(3,767)	(196,675)	(13,240)	-	(213,682)
Impairment loss (Note 28)	-	(18,228)	-	(1,158)	(19,386)
Disposals	-	(6,085)	(261)	(1,482)	(7,828)
Foreign currency translation	24	19,506	435	4,609	24,574
Transfers	-	87,955	1,780	(89,725)	10
Other	-	(24)	14	-	(10)
Balance at December 31, 2008	18,370	613,380	47,427	79,540	758,717
Acquisitions	79	2,077	360	-	2,516
Additions	5,043	65,124	16,249	172,028	258,444
Depreciation (Note 26)	(4,283)	(205,871)	(13,934)	-	(224,088)
Impairment loss (Note 28)	-	6	(110)	-	(104)
Disposals	-	(1,122)	(114)	(924)	(2,160)
Foreign currency translation	(12)	(17,206)	(364)	2,981	(14,601)
Transfers	-	160,519	311	(162,554)	(1,724)
Other	-	(2,477)	111	(76)	(2,442)
Balance at December 31, 2009	19,197	614,430	49,936	90,995	774,558
Balance at December 31, 2008					
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	18,370	613,380	47,427	79,540	758,717
Balance at December 31, 2009					
Cost	39,746	1,368,519	90,857	90,995	1,590,117
Accumulated depreciation	(20,549)	(754,089)	(40,921)	-	(815,559)
Net book value	19,197	614,430	49,936	90,995	774,558

The amount of borrowing costs capitalized during the year ended December 31, 2009 was €1.6 million. The rate used to determine the amount of borrowing costs eligible for capitalization was approximately 5%, which is the effective interest rate of all borrowings.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Property, plant and equipment, net

(thousands of euros)	Land and Buildings	Furniture and Equipment	Construction in Progress	Total
Net book value				
Balance at January 1, 2008	30,080	30,115	2,934	63,129
Acquisitions	12,158	5,253	-	17,411
Additions	14	5,438	20,859	26,311
Depreciation (Note 26)	(2,070)	(9,709)	-	(11,779)
Impairment loss (Note 28)	-	(1,628)	-	(1,628)
Disposals	(37)	(560)	-	(597)
Non-current assets classified as held for sale (Note 19)	(10,028)	-	-	(10,028)
Foreign currency translation	1,187	1,732	295	3,214
Transfers	-	1,456	(1,466)	(10)
Balance at December 31, 2008	31,304	32,097	22,622	86,023
Additions	64	10,189	5,595	15,848
Depreciation (Note 26)	(1,554)	(10,959)	-	(12,513)
Disposals	(56)	(415)	-	(471)
Foreign currency translation	(419)	(1,046)	(631)	(2,096)
Transfers	136	28,729	(27,141)	1,724
Other	6	1	-	7
Balance at December 31, 2009	29,481	58,596	445	88,522
Balance at December 31, 2008				
Cost	35,842	50,881	22,622	109,345
Accumulated depreciation	(4,538)	(18,784)	-	(23,322)
Net book value	31,304	32,097	22,622	86,023
Balance at December 31, 2009				
Cost	35,485	87,926	445	123,856
Accumulated depreciation	(6,004)	(29,330)	-	(35,334)
Net book value	29,481	58,596	445	88,522

The amount of borrowing costs capitalized during the year ended December 31, 2009 was €0.5 million. The rate used to determine the amount of borrowing costs eligible for capitalization was approximately 5%, which is the effective interest rate of all borrowings.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Goodwill

(thousands of euros)	December 31, 2009	2008
Balance at beginning of year	3,074,571	2,793,186
Acquisitions (Note 6):		
Labet	18,035	-
Europa Gestione	13,387	-
Boss Media	-	96,124
Atronic	-	47,858
Toto Carovigno	-	33,625
St. Minver	-	23,960
Royal Gold	-	16,065
Other	7,835	14,012
	39,257	231,644
Adjustments:		
Foreign currency translation	(67,141)	95,824
Subsequent changes in fair value of contingent liabilities	(8,341)	2,267
Revisions to fair value of other assets and liabilities acquired	(4,668)	-
Revisions to fair value of Atronic assets and liabilities acquired	(3,046)	-
CLS-GTECH Company Limited	-	367
Impairment loss (Note 28)	(23,849)	(48,717)
	(107,045)	49,741
Balance at end of year	3,006,783	3,074,571
Balance at beginning of year		
Cost	3,123,288	2,793,186
Accumulated impairment loss	(48,717)	-
	3,074,571	2,793,186
Balance at end of year		
Cost	3,079,349	3,123,288
Accumulated impairment loss	(72,566)	(48,717)
	3,006,783	3,074,571

As described in Note 3.4, goodwill of €3.1 billion at December 31, 2008, as previously reported, has been revised to properly reflect the functional currency associated with the July 2, 2007 acquisition of Finsoft Limited as British pounds sterling.

Goodwill of €39.3 million arising from acquisitions during 2009 primarily relates to the Labet and Europa Gestione acquisitions which occurred on June 25, 2009 and June 4, 2009, respectively (See Note 6). Goodwill related to these acquisitions is 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Goodwill (continued)

Subsequent changes in fair value of contingent liabilities primarily resulted from changes in estimated contingent consideration related to the Finsoft Limited ("Finsoft") and St. Enodoc Holdings Limited acquisitions along with changes in estimated put/call payments related to the Boss Media AB acquisition. Goodwill related to these acquisitions is provisional as the costs of the acquisitions include contingent consideration and put/call payments. See Note 40.

Revisions to fair value of other assets and liabilities acquired primarily resulted from the finalization of the Royal Gold S.r.l. ("Royal Gold") purchase accounting, which occurred during September 2009.

Revisions to fair value of Atronic assets and liabilities acquired resulted from the finalization of the Atronic purchase accounting, which occurred during January 2009.

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 €23.8 million impairment loss recorded during 2009 relates primarily to the GTECH G2 segment and the €48.7 million impairment loss recorded during 2008 relates to the Gaming Solutions segment. See Notes 12 and 28 for further discussion.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Intangible assets, net

(thousands of euros)	December 31, 2009	2008
Balance at beginning of year	847,281	740,613
Intangible assets acquired during the year:		
Purchase business combination related:		
Customer contracts	15,767	64,811
Networks	-	19,360
Capitalized computer software	-	30,559
Trademarks	-	26,715
Licenses	-	1,387
Other	-	1,235
	15,767	144,067
All other intangible assets acquired:		
Concessions and licenses	88,092	2,572
Patents	9,271	7,420
Sports betting rights and horse racing betting rights	1,963	5,105
Other	3,449	3,342
	102,775	18,439
Total intangible assets acquired	118,542	162,506
Revisions to fair value of assets and liabilities acquired	15,034	-
Customer contracts - CLS-GTECH	-	15,250
Foreign currency translation	(13,632)	18,203
Impairment loss (Note 28)	(49,817)	(3,015)
Amortization (Note 27)	(94,522)	(86,276)
Balance at end of year	822,886	847,281
Balance at beginning of year		
Cost	1,074,762	879,524
Accumulated amortization	(227,481)	(138,911)
	847,281	740,613
Balance at end of year		
Cost	1,121,489	1,074,762
Accumulated amortization	(298,603)	(227,481)
	822,886	847,281

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Intangible assets, net (continued)

As described in Note 3.4, intangible assets of €853.1 million at December 31, 2008, as previously reported, has been revised to properly reflect the functional currency associated with the July 2, 2007 acquisition of Finsoft Limited as British pounds sterling.

Purchase business combination related intangible assets in 2009 principally resulted from the Labet acquisition. The intangible assets 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 June 25, 2010 for this acquisition.

Other intangible assets acquired in 2009 principally relate to the non-refundable payment representing 50% of the total cost of 10,761 video lottery terminal ("VLT") rights in Italy.

Revisions to fair value of assets and liabilities acquired primarily resulted from the finalization of the Atronic and Royal Gold purchase accounting, which occurred during January 2009 and September 2009, respectively. See Notes 6 and 10 for additional information.

Purchase business combination related intangible assets in 2008 principally resulted from the Atronic, Boss Media AB, St. Enodoc Holdings Limited and Toto Carovigno S.p.A. acquisitions.

Intangible assets that are subject to amortization are being amortized ratably over their estimated useful lives, with no estimated residual values. Certain trademarks and networks were determined to have indefinite lives and are not subject to amortization. The Group expects to make use of the trademarks on existing and future business, and no economic, legal or contractual limitation of their useful lives is anticipated. The following tables present detailed information for intangible assets.

	As of December 31, 2009			
(thousands of euros)	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Subject to amortization				
Customer contracts	13.9	627,424	154,263	473,161
Concessions & licenses	7.9	105,095	15,052	90,043
Capitalized computer software	10.4	92,911	34,965	57,946
Sports and horse racing betting rights	6.8	65,353	17,656	47,697
Patents	3.0	77,281	62,703	14,578
Proprietary hardware	14.0	19,081	4,570	14,511
Networks	1.3	7,431	3,675	3,756
Trademarks	5.0	4,574	1,188	3,386
Other	7.7	33,428	4,531	28,897
		1,032,578	298,603	733,975
Not subject to amortization				
Trademarks		88,911	-	88,911
		88,911	-	88,911
		1,121,489	298,603	822,886

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Intangible assets, net (continued)

	As of December 31, 2008			
(thousands of euros)	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Subject to amortization				
Customer contracts	14.1	681,332	119,310	562,022
Capitalized computer software	10.1	99,446	22,498	76,948
Sports and horse racing betting rights	7.5	61,959	9,961	51,998
Proprietary hardware	14.0	20,244	3,370	16,874
Patents	3.0	65,529	56,561	8,968
Concessions & licenses	3.0	15,787	12,560	3,227
Trademarks	6.1	3,574	566	3,008
Networks	2.0	3,123	163	2,960
Other	9.6	10,596	2,492	8,104
		961,590	227,481	734,109
Not subject to amortization				
Trademarks		96,918	-	96,918
Networks		16,254	-	16,254
		113,172	-	113,172
		1,074,762	227,481	847,281

The reduction in trademarks and networks as of December 31, 2009 compared to December 31, 2008 relates to the impairment loss recorded in the GTECH G2 segment as described in Note 28.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Impairment testing of goodwill and intangibles with indefinite lives

Goodwill and other intangible assets with indefinite lives acquired through business combinations have been allocated to the cash generating units for impairment testing as described in the table below. The carrying amount of goodwill, trademarks and networks at December 31, 2009 and 2008 are as follows:

	Goodwill		Trademarks and Networks	
(thousands of euros)	2009	2008	2009	2008
Italian Operations:				
Italian Operations (Lottery)	445,175	443,515	-	-
Italian Operations (Commerical Services)	218,437	220,098	-	-
Italian Operations (Sports Betting)	58,668	41,890	-	-
Italian Operations (Machine Gaming)	35,599	21,812	-	-
	757,879	727,315	-	-
GTECH Lottery	2,007,715	2,076,586	69,633	70,355
Gaming Solutions	125,423	131,898	13,497	17,877
GTECH G2	115,766	138,772	5,781	24,940
	3,006,783	3,074,571	88,911	113,172

Italian Operations
For Italian Operations, the recoverable amounts for the Lottery, Commercial Services, Sports Betting and Machine Gaming cash generating units have been determined based on a value in use calculation using cash flow projections from financial forecasts approved by senior management. These forecasts cover a period of approximately seven years for the Lottery and Sports Betting units and approximately four years for the Machine Gaming and Commercial Services units, which are based on the weighted average contractual life of customer contracts in Lottomatica's portfolio. Cash flows beyond the five year period were extrapolated using a growth rate of 2% for the Lottery, Sports Betting and Machine Gaming cash-generating units and 3.2% for the Commercial Services cash-generating unit, which were based on historical trends and expected future performance.

GTECH Lottery
For GTECH Lottery, the recoverable amounts have been determined based on fair value less costs to sell using the discounted cash flow method of the income approach to value. Under this method we utilized cash flow projections based on financial forecasts approved by senior management covering a period of five years. Cash flows beyond the five year period were extrapolated using an annual growth rate of 3.5%, which reflects the estimated sustainable long-term growth rate of GTECH Lottery.

Gaming Solutions
For Gaming Solutions, the recoverable amounts have been determined based on fair value less costs to sell using the discounted cash flow method of the income approach to value. Under this method we utilized cash flow projections based on financial forecasts approved by senior management covering a period of five years. Cash flows beyond the five year period were extrapolated using an annual growth rate of 4.0% which reflects the estimated sustainable long-term growth rate of Gaming Solutions.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Impairment testing of goodwill and intangibles with indefinite lives (continued)

GTECH G2
For GTECH G2, the recoverable amounts have been determined based on fair value less costs to sell using the discounted cash flow method of the income approach to value. Under this method we utilized cash flow projections based on financial forecasts approved by senior management covering a period of five years. Cash flows beyond the five year period were extrapolated using an annual growth rate of 4.5%, which reflects the estimated sustainable long-term growth rate of GTECH G2.

Key assumptions used in the value in use and fair value less costs to sell calculations
The calculation of value in use and fair value less costs to sell for the cash-generating units described above are most sensitive to the following key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill, trademarks and networks.

- Service revenue and related profit;
- Product sales and related profit;
- Discount rates; and
- Growth rates used to extrapolate cash flow projections

Service revenue and related profit
Projected cash flows from service revenue assumes the continuation of recent historical trends adjusted for expected new contract wins, anticipated contract renewal pricing pressures, and the expected impact of sales and marketing initiatives that are being developed or expected to be developed.

Product sales and related profit
Projected cash flows from product sales assumes renewal orders from existing customers in connection with known upcoming procurements, along with orders from new or developing customers and markets at selling prices generally in line with historical experiences adjusted for expected competitive pressures.

Discount rates
Discount rates were calculated based on the estimated cost of equity capital and debt capital considering data and factors relevant to the economy, the industry, and the cash-generating units. These costs were then weighted in terms of a typical industry capital structure to arrive at an estimated weighted average cost of capital. The after-tax discount rates applied to the cash flow projections for the cash-generating units described above were as follows:

Italian Operations (Lottery)	8.3%
Italian Operations (Commercial Services)	8.4%
Italian Operations (Sports Betting)	8.0%
Italian Operations (Machine Gaming)	8.5%
GTECH Lottery	7.0%
Gaming Solutions	9.5%
GTECH G2	11.0%

Growth rate used to extrapolate cash flows beyond the five-year forecast period
Growth rates are based on the estimated sustainable long-term growth rates of the cash-generating units.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Impairment testing of goodwill and intangibles with indefinite lives (continued)

Sensitivity to changes in assumptions
With the exception of the GTECH G2 cash generating unit, management believes that any reasonably possible change in any of the key assumptions on which the cash generating unit's recoverable amounts is based would not cause the unit's carrying amount to exceed its recoverable amount. Because the fair value of GTECH G2's cash generating unit is equal to its carrying value, any adverse change in a key assumption may cause a further impairment loss to be recognized.

During 2009, €22.3 million of goodwill impairment losses related to GTECH G2's cash generating unit were recorded. See Note 28 for further discussion.

13. Other assets (non-current and current)

	December 31,	
(thousands of euros)	2009	2008
Other non-current assets		
Long-term deferred asset	6,978	-
Long-term customer receivables	6,517	8,971
Deposits	3,470	3,235
Long-term prepaid expenses	3,075	2,725
Sales-type lease receivables	1,113	1,842
Share of non-current assets of joint ventures	-	1,974
Other	1,539	2,633
	22,692	21,380

	December 31,	
(thousands of euros)	2009	2008
Other current assets		
Other receivables	28,104	26,263
Prepaid expenses	10,429	10,048
Value-added tax receivable	10,188	15,043
Other tax receivables	9,676	10,239
Share of other current assets of joint ventures	299	1,416
Other	2,881	2,151
	61,577	65,160

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Financial instruments

Fair values

Set out below is a comparison by class of the carrying amounts and fair values of our financial instruments.

	December 31, 2009		December 31, 2008	
(thousands of euros)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Non-current financial assets				
Loans and receivables				
Other loans and receivables	1,864	1,864	-	-
	1,864	1,864	-	-
Available-for-sale financial investments				
Other available-for-sale financial investments	5,445	5,445	390	390
	5,445	5,445	390	390
	7,309	7,309	390	390
Current financial assets				
Cash and cash equivalents				
Cash and cash equivalents	469,335	469,335	109,274	109,274
	469,335	469,335	109,274	109,274
Derivatives				
Foreign currency forward contracts	445	445	4,211	4,211
Swap receivable	133	133	-	-
Net investment hedge	-	-	1,343	1,343
	578	578	5,554	5,554
Loans and receivables				
Escrow and other deposits	6	6	8,776	8,776
Loan guarantees	-	-	468	468
Other loans and receivables	4,029	4,029	3,440	3,440
	4,035	4,035	12,684	12,684
Available-for-sale financial investments				
Investment in government securities	-	-	2,050	2,017
	-	-	2,050	2,017
	4,613	4,613	20,288	20,255

Cash and cash equivalents are stated at cost, which approximates fair value, and earn interest at market rates.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Financial instruments (continued)

(thousands of euros)	December 31, 2009 Carrying Amount	December 31, 2009 Fair Value	December 31, 2008 Carrying Amount	December 31, 2008 Fair Value
Non-current financial liabilities				
Loans and borrowings				
GTECH Senior Credit Facilities	1,145,100	1,122,734	1,359,888	1,370,698
Capital Securities	733,180	673,854	730,525	433,652
Notes (Note 21)	740,821	761,764	-	-
LTO Revolving Credit Facility	-	-	50,000	50,000
LTO Term Loan Facility	-	-	353,354	360,000
Joint venture related debt	-	-	10,142	10,142
Other loans	2,889	2,889	69,893	69,893
	2,621,990	2,561,241	2,573,802	2,294,385
Derivatives				
Interest rate swaps	53,094	53,094	73,739	73,739
	53,094	53,094	73,739	73,739
Other financial liabilities				
Swap Liability (Note 20)	56,391	56,200	-	-
Acquisition related liabilities	2,629	2,629	29,312	29,312
World Headquarters finance lease (Note 40)	18,693	16,081	19,882	18,653
Other finance lease obligations	11,510	11,510	11,671	11,671
	89,223	86,420	60,865	59,636
	142,317	139,514	134,604	133,375

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Financial instruments (continued)

	December 31, 2009		December 31, 2008	
(thousands of euros)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Current financial liabilities				
Loans and borrowings				
GTECH Senior Credit Facilities	203	203	2,565	2,565
Capital Securities	46,618	42,846	46,491	27,598
Notes (Note 21)	3,147	3,236	-	-
LTO Revolving Credit Facility	22	22	95	95
LTO Term Loan Facility	-	-	601	601
Joint venture related debt	-	-	2,878	2,878
Other loans	22,275	22,275	69,327	69,327
	72,265	68,582	121,957	103,064
Derivatives				
Interest rate swaps	664	664	-	-
Net investment hedge	1,107	1,107	-	-
Foreign currency forward contracts	599	599	1,492	1,492
	2,370	2,370	1,492	1,492
Other financial liabilities				
Swap Liability (Note 20)	29,924	29,896	-	-
Acquisition related liabilities	22,842	22,842	6,769	6,769
World Headquarters finance lease (Note 40)	513	441	454	426
Other finance lease obligations	4,236	4,236	3,558	3,558
Loan guarantees	-	-	468	468
	57,515	57,415	11,249	11,221
	59,885	59,785	12,741	12,713

The fair values of our financial instruments were determined using the following methods and assumptions:

- Foreign currency forward contracts and net investment hedge are calculated by reference to current forward exchange rates for contracts with similar maturity profiles;
- Escrow and other deposits are stated at cost, which approximates fair value, and earn interest at market rates;
- Capital Securities, Notes and interest rate swaps were calculated by independent investment bankers using market interest rates;
- GTECH Senior Credit Facilities was calculated by reference to a third party forecast of the applicable variable rate and quotation of the spread for a loan of similar risk and maturity profile;
- LTO Revolving Credit Facility and LTO Term Loan Facility approximate their carrying amounts, excluding the effect of debt issuance costs;
- Swap Liability was calculated using a market interest rate;
- Acquisition related liabilities and loan guarantees were determined using discounted cash flows;
- World Headquarters finance lease is recorded at the present value of the lease payments based on current market interest rates; and
- Other finance lease obligations are based on current market interest rates.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Financial instruments (continued)

Fair value hierarchy
For the purpose of determining and disclosing the fair value of financial instruments by valuation technique, derivatives and available-for-sale financial investments are considered Level 2, whereby other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

15. Income tax

Income before income tax expense consists of the following:

	December 31,	
(thousands of euros)	2009	2008
Italy	311,736	312,301
Foreign	(123,540)	(126,885)
	188,196	185,416

The significant components of income tax expense are as follows:

	December 31,	
(thousands of euros)	2009	2008
Current		
Italy	108,173	109,080
Foreign	23,237	45,632
Total Current	131,410	154,712
Deferred		
Italy	7,090	(793)
Foreign	(62,658)	(106,373)
Total Deferred	(55,568)	(107,166)
Income tax expense	75,842	47,546

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Income tax (continued)

The tax effects of temporary differences and carryforwards that give rise to deferred tax assets and liabilities consist of the following:

	December 31,	
(thousands of euros)	2009	2008
Deferred tax assets		
Provisions not currently deductible for tax purposes	99,491	48,354
Depreciation and amortization	76,737	83,218
Net operating loss carryforward	75,803	45,607
Interest rate swaps	20,137	28,469
Foreign currency translation	12,362	3,384
Cash collected in excess of revenue recognized	5,122	13,008
Inventory reserves	3,250	4,969
Tax credit carryforward	1,169	1,210
Other	4,227	7,202
	298,298	235,421
Deferred tax liabilities		
Acquired intangible assets	326,274	335,745
Depreciation and amortization	97,437	104,030
Other	2,684	1,634
	426,395	441,409
Net deferred tax liabilities	(128,097)	(205,988)
Reconciliation to the statement of financial position		
Deferred income tax assets	6,030	23,633
Deferred income tax liabilities	(134,127)	(229,621)
	(128,097)	(205,988)

Reconciliation of net deferred tax liabilities	
Net deferred tax liabilities at December 31, 2009	(128,097)
Net deferred tax liabilities at December 31, 2008	(205,988)
Net change on the balance sheet	77,891
Deferred tax benefit recorded to the income statement	55,568
Other deferred tax benefit recorded to equity	23,948
Deferred tax expense recorded to goodwill	(1,625)
	77,891

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Income tax (continued)

The effective income tax rate on income before income tax expense differed from the Italian statutory tax rate for the following reasons:

(thousands of euros)	December 31, 2009	December 31, 2008
Income before income tax expense	188,196	185,416
Italian statutory tax rate	27.50%	27.50%
Theoretical provision for income taxes	51,754	50,989
Reconciliation of the theoretical and effective provision for income taxes:		
Permanent differences		
Italian local tax (IRAP)	23,800	24,051
Nondeductible expense	10,763	9,167
Foreign tax rate differential	(5,547)	(25,879)
Substitutive tax basis benefit	-	(10,191)
Other	(4,928)	(591)
Total tax provision	75,842	47,546
Effective tax rate	40.3%	25.6%

At December 31, 2009, a (€492.0) million deficit existed in undistributed earnings of foreign subsidiaries. Accordingly, no undistributed earnings existed that would have required the consideration of a deferred tax liability if such earnings were forecasted to be distributed in the foreseeable future. If undistributed earnings had existed at December 31, 2009, an associated deferred tax liability would not have been required because there is no intention by the Group to remit foreign earnings in the foreseeable future.

At December 31, 2009, the Group has recognized deferred tax assets related to operating losses of €78.9 million (United States, state and Italian net operating losses) and recognized deferred tax assets related to tax credits of €1.2 million. The recognition of these assets is based on expectations that sufficient taxable income will be generated in future years to utilize the tax loss carry forwards. The Group also has €23.1 million of unrecognized deferred tax assets related to net operating losses and €21.1 million of unrecognized deferred tax assets related to tax credits. These deferred tax assets were not recorded because realization of these assets is uncertain.

At December 31, 2009, the Group had Italian net operating loss carry forwards for income tax purposes of €9.1 million that expire at various dates through 2014. The Group also has United States (US) federal net operating loss carry forwards of €161.6 million that expire at various dates through 2029.

At December 31, 2009, the Group had US state net operating losses that will expire at various dates through 2029. The Group has recorded a deferred tax asset of €17.6 million for these state net operating losses.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Income tax (continued)

At December 31, 2009, the Group had unrecognized foreign net operating losses of €44.9 million that expire at various dates through 2027. The Group also had unrecognized US tax credit carry forwards of €21.1 million that expire at various dates through 2018.

On February 4, 2010, the US Internal Revenue Service completed an examination of the Group's consolidated income tax returns for 2003 to 2006 resulting in a signed Revenue Agent Report ("RAR"), which was approved by the Joint Committee on Taxation. As a result of the approved RAR, during the first quarter of 2010, the Group expects to receive a cash refund of approximately €1.5 million and also expects to record approximately €8.9 million of tax benefits.

16. Inventories

(thousands of euros)	December 31, 2009	December 31, 2008
Raw materials	25,374	28,419
Work in progress	48,665	50,633
Finished goods	60,041	50,508
	134,080	129,560

The total cost of inventory related to product sales that were recognized as an expense during 2009 and 2008 was €122.3 million and €191.5 million, respectively, which is included in raw materials, services and other costs in our consolidated income statement.

The amount of write-down of inventories recognized as an expense during 2009 and 2008 was €7.0 million and €7.7 million, respectively, which is included in raw materials, services and other costs in our consolidated income statement.

17. Trade and other receivables

(thousands of euros)	December 31, 2009	December 31, 2008
Trade receivables	584,331	491,088
Receivables from intermediaries	268,967	325,139
Related party receivables (Note 38)	2,647	744
Sales-type lease receivables	666	656
Allowance for doubtful accounts (Note 41)	(64,808)	(44,032)
	791,803	773,595

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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Consolidated net financial position

(thousands of euros)	December 31, 2009	2008
Cash on hand	453	392
Cash at bank	468,882	108,882
Cash and cash equivalents	469,335	109,274
Current financial receivables	4,613	20,288
Capital Securities	46,618	46,491
Swap Liability (Note 20)	29,924	-
Atronic related debt	21,782	11,384
Boss Media contingent liability	17,521	-
Short-term borrowings	467	58,803
Other	15,838	18,020
Current financial debt	132,150	134,698
Net current financial debt (cash)	(341,798)	5,136
GTECH Senior Credit Facilities	1,145,100	1,359,888
Notes (Note 21)	740,821	-
Capital Securities	733,180	730,525
Swap Liability (Note 20)	56,391	-
Interest rate swaps	53,094	73,740
Atronic related debt	2,803	69,793
LTO Term Loan Facility	-	353,354
LTO Revolving Credit Facility	-	50,000
Boss Media contingent liability	-	14,252
Other	32,918	56,854
Non current financial debt	2,764,307	2,708,406
Net financial position	2,422,509	2,713,542
Total indebtedness included in net financial position	2,694,255	2,695,759

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. 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. Under the direction of management, the property is being actively marketed for sale at a price that is reasonable given changes in market conditions. The major classes of assets held for sale are as follows:

	December 31,	
(thousands of euros)	2009	2008
Building	3,957	5,360
Land	3,499	4,668
	7,456	10,028
Foreign currency translation	(179)	-
Asset impairment loss	(1,387)	(2,572)
Non-current assets classified as held for sale	5,890	7,456

The Group recorded an impairment loss of €1.4 million (€0.9 million net of tax benefit) and €2.6 million (€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 2009 and 2008, respectively.

20. Issued capital and reserves

	December 31,	
Authorized shares	2009	2008
Ordinary shares of €1 par value per share	180,857,821	159,278,775

Ordinary shares outstanding, issued and fully paid	
Balance at January 1, 2008	151,899,196
Shares issued upon exercise of stock options	232,400
Shares issued under stock award plans	155,241
Balance at January 1, 2009	152,286,837
Ordinary share capital issued	19,728,536
Balance at December 31, 2009	172,015,373

Approximately 1.5 million and 1.5 million ordinary shares were reserved to satisfy rights in respect of our various share-based payment plans at December 31, 2009 and 2008, respectively.

On November 24, 2009, Lottomatica raised €350 million by issuing 19,728,536 shares to Mediobanca International (Luxembourg) S.A. ("Mediobanca") for €17.7408 per share (a 15% premium to the market price of €15.4268), the proceeds of which will support development plans in Italy, primarily for the renewal of the Gratta & Vinci (Scratch &Win) concession and the purchase of video lottery terminal rights.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Issued capital and reserves (continued)

In order to raise the funds necessary to subscribe for the shares, Mediobanca commissioned UBI Banca International S.A. to issue mandatory exchangeable bonds ("the Bonds") which, upon maturity on October 29, 2012, must be exchanged into Lottomatica ordinary shares. The Bonds were placed with qualified investors on a private placement basis and bear interest at 8.75% per annum payable semi-annually in arrears in equal installments on October 29th and April 29th of each year, commencing on April 29, 2010.

Lottomatica entered into a swap agreement with Mediobanca whereby Mediobanca paid an upfront fixed amount to Lottomatica of €46 million, corresponding to the 15% premium to market. Lottomatica will pay fixed payments semi-annually to Mediobanca that correspond to interest on the Bonds that are not converted at any interest payment date. The present value of these payments has been recorded as a financial liability in the consolidated statement of financial position (the "Swap Liability").

Other reserves at December 31, 2009 consist of the following:

(thousands of euros)	Legal Reserve	Stock Option and Restricted Stock Reserve	Share-Based Payment Reserve	Ex Art 2349 Reserve	Net Unrealized Gain/ (Loss) Reserve	Translation Reserve	Treasury Share Reserve	Total
Balance at January 1, 2009	30,380	34,066	26,540	1,834	(43,987)	(153,346)	382,096	277,583
Fair value of interest rate swaps	-	-	-	-	13,147	-	-	13,147
Amortization of unrecognized gain on interest rate swap	-	-	-	-	(570)	-	-	(570)
Unrecognized net loss on derivative instruments	-	-	-	-	(732)	-	-	(732)
Unrecognized net loss on available for sale investment	-	-	-	-	(78)	-	-	(78)
Foreign currency translation	-	-	-	-	-	(22,499)	-	(22,499)
Appropriation of 2008 income in accordance with Italian law	77	-	-	-	-	-	-	77
Share-based payment	-	-	916	-	-	-	-	916
Shares issued under stock award plans	-	(2,608)	(7,074)	-	-	-	-	(9,682)
Balance at December 31, 2009	30,457	31,458	20,382	1,834	(32,220)	(175,845)	382,096	258,162

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Issued capital and reserves (continued)

Other reserves at December 31, 2008 consist of the following:

(thousands of euros)	Legal Reserve	Stock Option and Restricted Stock Reserve	Share-Based Payment Reserve	Ex Art 2349 Reserve	Net Unrealized Gain/ (Loss) Reserve	Translation Reserve	Treasury Share 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	-	-	-	-	(39,925)	-	-	(39,925)
Amortization of unrecognized gain on interest rate swap	-	-	-	-	(570)	-	-	(570)
Unrecognized net gain on derivative instruments	-	-	-	-	607	-	-	607
Unrecognized net gain on available for sale investment	-	-	-	-	88	-	-	88
Foreign currency translation	-	-	-	-	-	36,637	-	36,637
Treasury share purchase plan	-	-	-	-	-	-	456,926	456,926
Treasury shares purchased	-	-	-	-	-	-	(74,830)	(74,830)
Appropriation of 2007 income in accordance with Italian law	77	-	-	-	-	-	-	77
Share-based payment	-	-	14,682	-	-	-	-	14,682
Shares issued under stock award plans	-	8,530	(10,176)	(155)	-	-	-	(1,801)
Other movements in equity	-	-	-	-	-	(31)	-	(31)
Balance at December 31, 2008	30,380	34,066	26,540	1,834	(43,987)	(153,346)	382,096	277,583

As described in Note 3.4, other reserves of €295.2 million at December 31, 2008, as previously reported, has been revised to properly reflect the functional currency associated with the July 2, 2007 acquisition of Finsoft Limited as British pounds sterling.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Issued capital and reserves (continued)

Nature and purpose of other reserves

Legal reserve
The legal reserve is required by Italian law and must be increased by a minimum of 5% of net income for the year until the balance represents 20% of share capital.

Stock option and restricted stock reserve
The stock option and restricted stock reserve is used to record the fair value of stock options granted to employees that have been exercised and stock awards that vested during the year.

Share-based payment reserve
The share-based payment reserve is used to record the increase in equity where goods or services are received in equity-settled share-based payment transactions. Decreases relate to the fair value of stock awards that vested during the year.

Ex Art 2349 reserve
The ex art 2349 reserve was established by shareholders' resolution in accordance with Lottomatica's by-laws, as appropriated from income of the Group, to serve share-based payment plans. Decreases relate to stock awards granted to employees that vested during the year.

Net unrealized gain/(loss) reserve
The net unrealized gain/(loss) reserve is used to record:
- the deferred gain, net of amortization, related to our agreement to lock in interest rates to hedge €750 million of capital securities;
- the fair value of interest rate swaps assessed to be highly effective; and
- the unrecognized net gain or loss on other derivative instruments assessed as being highly effective and available for sale investments.

Translation reserve
The translation reserve is used to record:
- exchange differences that arise from the translation of the financial statements of foreign subsidiaries, joint ventures and investments valued at equity; and
- exchange differences that arise on monetary items that, in substance, form part of the net investment in foreign operations (such as intragroup loans where settlement is neither planned nor likely to occur in the foreseeable future).

Treasury share reserve
The treasury share reserve was established upon the approval at the April 2008 Shareholders' Meeting, of the plan to repurchase Lottomatica ordinary shares up to a maximum amount of 10% of share capital within an 18-month time period. In October 2009, the 18-month buy-back period expired. Decreases result from the actual purchase of treasury shares.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Debt

	December 31,	
(thousands of euros)	2009	2008
Long-term debt, less current portion		
GTECH Senior Credit Facilities	1,145,100	1,359,888
Notes	740,821	-
Capital Securities	733,180	730,525
LTO Term Loan Facility	-	353,354
LTO Revolving Credit Facility	-	50,000
Other	2,889	69,893
	2,621,990	2,563,660
Share of non-current debt of joint ventures	-	10,142
	2,621,990	2,573,802
Short-term borrowings		
Short-term borrowings	5,079	59,866
Share of short-term borrowings of joint ventures	-	982
	5,079	60,848
Current portion of long-term debt		
Capital Securities	46,618	46,491
Notes	3,147	-
GTECH Senior Credit Facilities	203	2,565
LTO Revolving Credit Facility	22	95
LTO Term Loan Facility	-	601
Other	17,196	9,461
	67,186	59,213
Share of current portion of long-term debt of joint ventures	-	1,896
	67,186	61,109
Total indebtedness	2,694,255	2,695,759

GTECH Senior Credit Facilities

GTECH is a party to an agreement with a syndicate of financial institutions for senior unsecured credit facilities (the "GTECH Senior Credit Facilities") which 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"), Lottomatica International Hungary Kft. ("Lottomatica Hungary") and Invest Games S.A. ("Invest Games") (Holdings, GTECH Rhode Island, Lottomatica Hungary and Invest Games are collectively referred to herein as the "Other Guarantors").

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Debt (continued)

The GTECH Senior Credit Facilities consist of the following facilities (US dollars in thousands):

	Committed amount available		Amount borrowed at	
	December 31, 2008	December 31, 2009	December 31, 2009	
Term Facility A	1,310,950	1,256,018	1,256,018	
Term Facility B	421,650	403,982	403,982	
Revolver A	250,000	250,000	-	
Revolver B	250,000	250,000	4,857	**(a)**
	2,232,600	2,160,000	1,664,857	

(a) Represents letters of credit that reduce the amount available under Revolver B

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):

2011	180,000
2012	1,480,000
Total	1,660,000

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. At December 31, 2009, the effective interest rate on the GTECH Senior Credit Facilities was 0.85%.

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 December 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.

Notes

In December 2009, Lottomatica issued €750 million of guaranteed notes due December 5, 2016 (the "Notes"). The Notes are unconditionally and irrevocably guaranteed by GTECH and the Other Guarantors. The Notes, which have received a rating equal to a Baa3 and a BBB- by Moody's Investors Service Limited and Standard & Poor's Rating Service, respectively, are listed on the Luxembourg Stock Exchange.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Debt (continued)

Interest is payable annually in arrears, with the first payment due on December 5, 2010, at 5.375% per annum, and is subject to adjustment from time to time in the event of a step up rating change or step down rating change. In the event of a step up or step down rating change, the interest rate shall be increased or decreased by 1.25% per annum, provided that at no time during the term of the Notes will the interest rate be higher than 6.625% or lower than the initial rate of interest of 5.375%.

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at 100% of their principal amount on December 5, 2016. The Notes may be redeemed at any time after January 4, 2010 by the Issuer, in whole but not in part, at the greater of (i) 100% of their principal amount together with any accrued interest or (ii) an amount specified in the terms and conditions to the Notes. The Notes may also be redeemed in whole, but not in part, at 100% of their principal amount at the option of the Issuer in the event of certain changes affecting taxation in Italy, the United States, Hungary or Luxembourg. Holders of the Notes may require Lottomatica to redeem the Notes in whole or in part at 100% of their principal amount plus accrued interest following the occurrence of certain events specified in the terms and conditions of the Notes.

The proceeds of the Notes, net of associated fees and costs, were used to repay the LTO Term Loan Facility (as defined below), a portion of the GTECH Senior Credit Facilities and other debt.

Debt issuance costs associated with the Notes are being amortized over approximately seven years beginning December 2009.

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 interest 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.

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 interest payments and mandates deferral of interest 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 interest payments in cash or equity. During 2009 and 2008, €61.9 million and €62.1 million, respectively, of interest on the Capital Securities was paid.

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 at least equivalent to the interest payments due during the following two-year period. As of December 31, 2009, the authorization was in place for the issuance of capital up to €170 million. Interest payments over the next two years are approximately €124 million.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Debt (continued)

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"). On December 3, 2009, the outstanding balance of the LTO Term Loan Facility was paid with the proceeds of the Notes. As a result, unamortized debt issuance costs and interest rate swaps associated with the LTO Term Loan Facility were written off to other expense in the consolidated income statement, further details of which are provided in Note 29.

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 December 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.

As of December 31, 2009, there was no outstanding balance under the LTO Revolving Credit Facility.

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 December 31, 2009, €619.9 million of letters of credit were outstanding with a weighted average annual cost of 0.79%. At December 31, 2008, €425.1 million of letters of credit were outstanding with a weighted average annual cost of 0.55%.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Provisions

(thousands of euros)	Legal Matters	Tax Matters	Other	Total
Long-term provisions				
Balance at January 1, 2009	15,717	7,693	3,632	27,042
Arising during the year	796	-	1,103	1,899
Utilized	(5,840)	(470)	(243)	(6,553)
Unused amounts reversed	-	-	(1,997)	(1,997)
Other	-	1,600	198	1,798
Foreign currency translation	466	315	-	781
Balance at December 31, 2009	11,139	9,138	2,693	22,970
Short-term provisions				
Balance at January 1, 2009	1,125	-	1,151	2,276
Arising during the year	126	-	345	471
Utilized	(13)	-	(522)	(535)
Unused amounts reversed	-	-	(380)	(380)
Foreign currency translation	-	-	26	26
Balance at December 31, 2009	1,238	-	620	1,858

Legal matters
Provisions relate primarily to the legal matters discussed in Note 39 and are calculated based on management's expectations of settlement determined with the assistance of legal counsel.

Tax matters (other than income taxes)
Provisions relate primarily to disputed tax assessments and reserves for regulatory audits and are calculated based on assessed taxes and expected payment of tax based on statutory rates.

Other
Other provisions relate primarily to warranty obligations, which generally extend for 12 months, on equipment sales and prizes on certain lottery games. Provisions are calculated based on historical cost information and expected prize payouts. Settlement on prizes varies according to the terms of each individual game.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Other liabilities (non-current and current)

(thousands of euros)	December 31, 2009	December 31, 2008
Other non-current liabilities		
Deferred revenue	27,628	18,321
Contingent liabilities related to GTECH acquisition	13,503	15,169
Staff severance fund (Note 37)	8,082	7,755
Other	5,971	7,094
	55,184	48,339

(thousands of euros)	December 31, 2009	December 31, 2008
Other current liabilities		
Accrued expenses	99,763	71,403
Employee compensation	56,841	49,956
Taxes other than income taxes	49,763	58,872
Deferred revenue	38,259	53,619
Advance payments from customers	18,647	36,726
Advance billings	7,291	7,383
Other	-	792
	270,564	278,751

24. Raw materials, services and other costs

(thousands of euros)	December 31, 2009	December 31, 2008
Operating expenses	479,406	394,109
Outside services	144,704	124,322
Consumables	110,881	98,711
Cost of product sales	99,423	196,276
Insurance, miscellaneous taxes and other	77,956	40,300
Telecommunications	62,375	67,525
Occupancy	47,551	42,638
Travel	30,133	27,366
	1,052,429	991,247

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Personnel

(thousands of euros)	December 31, 2009	December 31, 2008
Payroll	333,466	280,389
Statutory benefits	31,288	29,405
Company benefits	26,306	44,789
Incentive compensation	24,336	30,093
Stock compensation (Note 35)	916	14,682
Other	11,993	11,155
	428,305	410,513

The Group's worldwide employees are comprised of the following personnel:

	Number of employees		
	As of December 31,		2009
Personnel Description	2009	2008	Average
Executives	400	398	397
Middle Management	977	933	963
All Other Permanent Employees	6,131	5,975	6,098
Employees with Temporary Employment Contracts	164	190	195
	7,672	7,496	7,653

26. Depreciation

(thousands of euros)	December 31, 2009	December 31, 2008
Systems, equipment and other assets related to contracts, net (Note 8)	224,088	213,682
Property, plant and equipment, net (Note 9)	12,513	11,779
	236,601	225,461

27. Amortization

(thousands of euros)	December 31, 2009	December 31, 2008
Intangibles amortization (Note 11)	94,522	86,276
Other	(122)	(181)
	94,400	86,095

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Impairment

During 2009 and 2008, the Group recorded impairment losses as detailed below.

	For the year ended December 31, 2009				
(thousands of euros)	Italian Operations	GTECH Lottery	Gaming Solutions	GTECH G2	Total
Systems, equipment and other assets related to contracts, net (Note 8)	110	-	(6)	-	104
Goodwill (Note 10)	1,500	-	-	22,349	23,849
Intangible assets, net (Note 11)	-	6,585	2,600	40,632	49,817
Non-current financial assets	868	-	-	-	868
Assets classified as held for sale (Note 19)	-	-	1,387	-	1,387
	2,478	6,585	3,981	62,981	76,025

	For the year ended December 31, 2008				
(thousands of euros)	Italian Operations	GTECH Lottery	Gaming Solutions	GTECH G2	Total
Systems, equipment and other assets related to contracts, net (Note 8)	-	-	19,386	-	19,386
Property, plant and equipment, net (Note 9)	-	-	1,628	-	1,628
Goodwill (Note 10)	-	-	48,717	-	48,717
Intangible assets, net (Note 11)	-	1,293	1,722	-	3,015
Other assets, net	20	25,440	-	-	25,460
Assets classified as held for sale (Note 19)	-	-	2,572	-	2,572
	20	26,733	74,025	-	100,778

2009 impairment

GTECH G2 segment

The 2009 impairment loss recorded in this segment relates to potential changes in the regulation of online gaming in Europe. A significant recent European Court decision has upheld the interest of numerous European States in creating Nationally Regulated Gaming Markets under which cross-border online gaming operators may be required to apply for jurisdiction specific online gaming licenses. Given the uncertain timeline of new licenses and impact to cross-border transactions, we estimate that growth in this segment will continue but at a slower pace.

The impairment loss represents the write-down of goodwill and intangible assets to their recoverable amounts. The recoverable amounts were based on fair value less costs to sell and were determined using after-tax discount rates ranging from 9% to 11%.

GTECH Lottery segment

The 2009 impairment loss recorded in this segment principally relates to the lower expected profitability of a new lottery contract. The impairment loss represents the write-down of an intangible asset to its recoverable amount. The recoverable amount was based on fair value less costs to sell and was determined using a 6.65% after-tax discount rate.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Impairment (continued)

Gaming Solutions segment
The 2009 impairment loss recorded in this segment principally relates to lower expected revenues associated with Atronic and the remeasurement to fair value less costs to sell of the Atronic property held for sale (See Note 19). The impairment loss associated with the write-down of intangible assets to their recoverable amounts were based on fair value less costs to sell and were determined using a 12.7% after-tax discount rate.

2008 impairment

Lottery segment
The 2008 impairment loss recorded in the Lottery segment relates to a lottery system we deployed for an international customer that had encountered a sustained period of political instability that has prevented the lottery system from launching.

Gaming Solutions segment
The 2008 impairment loss recorded in the Gaming Solutions segment relates to our acquisition of Atronic. The United States ("US") casino market had entered into a period of substantial contraction and Atronic America's operations, which were in the early stages of its entry into the US market, could not be sustained in the face of significantly diminishing demand, including financial constraints affecting highly-leveraged customers. Accordingly, we made the decision to curtail Atronic Americas activities and fold them into our Spielo operations.

The impairment loss related to systems, equipment and other assets related to contracts, property, plant and equipment and intangible assets represent the write-down to their recoverable amounts. The recoverable amounts were based on value in use and were determined using a 9.2% pre-tax discount rate.

29. Other expense

(thousands of euros)	For the year ended December 31, 2009	2008
Debt issuance costs	(5,391)	-
Termination of interest rate swaps	(3,936)	-
Other	(7,363)	(2,699)
	(16,690)	(2,699)

In December 2009, Lottomatica issued €750 million of guaranteed notes due December 5, 2016 (the "Notes"). The proceeds of the Notes, net of associated fees and costs, were used to reimburse the LTO Term Loan Facility, a portion of the GTECH Senior Credit Facilities and other debt, extending the average maturity of the Group's debt while adding further diversity to the Group's capital structure. As a result, unamortized debt issuance costs and interest rate swaps associated with the reimbursed debt were written off.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Foreign exchange gain (loss), net

Foreign exchange gains and losses are classified as realized (cash) or unrealized (non-cash) as follows:

(thousands of euros)	For the year ended December 31, 2009	2008
Cash foreign exchange loss	(18,970)	(5,984)
Non-cash foreign exchange gain	3,146	16,336
	(15,824)	10,352

Cash foreign exchange loss
In order to better match future cash flows with the Group's revenue concentration from European countries (which has increased in recent years), GTECH borrowed in euro under the GTECH Senior Credit Facilities in 2009. These euro denominated borrowings resulted in approximately €19.0 million of cash foreign exchange loss when in December 2009, a portion of the proceeds from the Notes were used to reimburse the outstanding euro borrowings under the GTECH Senior Credit Facilities.

Non-cash foreign exchange gain
Non-cash foreign exchange gain (loss) was incurred on the following:

(thousands of euros)	For the year ended December 31, 2009	2008
Polish zloty loan	6,043	14,734
Other	(2,897)	1,602
	3,146	16,336

Polish zloty loan
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. ("GTECH Polska"), loaned Polish zloty 255.6 million (at market interest rates) to GTECH Global Services Corporation Limited ("GGSC"), whose functional currency is the US dollar. GGSC repaid this loan in 2009 principally using the proceeds of non-cash dividends from GTECH Polska. Non-cash foreign exchange gains incurred on this loan resulted from fluctuations in the Polish zloty to US dollar exchange rate.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Interest expense

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

(thousands of euros)	For the year ended December 31, 2009	2008
Capital Securities	(64,658)	(64,403)
GTECH Senior Credit Facilities	(57,139)	(70,777)
LTO Term and Revolving Facilities	(14,984)	(7,781)
Notes	(3,030)	-
4.80% Bonds	-	(17,303)
Other	(11,707)	(17,291)
	(151,518)	(177,555)

See Note 21 for details of the debt facilities.

32. Earnings per share

Basic and diluted earnings per share are calculated as follows:

(thousands of euros)	For the year ended December 31, 2009	2008
Numerator		
Net income for the year attributable to owners of the parent	68,149	93,748
Numerator for basic and diluted earnings per share	68,149	93,748
Denominator		
Basic weighted average number of ordinary shares	150,336	150,215
Potential dilutive effect of stock options and restricted shares	88	329
Diluted weighted average number of ordinary shares	150,424	150,544
Basic earnings per share/ADRs	€ 0.45	€ 0.62
Diluted earnings per share/ADRs	€ 0.45	€ 0.62

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Earnings per share (continued)

Lottomatica's American depositary receipts (ADRs) are negotiable certificates representing ordinary shares of Lottomatica. The ratio of Lottomatica shares to ADRs is 1:1.

Basic earnings per share/ADRs amounts are calculated by dividing net income for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share/ADRs amounts are calculated by dividing net income for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year along with the weighted average number of ordinary shares that would be issued upon the conversion of all potentially dilutive ordinary shares into ordinary shares.

There were approximately 1.0 million and 1.2 million potential ordinary shares at December 31, 2009 and 2008, respectively, that were excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share because their effect would have been anti-dilutive.

33. Components of other comprehensive income

	For the year ended December 31,	
(thousands of euros)	2009	2008
Interest rate swaps (cash flow hedges):		
Gains (losses) arising during the year	24,795	(62,641)
Reclassification adjustments for losses included in the income statement	(3,936)	-
	20,859	(62,641)
Derivative instruments (cash flow hedges):		
Gains arising during the year	467	259
Reclassification adjustments for gains (losses) included in the income statement	(1,514)	933
	(1,047)	1,192
Translation of foreign operations:		
Gains (losses) arising during the year	(30,013)	51,827
Reclassification adjustments relating to foreign operations disposed of in the year	-	(206)
	(30,013)	51,621

34. Research and development costs

The aggregate amount of research and development expenditures recognized as expense during 2009 and 2008 was €62.4 million and €62.5 million, respectively.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. Share-based payment plans

The Group has three types of equity-settled share-based payment plans for employees: performance based stock options, performance based restricted shares and time based restricted shares as described below.

Stock Option Plans

The Group has various stock option plans whereby stock options are granted to certain directors, executives, and other key employees of the Group as approved by the Board of Directors. The exercise price of the options is generally equal to the average price of the Group's ordinary shares one month prior to the grant date. The options vest subject to the satisfaction of performance conditions relating to the Group's EBITDA (earnings before interest, taxes, depreciation and amortization) over a three-year period, net financial debt and to the employees remaining in service to the Group. Options partially vest upon achievement of 90% or more of the performance conditions and if the performance conditions are not met, the options are forfeited. The contractual life of the options range from five to eight years (depending on the plan) and there are no cash settlement alternatives.

Restricted Stock Plans

Performance based awards
The Group has various performance based share award plans whereby restricted stock is granted to certain employees of the Group as approved by the Board of Directors. Recipients of the awards do not pay the Group any cash consideration for the awards. The awards vest subject to the satisfaction of performance conditions relating to the Group's EBITDA over a three-year period, net financial debt and to the employees remaining in service to the Group. Awards partially vest upon achievement of 90% or more of the performance conditions and if the performance conditions are not met, the awards are forfeited. The contractual life of the awards is three to four years and they may be settled in cash at the Group's option. The Group does not have a past practice of cash settlement and does not plan to cash settle awards in the future.

Time based awards
The Group has a time based share award plan whereby restricted stock is granted to certain employees of the Group as approved by the Board of Directors. Recipients of the awards do not pay the Group any cash consideration for the awards. The awards generally vest over a five-year period and are subject to the employees remaining in service to the Group. The contractual life of the awards is five years and they may be settled in cash at the Group's option. The Group does not have a past practice of cash settlement and does not plan to cash settle awards in the future.

Modifications
During the second quarter of 2009, modifications were made to the performance conditions of certain of our performance based plans. These modifications, along with adjustments for current vesting expectations, resulted in a net reduction of stock compensation expense. The modifications did not result in any incremental fair value required to be recognized as cost.

There were no modifications to any share-based payment plans during 2008.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. Share-based payment plans (continued)

Stock option movements in the year

The following table illustrates the number and weighted average exercise prices of, and movements in, stock options during the year:

	2009		2008	
	Shares under Options	Weighted Average Exercise Price	Shares under Options	Weighted Average Exercise Price
Outstanding at January 1	4,724,018	€ 25.11	2,861,526	€ 27.89
Granted during the year	1,850,510	14.03	2,248,772	20.29
Forfeited during the year	(164,241)	25.09	(153,880)	25.43
Exercised during the year	-	-	(232,400)	12.54
Expired during the year	-	-	-	-
Outstanding at December 31	6,410,287	21.91	4,724,018	25.11
Exercisable at December 31	1,092,325	€ 27.90	541,356	€ 26.19

The weighted average share price for stock options exercised during 2008 was €19.07.

The range of exercise prices and weighted average remaining contractual life for stock options outstanding under the stock option plans as of December 31, 2009 and 2008 are as follows:

As of December 31, 2009			As of December 31, 2008		
Exercise Price or Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Exercise Price or Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life (Years)
€ 14.03	1,840,220	5.33	-	-	-
€ 20.29	2,133,662	6.33	€ 20.29	2,188,902	7.33
€ 23.17	286,616	0.33	€ 23.17	298,456	1.33
€29.45 - €30.40	2,149,789	5.01	€29.45 - €30.40	2,236,660	5.99
	6,410,287			4,724,018	

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. Share-based payment plans (continued)

Fair value measurement of stock options

The fair value of equity-settled stock option grants is estimated at the date of grant using a binomial model, taking into account the terms and conditions upon which the stock options were granted. The weighted average fair value of stock options granted during 2009 and 2008 was €2.99 per share and €2.75 per share, respectively. The following tables list the inputs to the binomial model used for the years ended December 31, 2009 and 2008.

Year ended December 31, 2009	
Dividend yield (%)	4.62
Expected volatility (%)	26.32
Risk-free interest rate (%)	3.50
Expected life of options (in years)	4.50
Weighted average share price (€)	15.45
Exercise price (€)	14.03

Year ended December 31, 2008	
Dividend yield (%)	4.24
Expected volatility (%)	22.78
Risk-free interest rate (%)	4.50
Expected life of options (in years)	4.66
Weighted average share price (€)	19.26
Exercise price (€)	20.29

The expected life of the stock option is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not be the actual outcome. No other features of stock option grants were incorporated into the measurement of fair value.

Restricted stock grants

Restricted share awards granted during 2009 and 2008 and their weighted average fair value at the date of grant (which represents the average share price during the employee grant acceptance period) are as follows:

	Performance based		Time based	
	2009	2008	2009	2008
Granted during the year	673,729	277,753	-	24,000
Weighted average fair value at the date of grant	€ 15.45	€ 19.26	€ -	€ 21.09

Expense charged to income statement

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:

(thousands of euros)	December 31, 2009	December 31, 2008
Equity settled share-based payment	916	14,682
Cash settled share-based payment	-	-
	916	14,682

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. Dividends paid

(thousands of euros)	December 31, 2009	2008
Cash dividend declared and paid on ordinary shares:		
Dividend for 2009: €0.68 per share (2008: €0.825 per share)	100,940	125,393

37. Employee benefits

Staff Severance Fund

The Group has a defined benefit plan (staff severance fund) to provide certain post employment benefits to Italian employees following termination from the Group. Italian employees may choose to participate in an unfunded plan within the Group or transfer their plan balance to independent external funds. These benefits are funded only to the extent paid to the external funds. The cost of providing benefits under the plan, for those employees that participate in the unfunded plan within the Group, is determined using the projected unit credit actuarial valuation method. The cost of providing benefits for those employees that choose to transfer their plan to independent external funds are considered as defined contributions and are accrued as the employees render the related service. The defined benefit liability represents the present value of the Group's defined benefit obligation.

The following table summarizes the components of net benefit expense recognized during the year for the staff severance fund, which is included in personnel in our consolidated income statement.

(thousands of euros)	December 31, 2009	2008
Current service cost	3,660	3,355
Net actuarial loss recognized in the year	518	103
Net benefit expense	4,178	3,458

Changes in the present value of the defined benefit obligation are as follows:

(thousands of euros)	December 31, 2009	2008
Balance at January 1	7,755	7,838
Current service cost	3,660	3,355
Actuarial losses	518	103
Benefits paid	(3,851)	(3,541)
Balance at December 31	8,082	7,755

The present value of the defined benefit obligation for the years ended 2007, 2006, and 2005 was €7.8 million, €8.8 million, and €7.6 million, respectively.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. Employee benefits (continued)

The principal assumptions used in determining the defined benefit obligation are shown below:

	December 31, 2009		December 31, 2008	
	Managers	Other employees	Managers	Other employees
Assumed inflation rate	2.00%	2.00%	2.20%	2.20%
Discount rate	4.10%	4.10%	4.80%	4.80%
Future salary increases:				
Up to age 40	2.75%	2.50%	2.95%	2.70%
Age between 40 and 55	2.50%	2.25%	2.70%	2.45%
Age greater than 55	2.25%	2.00%	2.45%	2.20%

Termination Benefits
Termination benefits expense, primarily related to salary continuation, continued medical benefits coverage and expense related to accelerated share based payment awards for employees who were terminated during the year was €5.9 million and €4.7 million in 2009 and 2008, respectively.

38. Related party disclosures

	December 31,	
(thousands of euros)	2009	2008
Accounts receivable		
De Agostini Group	2,096	658
Spain UTE	456	-
Taiwan Sports Lottery Corporation	95	86
	2,647	744
Accounts payable		
De Agostini Group	43,232	24,903

	For the year ended December 31,	
(thousands of euros)	2009	2008
Service revenue and product sales		
Taiwan Sports Lottery Corporation	1,691	2,069
	1,691	2,069
Raw materials, services and other costs		
De Agostini Editore S.p.A. - service fees	261	633
De Agostini S.p.A.- management fees	325	254
	586	887

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Related party disclosures (continued)

De Agostini Group
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. Outstanding accounts receivable balances at December 31, 2009 and December 31, 2008 are non-interest bearing.

Spain UTE
GTECH has a 50% interest in a Spanish joint venture ("Spain UTE") which is accounted for using the proportionate consolidation method. Spain UTE will provide to the National Organization of the Spanish Blind ("ONCE"), end-to-end lottery technology, marketing services, logistics, and retailer services for a complementary lottery retailer network that will complement ONCE's existing lottery network. ONCE is authorized by the Spanish government to administer lottery and wagering games in Spain.

Taiwan Sports Lottery Corporation
GTECH has a 24.5% interest in Taiwan Sports Lottery Corporation ("TSLC") which is accounted for using the equity method of accounting. TSLC is the agency commissioned by Taipei Fubon Bank (the sports lottery license holder through December 2013) to be Taiwan's sport betting solutions and services provider.

Compensation of Key Management Personnel

The amounts recognized as expense during the year related to key management personnel are as follows:

	For the year ended December 31,	
(thousands of euros)	2009	2008
Short-term employee benefits	7,664	6,799
Post-employment benefits	159	146
Share-based payments	492	4,477
	8,315	11,422

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Related party disclosures (continued)

Remuneration paid to Lottomatica S.p.A. board members, Statutory Auditors and managers with strategic responsibilities are as follows (amounts in euros):

Name and Surname	Position	Period in the position	End of Term	Emoluments	Non monetary benefits	Bonus	Other
Lorenzo Pellicioli	Chairman	1/1/09-12/31/09	Approv. Fin. Stat. 2010	60,000			
	CEO	1/1/09-4/12/09	Approv. Fin. Stat. 2010				
	Executive Committee - Chairman	4/12/09-12/31/09	Approv. Fin. Stat. 2010	55,000			
Robert Dewey	Vice Chairman	1/1/09-12/31/09	Approv. Fin. Stat. 2010	75,000			
	Remuneration Committee - Member	1/1/09-12/31/09	Approv. Fin. Stat. 2010	40,000			10,000
Marco Sala	General Manager	1/1/09-12/31/09	Approv. Fin. Stat. 2010	60,000			
	Managing Director	1/1/09-4/12/09	Approv. Fin. Stat. 2010				
	CEO	4/12/09-12/31/09	Approv. Fin. Stat. 2010				
	Executive Committee - Member	1/1/09-12/31/09	Approv. Fin. Stat. 2010	57,500	38,440	1,534,874	662,571
Pietro Boroli	Board Member	1/1/09-12/31/09	Approv. Fin. Stat. 2010	60,000			
	Executive Committee - Member	1/1/09-12/31/09	Approv. Fin. Stat. 2010	47,500			
Paolo Ceretti	Board Member	1/1/09-12/31/09	Approv. Fin. Stat. 2010	60,000			
	Executive Committee - Member	1/1/09-12/31/09	Approv. Fin. Stat. 2010	50,000			
Marco Drago	Board Member	1/1/09-12/31/09	Approv. Fin. Stat. 2010	60,000			
	Executive Committee - Member	1/1/09-12/31/09	Approv. Fin. Stat. 2010	47,500			
Jeremy Hanley	Board Member	1/1/09-12/31/09	Approv. Fin. Stat. 2010	80,000			
	Audit Committee - Member	1/1/09-12/31/09	Approv. Fin. Stat. 2010	46,250			10,000
James McCann	Board Member	1/1/09-12/31/09	Approv. Fin. Stat. 2010	75,000			
	Remuneration Committee - Member	1/1/09-12/31/09	Approv. Fin. Stat. 2010	35,000			10,000

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Related party disclosures (continued)

Name and Surname	Position	Period in the position	End of Term	Emoluments	Non monetary benefits	Bonus	Other
Jaymin Patel	Board Member	1/1/09-12/31/09	Approv. Fin. Stat. 2010	60,000			
	Executive Committee - Member	1/1/09-12/31/09	Approv. Fin. Stat. 2010	52,500	8,209	799,502	511,184
Anthony Ruys	Board Member	1/1/09-12/31/09	Approv. Fin. Stat. 2010	80,000			
	Audit Committee - Member	1/1/09-12/31/09	Approv. Fin. Stat. 2010	36,250			10,000
Severino Salvemini	Board Member	1/1/09-12/31/09	Approv. Fin. Stat. 2010	130,000			
	Audit Committee - Member	1/1/09-12/31/09	Approv. Fin. Stat. 2010	43,750			
	Surveillance Body	1/1/09-12/31/09	Approv. Fin. Stat. 2010				10,000
Bruce Turner	Board Member	1/2009-12/2009	Approv. Fin. Stat. 2010	50,000 32,500			
Giammario Tondato Da Ruos	Board Member	1/1/09-12/31/09	Approv. Fin.	85,000			
	Remuneration Committee - Member	1/1/09-12/31/09	Approv. Fin. Stat. 2010	32,500			10,000
Sergio Duca	Board of Statutory Auditors - Chairman	1/1/09-12/31/09	Approv. Fin. Stat. 2010	112,500			
Fancesco Martinelli	Board of Statutory Auditors - Regular Member	1/1/09-12/31/09	Approv. Fin. Stat. 2010	75,000			
Angelo Gaviani	Board of Statutory Auditors - Regular Member	1/1/09-12/31/09	Approv. Fin. Stat. 2010	75,000			
	Surveillance Body	1/1/09-12/31/09	Approv. Fin. Stat. 2010	10.000			
				1,783,750	46,649	2,334,376	1,233,755

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Related party disclosures (continued)

Stock options assigned to Lottomatica S.p.A. board members, statutory auditors and managers with strategic responsibilities are as follows:

	As of December 31, 2008		During 2009				As of December 31, 2009	
	Options Outstanding		Options Granted		Options		Options Outstanding	
Stock Option Plan	Number of Options	Exercise Price	Number of Options	Exercise Price	Expired or Forfeited	Options Exercised	Number of Options	Exercise Price
2005-2010	95,336	€ 23.17	-	-	-	-	95,336	€ 23.17
2006-2014	134,500	€ 29.45	-	-	-	-	134,500	€ 29.45
2007-2015	320,000	€ 30.40	-	-	-	-	320,000	€ 30.40
2008-2016	412,812	€ 20.29	-	-	-	-	412,812	€ 20.29
2009-2015	-	-	706,284	€ 14.03	-	-	706,284	€ 14.03
	962,648		706,284		-	-	1,668,932	

39. Litigation

Lottomatica's Italian Business

1. Lotto Game Concession: Lottomatica/AAMS Arbitration – Stanley International Betting Limited Appeal – Sisal Appeal

Arbitration Lottomatica/AAMS
Pursuant to the arbitration clause set out in article 30 of the Lotto Concession, Lottomatica initiated an arbitration proceeding to ascertain the effective initial date of said Concession. Lottomatica asked the Board of Arbitrators to ascertain and state that the initial starting date of the Lotto Concession was June 8, 1998 (date in which the European Commission in Brussels was notified 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.

The Arbitration Award issued by the Board of Arbitrators 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.

In the interim, on January 18, 2008, upon AAMS's request to advance said hearing, the Court of Appeal advanced the hearing date to January 15, 2009.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. Litigation (continued)

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.

At the July 2, 2009 hearing, the Court of Appeal deferred the hearing to September 26, 2011.

Stanley International Betting/AAMS/Lottomatica Appeal
On June 18, 2007, Stanley International Betting Limited filed an appeal before the TAR of Lazio (Regional Administrative Court) 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 hearing to discuss the case at issue has been set to March 10, 2010.

The Counsels assisting Lottomatica are of the opinion that the challenge initiated by Stanley is groundless.

Sisal/AAMS/Lottomatica Appeal
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.

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 favor of Lottomatica. Stanley has intervened in the appeal in support of Sisal. Lottomatica has made an appearance in the case at issue. The hearing to discuss the case at issue has been set to March 10, 2010.

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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. Litigation (continued)

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 against Lottomatica and Lottomatica Italia Servizi S.p.A (LIS) to obtain, among other things, an order requiring Lottomatica to offer its network to third parties under the same conditions as those offered to the controlled company 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 Court of Appeal 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 for a hearing set for October 28, 2009 during which the TAR of Lazio closed the presentation of the arguments by the parties. To date the TAR of Lazio has not issued a ruling.

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.

As for the procedure before the Court of Appeal, 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.

The Judge issued the ruling on June 25 – August 4, 2009 stating that Lottomatica has no obligation to allow third parties use of its network and therefore dismissing all charges brought forth by Ticket One.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. Litigation (continued)

3. Instant and Traditional Lotteries

Lottomatica participated, as a representative of a temporary joint venture, in the call for tenders organized 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 summarized below:

a) appeal brought forth 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 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 favor 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.

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 counsel, 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. Litigation (continued)

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, 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 *Italian Antitrust* 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, that Lottomatica and Sisal S.p.A. be ordered, jointly and severally, to pay directly to the plaintiffs' damages totaling €37.2 million in the aggregate.

On January 10, 2006 Lottomatica presented before the Court of Appeal that apart from a number of prejudicial issues concerning, *inter alia*, plaintiff legitimacy, the documents of the proceedings initiated by the Italian Antitrust 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.

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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. Litigation (continued)

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

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. Network Tender Appeal

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 favor 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. Litigation (continued)

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 Petition

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.

To date, the following rulings have been issued:

a) 187 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) 79 rulings accepted payment of the prize amount in addition to claim compensation.

With regard to unfavorable rulings, the Consortium instructed its counsels to file an appeal.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. Litigation (continued)

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 totaling €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. On May 29, 2009 the final hearing was held and the parties submitted their statements of legal positions. The parties are awaiting the Court's ruling.

The LIS legal counsel is of the opinion that the case may have a negative outcome.

8. AAMS Tender for the Awarding of Sporting Rights

On February 26, 2007, Aycons (Società consortile a Responsabilità Limitata), served a notice of appeal to the Regional Administrative Tribunal of Lazio (TAR) challenging the Decree of December 21, 2006, published in the Official Journal of the Italian Republic (GURI) on December 28, 2006, which finally awarded the point of sale rights for sporting games as well 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 of the Legislative Decree n.223/06, the sale rights according to law n. 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 with which AAMS communicated to Lottomatica Scommesse the final award of the concession and (ii) the agreement for the concession of the public games as awarded to Lottomatica Scommesse.

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 TAR of Lazio denying Aycons and submitted document demonstrating that GTECH (100% owed by Lottomatica), further to authorization from AAMS, had sold its share of Cogetech on October 16, 2006 and therefore before the said deadline of October 20, 2006. As 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. Litigation (continued)

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 fulfillment of payment obligations under the corresponding contracts regarding the above mentioned activities performed by the retailers. The insurance 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 Arbitration Board 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 Award partly accepted the requests made by Totobit and ruled Navale Assicurazioni S.p.A. to pay the sum of €239,911.66.

The amount refers exclusively to enforcement actions prior to April 28, 2005. The Arbitration Award partly accepted the counterclaim of Navale Assicurazioni S.p.A. regarding some requests of payment made by Totobit. The Arbitration Board resulted in the sentencing of Totobit to pay the sum of €200,654.19. Half the arbitration proceeding 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 TULPS (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 said TULPS.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. Litigation (continued)

The above mentioned article 110 of TULPS provides that the additional sanctions for said violations result in the lack of authorization from AAMS for the installment of new amusement with prize machines to the violator for a period of 5 years.

In order to verify the compliance with 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*".

Lottomatica Videolot Rete S.p.A. at first contested such claims but subsequently, in order to not risk being subject to the above mentioned additional sanction, decided to no longer contest the violations claimed by AAMS. The further benefit for Lottomatica Videolot Rete of such decision is that when payment of the sanctions is made it will be in a reduced amount.

11. Request for Conclusions from the Audit Department on the Setting-Up and Operation of a Screen-Based Gaming Management Network

On June 1, 2007, the Regional Public Prosecutor of the Government Audit Department (Corte dei Conti) served Lottomatica Videolot Rete S.p.A., and all other nine concessionaires for the operation of gaming machines, an invitation to submit their briefs with regard to an investigation on possible damages to the State Treasury.

The Regional Prosecutor contested that Lottomatica Videolot Rete S.p.A., in conjunction with some AAMS officials, inaccurately did not fulfill 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 a motion on June 27, 2007, contesting the outcome of the Regional Prosecutor and arguing to have always complied with its obligations as concessionaire and requesting the dismissal of the case.

At the same time, AAMS served Lottomatica Videolot Rete and the other nine concessionaires the same charges as those filed by the Regional Prosecutor and requested the payment of damages for the same amount.

Lottomatica Videolot Rete challenged the charges brought forth by AAMS and appealed before the TAR of Lazio requesting the annulment of the above.

Through court order dated July 25, 2007 the TAR of Lazio accepted the appeals brought forth by Lottomatica Videolot Rete and the other concessionaires and annulled the request for damages presented by AAMS. The hearing to discuss the merit was set to January 23, 2008. Lottomatica Videolot Rete presented a technical report prepared by sector experts demonstrating its complete adherence to the concession contract obligations. The report illustrates how Lottomatica Videolot Rete implemented a complete gaming system that is efficient and entirely functional.

On April 1, 2008 the TAR of Lazio issued a ruling annulling the damages request lodged by AAMS for the payment of €4.0 billion by Lottomatica Videlot Rete.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. Litigation (continued)

On January 8, 2008, the Regional Public Prosecutor for the Audit Department served notice to Lottomatica Videolot Rete regarding the charges brought forth which partially reduced the penalties to approximately €3 billion, breaking down to:

1) €400,000.00 plus interests for the "delay in the launch of the online network" (which should have been launched by September 13, 2004 – effective launch date was October 31, 2004);
2) € 1.0 million plus interests for the "delay in the activation of the network" (which should have been completed by October 31, 2004 – effective completion date was December 31, 2004);
3) € 991,456.00 plus interests for the "delay in the connection of the gaming machines to the online network" (which should have occurred no later than December 31, 2004 – effective completion date was February 2, 2006);
4) € 3.0 billion plus interests for "not having fulfilled all service level obligations provided for in section 2, letter b) of the concession".

The first hearing before the Audit Department was set to December 4, 2008.

At the same time, on March 13, 2008 AAMS and Lottomatica Videolot Rete signed an amendment to the original Concession contract, more favourable to the Concessionaires.

With regard to the indications set forth by the above mentioned TAR ruling and based on the above mentioned additional clause signed between the parties, AAMS, with letters dated as of May 23 and 27, 2008 notified Lottomatica Videolot Rete the start of investigations with reference to the inaccurately fulfilling the online activation and management obligations relating to the concession and failure to comply with service levels. As specified in the letter dated May 27, 2008 the failure to comply with the obligation to "supply responses to the request for gaming wagers data" presented by AAMS through its access gateway. AAMS further stated that in order to calculate damages, the Ministry of Finance nominated an ad hoc technical commission.

To date, AAMS has not yet issued any communication regarding the 4th penalty.

Regarding the letter dated May 23, 2008, AAMS presented the terms within which the concessionaires would have to launch the online network (Article 3, section 1, letter b) of the Concession), complete its activation (Article 3, section 1, letter d)) and connect the remaining 5% of gaming machines (Article 3, section 3).

On June 6, 2008 AAMS further challenged Lottomatica Videolot Rete for the violation of the obligations set forth in Article 3, section 1, letters b) and d), and sections 2 and 3 of the Concession. Lottomatica Videolot Rete responded to the challenges stating that:

(i) The charges presented by AAMS regarding the failure to comply to the obligation to launch the online network within 65 days of the release date of the concessionaire list are ungrounded in so far as Lottomatica Videolot Rete notified AAMS the completion of the launch with the letter dated September 13, 2004. The testing on the network was carried out on October 11, 2004; and
(ii) Reiterating that the launching activating and initial activation of the communication systems resulted to be much more complex than originally expected and that the complexity was impossible to foresee.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. Litigation (continued)

Through letters dated September 1, 2008, October 1 and October 16, 2008 AAMS communicated the completion of the investigation and application the following fines:

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.

Though the above fines do not regard the 4th and largest fine (calculated by the Regional Prosecutor as €3.0 billion) they nevertheless have been significantly reduced compared to the original calculation presented by AAMS and dismissed by both the TAR of Lazio and the Audit Department Prosecutor.

The Lottomatica Videolot Rete filed the appeals against the above indicated 3 fines before the Regional Administrative Court (TAR) of Lazio.

The TAR of Lazio dismissed the motions filed by Lottomatica Videolot Rete on November 30, 2009 and in January, 2010 Lottomatica Videolot Rete filed the appeal before the State Council.

At the same time, Lottomatica Videolot Rete filed before the Supreme Court a motion whether the application of the penalties provided for the concession fall within the "administrative reserve" of AAMS. The declaration of jurisdiction of the TAR of Lazio would therefore exclude that of the Audit Department.

On December 4, 2009 the Supreme Court declared the jurisdiction to be that of the Audit Department resulting in the annulment of the suspension of the pending ruling of the Audit Department. The Regional Prosecutor has six month's time to reactivate the case before the Audit Department. To date, Lottomatica Videolot Rete has not been notified if the case has been reactivated.

12. SUPERENALOTTO Tender Appeal

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, upon measure of 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.

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 in part and rejected it in part upon merits. 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 because near to the conclusion.

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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. Litigation (continued)

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 filled 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 Awarding Commission. The TAR of Lazio issued a court order on June 4, 2008 requesting the tender documentation from AAMS.

On October 22, 2008 the TAR of Lazio issued a court order granting Lottomatica and Snai the opportunity to examine all tender deeds.

On April 16, 2009 AAMS sent Lottomatica an official copy of Decree of April 7, 2009 which constituted a specific Committee to control the anomalies in the offer presented by Sisal. Said Committee communicated the conclusion of its review and evaluation of the offer in question on May 25, 2009. In addition AAMS notified Lottomatica on June 23, 2009 of the Decree of June 10, 2009 with which the final review of the tender award to Sisal was completed with a positive outcome.

AAMS presented the said conclusions regarding the offer presented by Sisal at the May 27, 2009 hearing. SNAI has already submitted additional claims against the above mentioned evaluation of the Sisal offer. Lottomatica is doing the same.

The April 16, 2009 appeal brought forth by Lottomatica requested the TAR of Lazio to ascertain its right to review the administrative documents requested on February 24 and March 19, 2009 (Sisal and points of sale contract and AAMS authorization, as well as documentation regarding AAMS review). AAMS denied Lottomatica access to said documents on March 20, 2009. The ruling issued on June 10, 2009 by the TAR of Lazio admitted the appeal presented by Lottomatica and ordered AAMS to grant Lottomatica access to said documents.

13. 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 (Consorzio Lotterie Nazionali) 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. Litigation (continued)

The experimental 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 testing period up to another 18 (eighteen) months. The above mentioned 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 suspension of the ruling by the TAR of Lazio.

The three plaintiffs claim that AAMS violated both Italian and European regulations by extending the testing 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.

The TAR of Lazio denied the appeal brought forth by Intralot Italia S.p.A., Eurobet Italia S.r.l. and Sisal Match Point S.p.A. on January 28, 2009. The ruling was appealed before the Administrative Court (Consiglio di Stato) by Sisal Match Point S.p.A. and Intralot Italia S.p.A. and a hearing to discuss the matter was set to July 28, 2009 then postponed to November 10, 2009 at which time the Administrative Court (Consiglio di Stato) dismissed both appeals.

The decree extending the experimental period of the online instant lotteries was also appealed 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.

14. Instant Lotteries Tender Appeal

The Amministrazione Autonoma Monopoli di Stato (AAMS) issued a tender on August 19, 2009 for a new nine-year Scratch & Win concession effective as of June 10, 2010. The deadline to present an offer was October 12, 2009.

Prior to said deadline Sisal requested the annulment of the tender before the Regional Administrative Court (TAR) of Lazio on October 9.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. Litigation (continued)

The Sisal request about the adoption of precautionary measures was denied; but on November 11, 2009 the TAR admitted the appeal against Consorzio Lotterie Nazionali/AAMS deciding the annulment of all acts of said tender .

AAMS and Consorzio Lotterie Nazionali filed an appeal before the Supreme Administrative Court (Consiglio di Stato) against the TAR of Lazio decision by asking for the annulment of the same.

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

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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. Litigation (continued)

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 may be 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.

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.

GTECH conducted an internal investigation of the 2003 Contract Extension under the supervision of the independent directors of GTECH Holdings Corporation. GTECH found no evidence that GTECH, GTECH Brazil, or any of their current or former employees violated any 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 €596.9 million at currency exchange rates in effect as of December 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 €477.5 million and €557.1 million at currency exchange rates in effect as of December 31, 2009) in aggregate; however, these investment costs could be disputed by CEF, and are ultimately subject to approval by the court.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. Litigation (continued)

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.

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 €159.16 million at currency exchange rates in effect as of December 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 wagering 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 and a Special Appeal to the Court of Taxes and Fees, both of which were not granted. The State Treasury of São Paulo has filed a tax foreclosure to collect the tax obligation. GTECH Brazil is preparing to file an appeal of this matter with the First District Court of the State Treasury (Barueri). Prior to filing the appeal, it is likely that GTECH Brazil will be required to provide security for the tax obligation in the event it is unsuccessful in the appeal. 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. Litigation (continued)

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 €7.08 million at currency exchange rates in effect at December 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 which BIRS appealed. The appellate court has ruled in SB's favour, and GTECH now considers this matter closed.

40. 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 consideration of performance targets which were met for Finsoft's fiscal year ended September 30, 2007, contingent consideration of £10.3 million (€13.4 million) was paid in May 2008. If maximum performance targets are met for Finsoft's fiscal years ended September 30, 2008 and 2009, a further £18.5 million (€20.8 million at the December 31, 2009 exchange rate) would be paid during the first half of 2010.

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 consideration of performance targets which were met in 2009, contingent consideration of £0.6 million (€0.7 million), £0.7 million (€0.8 million) and £0.4 million (€0.5 million) was paid in January 2009, August 2009 and December 2009, respectively. If maximum performance targets are met in the first quarter of 2010, a further £2.2 million (€2.4 million at the December 31, 2009 exchange rate) would be paid during the second quarter of 2010.

Medstroms AB Put/Call
GTECH Global Services Corporation ("GGSC") has an 87.454% interest in GEMed AB ("GEMed"), a Swedish private limited liability company that owns 100% of Boss Media AB, a leading developer of innovative software and systems for digitally-distributed gaming entertainment. GGSC has the option, which it may exercise between April 1, 2010 and June 30, 2010 to require Medströms Invest AB ("Medströms") to sell its 12.546% interest in GEMed to GTECH and Medströms has an identical put right. The price at which the put/call may be exercised is equal to ten times EBITDA for the period January 1, 2009 through December 31, 2009, such product to be multiplied by Medströms' 12.546% interest in GEMed. The price is subject to both a floor (SEK 108 million) and a cap (SEK 287 million), or approximately €11.6 million floor and €30.8 million cap at the April 24, 2008 SEK to euro exchange rate.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. Commitments and contingencies (continued)

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 consideration of performance targets that were met in 2008 and 2009, contingent consideration of £4.5 million (€5.7 million) and £0.2 million (€0.2 million) was paid in October 2008 and December 2009, respectively.

Ten percent of St. Minver remains 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 at a price equal to fair value to be determined by an independent appraisal as of the date of exercise. GTECH may exercise the call right and Mr. Shaw may exercise the put right at any time after December 31, 2011 and before March 31, 2012 or during each subsequent yearly period between December 31st and March 31st.

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 December 31, 2009, the outstanding commitment was US$3.8 million (€2.6 million at the December 31, 2009 exchange rate). The investment in CLS-GTECH has been accounted for under proportionate consolidation in the Group's financial statements.

Loto Real Del Cibao, C.X.A.
On August 28, 2008, GTECH and GGSC entered into a 20-year contract with Loto Real Del Cibao, C.X.A. ("Loto Real") to be the exclusive technology provider to Loto Real for an online lottery system, terminals, and future commercial services and other gaming opportunities in the Dominican Republic. The contract has a provision that allows GTECH the right to acquire 35% of the outstanding capital of Loto Real within sixty days after receiving audited financial statements and applicable due diligence for the year ended December 31, 2012.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. Commitments and contingencies (continued)

Guarantees and indemnifications

Performance and other bonds

In connection with certain contracts and procurements, we have been required to deliver performance bonds for the benefit of our customers and bid and litigation bonds for the benefit of potential customers, respectively. These bonds give the beneficiary the right to obtain payment and/or performance from the issuer of the bond if certain specified events occur. In the case of performance bonds, which generally have a term of one year, such events include our failure to perform our obligations under the applicable contract. To obtain these bonds, we are required to indemnify the issuers against the costs they incur if a beneficiary exercises its rights under a bond and we do not currently anticipate they will do so. The following table provides information related to potential commitments for bonds outstanding at December 31, 2009 (in thousands of euros):

	Total bonds
Performance bonds	212,974
Litigation bonds	6,004
All other bonds	1,482
	220,460

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 were scheduled to terminate six months following the start-up of the on-line lottery system in Thailand. The maximum amounts guaranteed and the outstanding balances at December 31, 2009 are as follows:

	Performance Bonds from Trade Finance Facilities	
(in millions)	Baht	€
Maximum amounts guaranteed by GTECH	375.0	7.8
Amounts outstanding at December 31, 2009	375.0	7.8

During the fourth quarter of 2009, LGT repaid their outstanding loan amounts to the commercial lender with funding provided by GTECH and the other shareholder in LGT, resulting in the termination of GTECH's guarantee obligations on the loan.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. Commitments and contingencies (continued)

Lottery Technology Enterprises guarantee
GTECH has a 1% interest in Lottery Technology Enterprises ("LTE"), a joint venture between GTECH, New Tech Games, Inc. ("New Tech") and Opportunity Systems, Inc. ("OSI"). The joint venture agreement terminates on December 31, 2019. LTE recently extended its contract with the District of Columbia Lottery and Charitable Games Control Board ("DCLB") through November 22, 2010, extending LTE's 10 year contract with the DCLB, which expired on November 22, 2009. Under Washington, D.C. law, by virtue of our 1% interest in LTE, GTECH may be jointly and severally liable, with New Tech and OSI, 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.

Leases

Operating Leases
The Group leases certain facilities and equipment under operating leases that expire at various dates through 2023. Certain of these leases have escalation clauses and renewal options. We are generally required to pay all maintenance costs, taxes and insurance premiums relating to our leased assets. There are no restrictions placed upon us by entering into these leases.

Future minimum lease payments for operating leases are as follows:

	December 31,	
(thousands of euros)	2009	2008
Current	24,963	20,238
After one year but not more than five years	52,607	44,926
More than five years	2,714	2,156
	80,284	67,320

Rental expense for operating leases was €29.6 million and €25.6 million in 2009 and 2008, respectively.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. Commitments and contingencies (continued)

Finance Leases

The Group leases the GTECH world headquarters facility in Providence, Rhode Island, USA (the "World Headquarters") under a finance lease. Under GTECH's Master Contract with the State of Rhode Island, GTECH was required to invest (or cause to be invested) at least US$100 million in the State of Rhode Island, in the aggregate, by December 31, 2008. This investment commitment included the development of the new World Headquarters by December 31, 2006. GTECH entered into (i) a development agreement with US Real Estate Limited Partnership (the "Developer"), whereby the Developer developed and owns the World Headquarters; and (ii) an office lease with the developer, whereby GTECH leases a portion of the World Headquarters from the Developer for 20 years. GTECH occupied the World Headquarters in November 2006, but only began paying rent on March 1, 2007. GTECH has the right to cancel the lease after June 30, 2023 if the Master Contract with the State of Rhode Island is not renewed, in exchange for a termination fee equal to six months of base rent plus operating expenses. The lease includes two ten year extension options. GTECH has the unilateral right to extend the lease under the two extension options under the same terms as in the base term. The lease contains a restriction which does not allow GTECH to assign the lease or sublease their portion of the building without the lessor's approval, which is not to be unreasonably withheld. As of December 31, 2009, GTECH had no sublease arrangements.

Future minimum lease payments under the finance lease together with the present value of the minimum lease payments are as follows:

	December 31, 2009		December 31, 2008	
(thousands of euros)	Minimum Payments	Present Value of Payments	Minimum Payments	Present Value of Payments
Current	2,034	513	2,066	454
After one year but not more than five years	8,529	2,945	8,664	2,661
More than five years	22,700	15,749	25,768	17,221
Non-current	31,229	18,694	34,432	19,882
Total minimum lease payments	33,263	19,207	36,498	20,336
Less amounts representing finance charges	(14,056)	-	(16,162)	-
Present value of minimum lease payments	19,207	19,207	20,336	20,336

At December 31, 2009 and 2008, the net carrying amount of the World Headquarters finance lease asset is €16.1 million and €17.9 million, respectively, and is recorded in property, plant and equipment, net in the consolidated statements of financial position. The carrying amount of the liability is recorded in the consolidated statements of financial position as follows:

	December 31,	
(thousands of euros)	2009	2008
Non-current financial liabilities	18,694	19,882
Current financial liabilities	513	454
Present value of minimum lease payments	19,207	20,336

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. Commitments and contingencies (continued)

Sale and Leaseback Transactions
GTECH sold its technology center facility in December 2006 and entered into a sale-lease back agreement with the new owners for a base term of ten years, beginning December 2006, including four consecutive three-year extension options. The lease payments under the extension periods are equal to 102% of the previous years rent. The lease contains an option for GTECH to cancel the lease after seven years in exchange for a termination fee equal to nine months of base rent, taxes, and operating expenses. The lease is accounted for as an operating lease and future minimum lease payments are included in the operating leases section above.

41. Financial risk management objectives and policies

Our principal financial instruments, other than derivatives, are comprised of debt and cash and cash equivalents. The main purpose of these financial instruments is to fund the capital needs of the Group's operations. We have various other financial assets and liabilities, such as trade receivables and trade payables, which arise directly from operations.

The primary risk inherent in our financial instruments is the market risk arising from adverse changes in interest rates and foreign currency exchange rates. We enter into derivative transactions, including principally interest rate swaps and forward currency contracts, for the purpose of managing interest rate and currency risks arising from our operations and its sources of financing. It is, and has been throughout the year under review, our policy not to engage in currency or interest rate speculation. Our accounting policies regarding derivatives are set out in Note 3.14.

Credit risk
The Group's primary credit risk is derived from cash and trade accounts receivable balances. We maintain cash deposits and trade with only recognized, creditworthy third parties. We evaluate the collectibility of trade accounts and sales-type lease receivables on a customer-by-customer basis and we believe our reserves are adequate. A significant amount of our trade accounts receivable are from government lottery entities from which we have historically experienced insignificant write-offs. Trade accounts receivable are reported net of allowances for doubtful accounts and liquidated damages. Allowances for doubtful accounts are generally recorded when there is objective evidence we will not be able to collect the receivable. Bad debts are written off when identified.

With respect to credit risk arising from the other financial assets which comprise cash, available-for-sale financial assets, and certain derivative instruments, our exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments (see Note 14). We manage our exposure to counterparty credit risk by entering into financial instruments with major, financially sound counterparties with high-grade credit ratings, and by limiting exposure to any one counterparty.

At December 31, 2009 and 2008, approximately 80% of total trade and other receivables are from Italy. Approximately 46% and 57% of receivables from Italy relate to our lottery instant ticket business at December 31, 2009 and 2008, respectively.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. Financial risk management objectives and policies (continued)

Past due financial assets

The following is an analysis of the Group's past due financial assets which are comprised entirely of trade and other receivables, net of related allowance for doubtful accounts.

	December 31, 2009		December 31, 2008	
(thousands of euros)	€	%	€	%
Current	642,572	81.2%	624,926	80.8%
Past due:				
1-30 days	117,353	14.8%	116,646	15.1%
31-60 days	15,131	1.9%	14,464	1.9%
61-90 days	4,421	0.5%	6,525	0.8%
Over 90 days	12,326	1.6%	11,034	1.4%
	149,231	18.8%	148,669	19.2%
Total trade and other receivables	791,803	100.0%	773,595	100.0%

Allowance for doubtful accounts

	December 31,	
(thousands of euros)	2009	2008
Balance at beginning of year	(44,032)	(19,636)
Provisions	(25,355)	(28,315)
Utilization	4,025	7,923
Acquisitions	-	(4,524)
Translation	20	228
Other	534	292
Balance at end of year	(64,808)	(44,032)

Liquidity risk

The Group's primary liquidity risk is derived from required debt service on our debt and on-going working capital needs. The Group's objective in managing this risk 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, therefore, we do not believe the Group is exposed to a significant concentration of liquidity risk.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. Financial risk management objectives and policies (continued)

The following tables set out the contractual maturities of the Group's financial liabilities based on contractual undiscounted payments:

Year ended December 31, 2009

(thousands of euros)	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Total
Fixed rate						
Capital Securities	46,618	-	-	-	750,000	796,618
Notes	3,147	-	-	-	750,000	753,147
Swap Liability	30,625	30,625	30,625	-	-	91,875
World Headquarters finance lease	2,034	2,072	2,112	2,152	24,893	33,263
	82,424	32,697	32,737	2,152	1,524,893	1,674,903
Floating rate						
GTECH Senior Credit Facilities	203	124,948	1,027,350	-	-	1,152,501
LTO Revolving Credit Facility	22	-	-	-	-	22
Acquisition related liabilities	22,842	-	2,628	-	-	25,470
Other	22,275	2,889	-	-	-	25,164
	45,342	127,837	1,029,978	-	-	1,203,157
	127,766	160,534	1,062,715	2,152	1,524,893	2,878,060

Year ended December 31, 2008

(thousands of euros)	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Total
Fixed rate						
Capital Securities	46,491	-	-	-	750,000	796,491
World Headquarters finance lease	2,066	2,105	2,145	2,186	27,996	36,498
	48,557	2,105	2,145	2,186	777,996	832,989
Floating rate						
GTECH Senior Credit Facilities	2,565	30,610	150,895	1,189,193	-	1,373,263
LTO Term Loan Facility	601	-	132,000	132,000	96,000	360,601
LTO Revolving Credit Facility	95	-	-	50,000	-	50,095
Acquisition related liabilities	6,769	23,101	-	6,211	-	36,081
Other	69,327	53,064	1,004	1,164	14,661	139,220
	79,357	106,775	283,899	1,378,568	110,661	1,959,260
	127,914	108,880	286,044	1,380,754	888,657	2,792,249

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. Financial risk management objectives and policies (continued)

Market risk

Interest rate market risk

Our exposure to changes in market interest rates relates primarily to our net debt obligations with floating interest rates. Our definition of net debt is variable rate debt less variable rate cash investments. Our policy is to manage interest cost using a mix of fixed and variable rate debt. We use various techniques to mitigate the risks associated with future changes in interest rates, including entering into interest rate swap and treasury rate lock agreements. As of December 31, 2009 there were US$1.4 billion (notional value) in interest rate swaps outstanding (US$1.5 billion at December 31, 2008) and approximately 12% and 30% of our net debt portfolio was exposed to interest rate fluctuations at the end of 2009 and 2008, respectively. The interest rate swaps outstanding at the end of 2009 begin to expire in June 2010, as further described in the interest rate swap section that follows.

Taking into consideration interest rate swaps outstanding at December 31, 2009, the following demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax expense and equity associated with our floating rate debt over the next year:

	Increase (decrease) in basis points	Effect on income before income tax expense (€000s)	Effect on equity (€000s)
2009	10	(290)	2,077
	(10)	290	(2,069)
2008	10	(725)	3,130
	(10)	725	(3,225)

Foreign currency exchange rate risk

As a result of significant operations worldwide, our consolidated statement of financial position can be affected significantly by movements in exchange rates due to the translation of foreign currency balance sheet accounts into euro balance sheet accounts. We also have transactional currency exposures arising from current and anticipated transactions denominated in currencies other than our functional currency, which is the euro. Translation amounts in other reserves (Note 20) in our consolidated statements of financial position are derived primarily from our US dollar functional currency subsidiaries.

We seek to manage our foreign exchange risk by securing payment from our customers in euros, by sharing risk with our customers, by utilizing foreign currency borrowings, by leading and lagging receipts and payments, and by entering into foreign currency exchange and option contracts. In addition, a significant portion of the costs attributable to our foreign currency revenues are payable in the local currencies. In limited circumstances, but whenever possible, we negotiate clauses into our contracts that allow for price adjustments should a material change in foreign exchange rates occur.

From time to time, we enter into foreign currency exchange and option contracts to reduce the exposure associated with certain firm commitments, variable service revenues, and certain assets and liabilities denominated in foreign currencies, but we do not engage in foreign currency speculation. These contracts generally have maturities of 12 months or less and are regularly renewed to provide continuing coverage throughout the year. It is our policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. Financial risk management objectives and policies (continued)

As of December 31, 2009, we had contracts for the sale of approximately US$353.2 million of foreign currency (primarily euro, Swedish krona, British pounds, Colombian pesos, and Czech koruna) and the purchase of approximately US$183.9 million of foreign currency (primarily euro, Swedish krona, British pounds, Polish zlotys and Canadian dollars).

As of December 31, 2008, we had contracts for the sale of approximately US$58.4 million of foreign currency (primarily British pounds, Danish krona, Czech koruna, and Swiss francs) and the purchase of approximately US$192.7 million of foreign currency (primarily euro, Polish zlotys, British pounds, and Canadian dollars).

The following demonstrates the sensitivity to a reasonably possible change in the euro to US dollar exchange rate, with all other variables held constant, of the Group's income before income tax expense and equity associated with our foreign currency denominated receivables and payables and foreign currency forward contracts over the next year:

	Increase (decrease) in exchange rate	Effect on income before income tax expense (€000s)	Effect on equity (€000s)
2009	10%	9,500	227,180
	(10%)	(9,500)	(227,180)
2008	10%	13,900	204,000
	(10%)	(13,900)	(232,000)

Commodity price risk
Our exposure to commodity price changes is not considered material and is managed through our procurement and sales practices.

Hedging activities and derivatives

Derivatives not designated as hedging instruments

The Group uses forward foreign currency contracts to manage some of its transaction exposures and future foreign currency net cash flows that the Group expects to generate through its operations. These forward foreign currency contracts are not designated as cash flow, fair value, or net investment hedges and are typically matched with current transactions or forecasted foreign currency transactions to be derived from operations. The aggregate fair value of the contracts at December 31, 2009 and 2008 was (€0.1) million and €2.4 million, respectively.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. Financial risk management objectives and policies (continued)

Cash flow hedges

Foreign exchange contracts
At December 31, 2009 and 2008, the Group held forward currency contracts designated as hedges of future foreign currency net cash flows that the Group expects to generate through its operations. The terms of the currency contracts are typically matched with the forecasted foreign currency transactions to be derived from operations up to a period of 12 months. At December 31, 2009 and December 31, 2008, the aggregate fair value of these contracts was not material.

Interest rate swaps
At December 31, 2009, the Group held US$1.4 billion notional amount of interest rate swaps ("swaps"), with an aggregate fair value of (€52.2) million ((US$75.2) million at the December 31, 2009 exchange rate), which were designated as hedges of floating interest rates on the GTECH Senior Credit Facilities. These swaps effectively convert US$1.4 billion of the GTECH Senior Credit Facilities' variable interest rate debt to fixed rate debt. Under the terms of these swaps, the Group is required to make fixed interest payments based on rates ranging between 2.89% and 5.02% and receives variable interest payments from its counterparties based on three-month Libor with settlement occurring quarterly. During 2009, we recorded an unrealized loss to equity of €13.1 million, net of €7.7 million of income tax benefit, principally associated with these swaps.

The contractual maturities of the notional amount of these swaps are as follows (US dollars in thousands):

Maturity Date	Notional Amount
June 30, 2010	51,740
December 31, 2010	51,740
June 30, 2011	51,740
December 31, 2011	51,740
March 31, 2012	1,174,284
	1,381,244

At December 31, 2008, the Group held US$1.5 billion notional amount of interest rate swaps ("swaps"), with an aggregate fair value of (€73.4) million ((US$102.1) million at the December 31, 2008 exchange rate), which were designated as hedges of floating interest rates on the GTECH Senior Credit Facilities. These swaps effectively convert US$1.5 billion of the GTECH Senior Credit Facilities' variable interest rate debt to fixed rate debt. Under the terms of these swaps, the Group is required to make fixed interest payments based on rates ranging between 2.89% and 5.02% and receives variable interest payments from its counterparties based on three-month Libor with settlement occurring quarterly. During 2008, we recorded an unrealized loss to equity of €39.9 million, net of €22.7 million of income tax benefit, principally associated with these swaps.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. Financial risk management objectives and policies (continued)

The contractual maturities of the notional amount of these swaps are as follows (US dollars in thousands):

Maturity Date	Notional Amount
June 30, 2009	44,348
December 31, 2009	44,348
June 30, 2010	51,740
December 31, 2010	51,740
June 30, 2011	51,740
December 31, 2011	51,740
June 30, 2012	1,174,284
	1,469,940

Fair value hedges
At December 31, 2009, the Group held €100 million notional amount of interest rate swaps ("swaps") with an aggregate fair value of (€0.7) million, which were designated as hedges of fixed interest rates on the €750 million of senior notes due 2016 (the "Notes"). These swaps effectively convert €100 million of the Notes fixed interest rate debt to variable rate debt. Under the terms of these swaps, the Group is required to make variable rate interest payments based on a 6 month floating Euribor plus a flat spread rate, collectively ranging between 3.263% and 3.276% as of December 31, 2009, and receives fixed interest payments from its counterparties based on a fixed rate of 5.375%. The Euribor rate resets on a semi-annual basis, but settlement occurs annually. Because these swaps convert fixed rate debt to variable rate debt they are considered fair value hedges. With fair value hedges, both the swaps and the hedged item (the Notes) are recorded at fair value, with the offset being recorded in interest expense. During 2009, we recorded a swap unrealized loss of €0.7 million with an offsetting debt unrealized gain of €0.9 million, with the difference of €0.2 million recorded as a reduction to interest expense.

The Group did not have any fair value hedges as of December 31, 2008.

Hedges of a net investment in a foreign operation
At December 31, 2009, the Group held SEK 1.0 billion (€96.9 million at the December 31, 2009 exchange rate) of foreign currency forward contracts, with an aggregate fair value of (€1.1) million, designated as a hedge against the net investment in Boss Media. During 2009, (€0.9) million of ineffectiveness arising from this hedge was recognized in foreign exchange gain (loss), net in our consolidated income statement.

At December 31, 2008, the Group held €100.0 million of foreign currency forward contracts, with an aggregate fair value of €1.3 million, designated as a hedge against the net investment in Boss Media. During 2008, no ineffectiveness has been recognized in our consolidated income statement from this hedge.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. Financial risk management objectives and policies (continued)

Capital management
The primary goal of the Group's capital management strategy is to ensure strong credit ratings and healthy financial ratios in order to support its business while maximizing corporate value and reducing the Group's financial risks. We consider all equity and debt to be managed capital of the Group.

The Group manages its capital structure and makes adjustments based on long term strategy decisions in light of changes in economic conditions. Additionally, the Group seeks to preserve an optimal weighted average cost of capital and maintain sufficient financial flexibility to pursue growth opportunities. There were no changes in the objectives, policies, or processes during the years ended December 31, 2009 and 2008.

42. Supplemental cash flow information

Non-cash investing and financing activities are excluded from the consolidated statement of cash flows and are summarized as follows:

	December 31,	
(thousands of euros)	2009	2008
Non-cash purchase price costs related to acquisition activity	15,110	86,229
	15,110	86,229

See Note 6 for detailed information on 2009 and 2008 acquisition activity.

43. Events after the reporting period

Instant Lotteries Tender Appeal
As discussed in Note 39, AAMS issued a tender in August 2009 for a new nine-year Scratch & Win license to operate the national instant lotteries in Italy. Sisal requested and was granted an annulment of the tender before the TAR of Lazio. AAMS and Consorzio Lotterie Nazionali filed an appeal before the Supreme Administrative Court requesting an annulment of the decision by the TAR of Lazio. Sisal filed its own appeal asking for a referral to the European Court of Justice.

After a hearing held on March 9, 2010, the State Council accepted the appeal submitted by AAMS and by Consorzio Lotterie Nazionali and a portion of the appeal submitted by Sisal, and ruled that Article 21, Paragraph 5 of the law 102/2009 regulating the tender, as well as the clauses of the tender reflecting such article, are not applicable. Paragraph 5 of said law is related to the interim period during which Consorzio Lotterie Nazionali would continue to manage the existing instant lotteries through January 2012.

On March 30, 2010, AAMS issued a decree to reopen the prior public tender for the new Scratch & Win concession and to remove from that tender the clauses which the State Council had found to be inapplicable in its March 9, 2010 ruling. AAMS set a date of May 10, 2010 for submission of bids to participate in the reopened tender.

Medstroms AB Put/Call
As described in Notes 6 and 40, GGSC has an 87.454% interest in GEMed and GGSC has the option, which it may exercise between April 1, 2010 and June 30, 2010 to require Medströms to sell its 12.546% interest in GEMed to GGSC and Medströms has an identical put right.

On April 1, 2010, Medströms exercised its put right and on April 12, 2010, GGSC paid Medstrom SEK 200 million (€20.5 million at the transaction date) for the remaining 12.546% interest in GEMed.

DOCUMENT REDACTED BY TLC - 12-4-10

AUDIT FIRM FEES

(thousands of euros)	2009 fees provided to:	
Service description	**Audit Firm of the Parent Company**	**Audit Firm's Network of the Parent Company**
Audit services	331	2,170
International statutory audit fees	-	610
Other services:		
- Agreed upon procedures	745	-
- Accounting consultations	-	215
Total	**1,076**	**2,995**

DOCUMENT REDACTED BY TLC - 12-4-10

Lottomatica Group S.p.A

Summary Schedule of Essential Data of Consolidated Companies pursuant to Article 2429 of Italian Civil Code

	Thousands of euros			Percentage		
Name	**Revenue**	**Net Income**	**Assets**	**Revenue**	**Net Income**	**Assets**
Aitken Spence GTECH (Private) Limited	-	(35)	29	0.0%	0.0%	0.0%
Anguilla Lottery and Gaming Company Limited	251	(132)	146	0.0%	-0.1%	0.0%
Antigua Lottery Company Limited	473	(193)	246	0.0%	-0.2%	0.0%
Atronic Americas, LLC	25,251	(7,177)	12,090	1.0%	-7.5%	0.1%
Atronic Argentina, S.R.L.	598	(94)	537	0.0%	-0.1%	0.0%
Atronic Asia Limited	-	-	-	0.0%	0.0%	0.0%
Atronic Australia Pty. Ltd.	-	69	18	0.0%	0.1%	0.0%
Atronic Australien GmbH	-	194	2	0.0%	0.2%	0.0%
Atronic Austria GmbH	40,317	(367)	21,255	1.7%	-0.4%	0.2%
Atronic Austria Holding AG	-	(229)	11,266	0.0%	-0.2%	0.1%
Atronic International GmbH	45,696	(16,176)	102,382	1.9%	-16.9%	0.8%
Atronic Nevada, LLC	3,685	1,227	4,609	0.2%	1.3%	0.0%
Atronic Peru S.A.	2,649	(91)	3,881	0.1%	-0.1%	0.0%
Atronic Russia o.o.o.	497	(1,068)	567	0.0%	-1.1%	0.0%
Atronic Systems B.V.	191	(6,445)	10,016	0.0%	-6.7%	0.1%
Atronic Systems GmbH	22,354	1,794	9,512	0.9%	1.9%	0.1%
Atronic Systems S.A.M.	5,926	(7)	2,617	0.2%	0.0%	0.0%
Atronic Systems, Inc.	-	2	70	0.0%	0.0%	0.0%
Beijing GTECH Computer Technology Company Limited	699	10	129	0.0%	0.0%	0.0%
BillBird S.A.	14,970	1,597	13,704	0.6%	1.7%	0.1%
Boss Casinos N.V.	3,539	19	588	0.1%	0.0%	0.0%
Boss Holdings Ltd.	970	1,415	1,053	0.0%	1.5%	0.0%

DOCUMENT REDACTED BY TLC - 12-4-10

Lottomatica Group S.p.A

Summary Schedule of Essential Data of Consolidated Companies pursuant to Article 2429 of Italian Civil Code

Name	Thousands of euros			Percentage		
	Revenue	Net Income	Assets	Revenue	Net Income	Assets
Boss Media AB	34,337	2,854	31,641	1.4%	3.0%	0.2%
Boss Media Antigua Ltd.	25	(3)	7	0.0%	0.0%	0.0%
Boss Media Investments AB	-	-	81	0.0%	0.0%	0.0%
Boss Media Malta Casino Ltd.	3,880	101	2,796	0.2%	0.1%	0.0%
Boss Media Malta Poker Ltd.	9,792	268	10,085	0.4%	0.3%	0.1%
CAM Galaxy Group Ltd.	2	-	159	0.0%	0.0%	0.0%
Caribbean Lottery Services, Inc.	2,052	(341)	740	0.1%	-0.4%	0.0%
Cartalis Imel S.p.A.	2,641	(2,382)	24,321	0.1%	-2.5%	0.2%
CLS-GTECH Australia Pty Ltd.	-	-	-	0.0%	0.0%	0.0%
CLS-GTECH Company Limited	123	(387)	6,093	0.0%	-0.4%	0.0%
CLS-GTECH Technology (Beijing) Co., Ltd.	-	-	-	0.0%	0.0%	0.0%
Consorzio Lotterie Nazionali	328,832	123,347	575,830	13.6%	128.5%	4.4%
Consorzio Lottomatica Giochi Sportivi	5	-	431	0.0%	0.0%	0.0%
Curacao Lottery Company, N.V.	-	-	-	0.0%	0.0%	0.0%
D&D Electronic and Software GmbH	-	-	-	0.0%	0.0%	0.0%
Data Transfer Systems, Inc.	-	(2)	-	0.0%	0.0%	0.0%
DataTrans Sp. z.o.o.	926	289	135	0.0%	0.3%	0.0%
Dreamport do Brasil Ltda.	-	6	216	0.0%	0.0%	0.0%
Dreamport Suffolk Corporation	-	-	2,173	0.0%	0.0%	0.0%
Dreamport, Inc.	-	-	5,591	0.0%	0.0%	0.0%
Dynamite Design & Marketing Limited	2,252	905	4,049	0.1%	0.9%	0.0%
East Luck Investments Limited	-	-	-	0.0%	0.0%	0.0%

DOCUMENT REDACTED BY TLC - 12-4-10

Lottomatica Group S.p.A

Summary Schedule of Essential Data of Consolidated Companies pursuant to Article 2429 of Italian Civil Code

Name	Thousands of euro			Percentage		
	Revenue	Net Income	Assets	Revenue	Net Income	Assets
Edrin Ltd.	-	-	19	0.0%	0.0%	0.0%
Europa Gestione S.r.l.	2,992	981	2,873	0.1%	1.0%	0.0%
Europrint (Games) Limited	2,442	125	222	0.1%	0.1%	0.0%
Europrint Holdings Limited	33	263	3,051	0.0%	0.3%	0.0%
Europrint Promotions Limited	1,370	102	561	0.1%	0.1%	0.0%
Finsoft Limited	18,981	956	11,116	0.8%	1.0%	0.1%
GEMed AB	522	(1,321)	154,221	0.0%	-1.4%	1.2%
GTECH Corporation	701,311	(171,742)	1,916,684	29.0%	-179.0%	14.6%
GTECH Asia Corporation	-	17	9,283	0.0%	0.0%	0.1%
GTECH Australasia Corporation	5,021	763	11,695	0.2%	0.8%	0.1%
GTECH Avrasya Teknik Hizmetler Ve Musavirlik A.S.	4,297	71	703	0.2%	0.1%	0.0%
GTECH Brasil Ltda.	558	(2,114)	20,144	0.0%	-2.2%	0.2%
GTECH Colombia Ltda.	12,580	1,416	15,764	0.5%	1.5%	0.1%
GTECH Computer Systems Sdn Bhd	-	-	33	0.0%	0.0%	0.0%
GTECH Comunicaciones Colombia Ltda.	1,146	(10)	558	0.0%	0.0%	0.0%
GTECH Corporation (Utah)	-	-	-	0.0%	0.0%	0.0%
GTECH Cote D'Ivoire	-	-	2	0.0%	0.0%	0.0%
GTECH Czech Republic LLC	4,875	738	5,426	0.2%	0.8%	0.0%
GTECH Czech Services s.r.o.	36	3	59	0.0%	0.0%	0.0%
GTECH Espana Corporation	-	-	-	0.0%	0.0%	0.0%
GTECH Europe	-	1	421	0.0%	0.0%	0.0%
GTECH Far East Pte Ltd	3,905	953	3,589	0.2%	1.0%	0.0%

DOCUMENT REDACTED BY TLC - 12-4-10

Lottomatica Group S.p.A

Summary Schedule of Essential Data of Consolidated Companies pursuant to Article 2429 of Italian Civil Code

Name	Thousands of euros			Percentage		
	Revenue	Net Income	Assets	Revenue	Net Income	Assets
GTECH Foreign Holdings Corporation	30,997	1,614	51,330	1.3%	1.7%	0.4%
GTECH France SARL	681	49	511	0.0%	0.1%	0.0%
GTECH German Holdings Corporation Gmbh	-	-	129,500	0.0%	0.0%	1.0%
GTECH Global Lottery S.L.U.	7,111	621	2,508	0.3%	0.6%	0.0%
GTECH Global Services Corporation Limited	233,425	34,275	491,996	9.6%	35.7%	3.7%
GTECH GmbH	2,065	107	2,722	0.1%	0.1%	0.0%
GTECH Holdings Corporation	-	-	2,683,167	0.0%	0.0%	20.4%
GTECH Ireland Operations Limited	12,594	4,704	6,313	0.5%	4.9%	0.0%
GTECH Lanka (Private) Limited	-	(64)	1,093	0.0%	-0.1%	0.0%
GTECH Latin America Corporation	10,631	4,746	4,149	0.4%	4.9%	0.0%
GTECH Management P.I. Corporation	-	-	93	0.0%	0.0%	0.0%
GTECH Mexico S.A. de C.V.	-	(184)	2,868	0.0%	-0.2%	0.0%
GTECH Northern Europe Corporation	1,830	124	1,752	0.1%	0.1%	0.0%
GTECH Polska Sp. z o.o.	44,219	8,518	31,697	1.8%	8.9%	0.2%
GTECH Printing Corporation	10,813	(7,604)	37,210	0.4%	-7.9%	0.3%
GTECH Rhode Island Corporation	47,325	22,102	900,882	2.0%	23.0%	6.9%
GTECH Slovakia Corporation	5,958	235	588	0.2%	0.2%	0.0%
GTECH Southern Africa (Propietary) Limited	-	125	1,026	0.0%	0.1%	0.0%
GTECH Sports Betting Solutions Limited	-	369	62,449	0.0%	0.4%	0.5%
GTECH Sweden AB	1,561	145	476	0.1%	0.2%	0.0%
GTECH U.K. Limited	14,298	1,008	3,078	0.6%	1.1%	0.0%
GTECH Ukraine	240	359	86	0.0%	0.4%	0.0%

DOCUMENT REDACTED BY TLC - 12-4-10

Lottomatica Group S.p.A

Summary Schedule of Essential Data of Consolidated Companies pursuant to Article 2429 of Italian Civil Code

Name	Thousands of euros			Percentage		
	Revenue	Net Income	Assets	Revenue	Net Income	Assets
GTECH WaterPlace Park Company, LLC	-	-	-	0.0%	0.0%	0.0%
GTECH West Africa Lottery Limited	16	(420)	2,990	0.0%	-0.4%	0.0%
GTECH West Greenwich Technology Associates GP, LLC	-	-	1,016	0.0%	0.0%	0.0%
GTECH Worldwide Services Corporation	798	(200)	-	0.0%	-0.2%	0.0%
Innoka Oy	-	12	379	0.0%	0.0%	0.0%
Interactive Games International Limited	1,023	134	166	0.0%	0.1%	0.0%
International Poker Network Ltd.	994	595	1,176	0.0%	0.6%	0.0%
Invest Games S.A.	-	871	2,689,459	0.0%	0.9%	20.5%
JSJ Ltd.	4	2	338	0.0%	0.0%	0.0%
Labet S.r.l.	7,918	(2,818)	26,617	0.3%	-2.9%	0.2%
Leeward Islands Lottery Holding Company, Inc.	1,767	(948)	19,080	0.1%	-1.0%	0.1%
Lis Finanziaria S.p.A.	21,838	2,972	137,524	0.9%	3.1%	1.0%
Lottery Equipment Company	-	-	323	0.0%	0.0%	0.0%
Lottomatica Bingo S.r.l.	-	24	1,689	0.0%	0.0%	0.0%
Lottomatica International Hungary	-	50,845	860,047	0.0%	53.0%	6.5%
Lottomatica International S.r.l.	-	23,673	620,371	0.0%	24.7%	4.7%
Lottomatica Italia Servizi S.p.A.	49,452	10,561	282,590	2.0%	11.0%	2.1%
Lottomatica Scommesse S.r.l.	195,838	9,222	224,949	8.1%	9.6%	1.7%
Lottomatica Sistemi S.p.A.	22,244	(1,520)	37,291	0.9%	-1.6%	0.3%
Lottomatica Videolot Rete S.p.A.	160,690	15,648	334,557	6.6%	16.3%	2.5%
Loxley GTECH Technology Co., Ltd.	-	(515)	19,778	0.0%	-0.5%	0.2%
LS Alpha S.r.l.	7,770	(1,128)	10,253	0.3%	-1.2%	0.1%

DOCUMENT REDACTED BY TLC - 12-4-10

Lottomatica Group S.p.A

Summary Schedule of Essential Data of Consolidated Companies pursuant to Article 2429 of Italian Civil Code

Name	Thousands of euros			Percentage		
	Revenue	Net Income	Assets	Revenue	Net Income	Assets
MIS International France SAS	-	-	-	0.0%	0.0%	0.0%
On-Line Lottery License and Lease B.V.	1,561	185	786	0.1%	0.2%	0.0%
Online Transaction Technologies SARL a Associe Unique	9,579	956	6,533	0.4%	1.0%	0.0%
Oy GTECH Finland Ab	7,825	996	3,248	0.3%	1.0%	0.0%
PCC Giochi e Servizi S.p.A.	10,455	989	27,859	0.4%	1.0%	0.2%
Prodigal Lottery Services, N.V.	699	(93)	344	0.0%	-0.1%	0.0%
Retail Display and Service Handlers, LLC	34	34	86	0.0%	0.0%	0.0%
SB Industria e Comércio Ltda.	-	286	1,450	0.0%	0.3%	0.0%
SED Multitel S.r.l.	39,349	5,687	32,401	1.6%	5.9%	0.2%
Siam GTECH Company Limited	299	26	126	0.0%	0.0%	0.0%
Spielo Manufacturing ULC	50,469	(27,187)	182,413	2.1%	-28.3%	1.4%
Spielo USA Incorporated	7,100	(4,475)	2,330	0.3%	-4.7%	0.0%
Springboard Technologies Private Limited	1,330	103	285	0.1%	0.1%	0.0%
St. Enodoc Holdings Limited	-	-	3,564	0.0%	0.0%	0.0%
St. Kitts and Nevis Lottery Company, Limited	557	(124)	273	0.0%	-0.1%	0.0%
St. Minver (UK) Limited	1,885	120	188	0.1%	0.1%	0.0%
St. Minver Limited	19,512	1,526	10,675	0.8%	1.6%	0.1%
Technology Risk Management Services, Inc.	-	258	4,037	0.0%	0.3%	0.0%
Toto Carovigno S.p.A.	23,137	1,498	35,165	1.0%	1.6%	0.3%
Totobit Informatica Software E Sistemi S.p.A.	34,899	4,943	113,958	1.4%	5.2%	0.9%
Tranco Investment Limited	-	-	-	0.0%	0.0%	0.0%
TTS S.r.l.	3,136	(114)	1,017	0.1%	-0.1%	0.0%

DOCUMENT REDACTED BY TLC - 12-4-10

Lottomatica Group S.p.A

Summary Schedule of Essential Data of Consolidated Companies pursuant to Article 2429 of Italian Civil Code

Name	Thousands of euros			Percentage		
	Revenue	Net Income	Assets	Revenue	Net Income	Assets
Tulipano S.r.l.	200	6	355	0.0%	0.0%	0.0%
Turks and Caicos Lottery Company Ltd.	1,606	1,585	1	0.1%	1.7%	0.0%
UTE Logista - GTECH	-	(644)	1,362	0.0%	-0.7%	0.0%
WebDollar AB	1,569	1,234	16,423	0.1%	1.3%	0.1%
West Greenwich Technology Associates, L.P.	-	(265)	2,899	0.0%	-0.3%	0.0%

DOCUMENT REDACTED BY TLC - 12-4-10

Additional Disclosures Pursuant to Specific Italian Requirements

DOCUMENT REDACTED BY TLC - 12-4-10

EXHIBIT 3C-*ter*

Certification of the consolidated annual financial statements, pursuant to Article 81-*ter* of the CONSOB Regulations no. 11971 of May 14, 1999 with any following amendments

1. The undersigned, Marco Sala, Managing Director and Chief Executive Officer, and Stefano Bortoli, Chief Financial Officer and Manager in charge of preparing corporate reports and financial documents of Lottomatica Group S.p.A., also taking into account Article 154-*bis*, Section 3 and 4 of the Legislative Decree no. 58 of February 24, 1998, certify:

- the adequacy – with respect to the characteristic of Lottomatica, and;
- the effective application,

of the administrative and accounting procedures relating to the preparation of the consolidated annual financial statements throughout the year ended December 31, 2009.

2. With reference to the above, no material issues were identified.

3. It is further certified that:

3.1 The consolidated annual financial statements:

a. are prepared in accordance to the applicable international financial reporting standards admitted by the European Community pursuant to European Regulation (CE) no. 1606/2002 of July 19, 2002, of the European Parliament and Council;
b. correspond to the accounting books and entries; and
c. are suitable to offer truthful and accurate representations of the assets, financial position and result of operations of Lottomatica and of the Group consolidated entities.

3.2 The Operating and Financial Review contains a reliable analysis of the ongoing business and results, as well as of the status of Lottomatica and of the Group consolidated entities, jointly with a description of the main risks and uncertainties to which they are exposed.

Date: April ____, 2010

Managing Director and CEO

.....
Marco Sala

CFO and Manager in charge of preparing corporate reports and financial documents

.....
Stefano Bortoli

DOCUMENT REDACTED BY TLC - 12-4-10

Lottomatica Group and Subsidiaries

DOCUMENT REDACTED BY TLC - 12-4-10

List of Lottomatica Group S.p.A. Subsidiaries and Affiliates				
Name	**Jurisdiction**	**Share Capital***	**Ownership %**	**Shareholder**
Consorzio Lotterie Nazionali	Italy	16,000	63	Lottomatica Group
Lottomatica Italia Servizi S.p.A.	Italy	2,582	100	Lottomatica Group
Lottomatica Scommesse S.r.l.	Italy	20,000	100	Lottomatica Group
Lottomatica Videolot Rete S.p.A. (1)	Italy	3,226	100	Lottomatica Group
SED Multitel S.r.l.	Italy	800	100	Lottomatica Group
Lottomatica Sistemi S.p.A. (11)	Italy	5,165	100	Lottomatica Group
Lottomatica International S.r.l. (11)	Italy	100	100	Lottomatica Group
Atronic Americas LLC (2)	Nevada, USA	13.3	100	Lottomatica Group
Atronic Australien GmbH (2)	Germany	1,120	100	Lottomatica Group
GTECH German Holdings Corporation GmbH (2)	Germany	25	100	Lottomatica Group
Spielo USA Incorporated (2)	Delaware, USA	75	100	Lottomatica Group
Spielo Manufacturing ULC (2)	Nova Scotia, Canada	278,498	100	Lottomatica Group
Banca ITB S.p.A. (già IT Bank S.p.A.)****	Italy	25,120	13.33	Lottomatica Group
Neurosoft S.A.****	UK	2,100	5	Lottomatica Group
Totobit Informatica Software e Sistemi S.p.A.	Italy	3,043	100	Lottomatica Italia Servizi
CartaLIS IMEL S.p.A.	Italy	10,000	85	Lottomatica Italia Servizi
Toto Carovigno S.p.A.	Italy	500	100	Lottomatica Scommesse
Lottomatica Bingo S.r.l.	Italy	50	100	Lottomatica Scommesse
L.S. Alpha S.r.l.	Italy	118	95	Lottomatica Scommesse
LABET S.r.l. (3)	Italy	100	100	Lottomatica Scommesse

DOCUMENT REDACTED BY TLC - 12-4-10

List of Lottomatica Group S.p.A. Subsidiaries and Affiliates				
Name	**Jurisdiction**	**Share Capital***	**Ownership %**	**Shareholder**
Edrin Ltd.	UK	19	100	Lottomatica Scommesse
Tulipano S.r.l. (4)	Italy	20	100	Lottomatica Videolot Rete
Europa Gestione S.r.l. (5)	Italy	50	100	Lottomatica Videolot Rete
Empoli Giochi S.r.l. (6) ***	Italy	100	100	Lottomatica Videolot Rete
PCC Giochi e Servizi S.p.A. (11)	Italy	21,000	100	Lottomatica Sistemi
LIS Finanziaria S.p.A.	Italy	1,000	100	Totobit Informatica
TTS S.r.l.	Italy	100	100	Totobit Informatica
Easy Nolo S.p.A.****	Italy	1,900	10	Totobit Informatica
Atronic Nevada, LLC (2)	Nevada, USA	10	100	Atronic Americas, LLC
Atronic Australia Pty Ltd. (2)	Australia	2,000	100	Atronic Australien GmbH
Atronic International GmbH (2)	Germany	302	100	GTECH German Holdings Corporation GmbH
Atronic Austria Holding AG (7)	Austria	300	100	Atronic International GmbH
D&D Electronic & Software GmbH (2)	Germany	26	50	Atronic International GmbH
Atronic Argentina S.r.l.	Argentina	30	80	Atronic International GmbH
Atronic Peru S.A. (2)	Peru	**	98	Atronic International GmbH
Atronic Systems B.V. (2)	Netherland	18	100	Atronic International GmbH
Atronic Russia o.o.o. (2)	Russia	3,018.20	50	Atronic Austria Holding AG
Atronic Austria GmbH (2)	Austria	300	100	Atronic Austria Holding AG
Atronic Asia Limited (2)	China	10	100	Atronic Austria Holding AG
MIS International France SAS (2)	France	40	100	Atronic Systems B.V.
Atronic Systems S.A.M. (2)	Monaco	150	98	Atronic Systems B.V.

DOCUMENT REDACTED BY TLC - 12-4-10

List of Lottomatica Group S.p.A. Subsidiaries and Affiliates				
Name	**Jurisdiction**	**Share Capital***	**Ownership %**	**Shareholder**
Atronic Systems Inc. (2)	Nevada, USA	**	100	Atronic Systems B.V.
Atronic Systems GmbH (2)	Austria	36.4	100	Atronic Systems B.V.
Grips RSA (7)	South Africa	**	100	Atronic Systems GmbH
Consorzio Lottomatica Giochi Sportivi (8)	Italy	100	90	Lottomatica Group (85%); Totobit Informatica (5%)
Invest Games S.A. (9)	Lussemburgo	31,000	100	Lottomatica Group (65.27%); Lottomatica International Hungary (34.73%)
Lottomatica International Hungary *Korlátolt Felelősségű Társaság (KFT)* (11)	Hungary	1,250	100	Lottomatica International (80%); Lottomatica Group (20%)
GTECH Holdings Corporation (10)	Delaware, USA	2,755,881.481	100	Invest Games S.A.
GTECH Corporation	Delaware, USA	**	100	GTECH Holdings Corporation
Aitken Spence GTECH (Private) Limited	Sri Lanka	33,660	50	GTECH Global Services Corporation Limited
Anguilla Lottery and Gaming Company, Ltd.	Anguilla	10	100	Leeward Islands Lottery Holding Company, Inc.
Antigua Lottery Company, Ltd.	Antigua	**	100	Leeward Islands Lottery Holding Company, Inc.
Beijing GTECH Computer Technology Company Ltd.	China (PRC)	150	100	GTECH Foreign Holdings Corporation
BillBird S.A.	Poland	4,490.368	100	GTECH Global Services Corporation Limited
Boss Casinos N.V.	Curacao	67	100	Boss Media AB
Boss Media AB	Sweden	1,141.3	100	GEMed AB
Boss Media Antigua Ltd.	Antigua & Barbuda	77	100	Boss Media AB
Boss Holdings Ltd.	Malta	15	99.99	Boss Media AB

DOCUMENT REDACTED BY TLC - 12-4-10

List of Lottomatica Group S.p.A. Subsidiaries and Affiliates				
Name	**Jurisdiction**	**Share Capital***	**Ownership %**	**Shareholder**
Boss Media Investments AB	Sweden	100	100	Boss Media AB
Boss Media Malta Casino Ltd.	Malta	80	99.99	Boss Holdings Ltd.
Boss Media Malta Poker Ltd.	Malta	40	99.99	Boss Holdings Ltd.
CLS-GTECH Australia Pty Ltd. (12)	Australia	**	100	Tranco Investment Limited
CLS-GTECH Company Limited (12)	British Virgin Islands	30,000	50	GTECH Global Services Corporation Limited
CLS-GTECH Technology (Beijing) Co., Ltd. (12)	China (PRC)	2,700	100	CLS-GTECH Company Limited
Cam Galaxy Group Ltd.	United Kingdom	100	100	GTECH Corporation
Caribbean Lottery Services, Inc.	U.S. Virgin Islands	**	100	Leeward Islands Lottery Holding Company, Inc.
Curacao Lottery Company, N.V.	Netherlands Antilles	200	100	Leeward Islands Lottery Holding Company, Inc.
DataTrans Sp. z o.o.	Poland	50	100	GTECH Corporation (80%); GTECH Polska Sp. z o.o. (20%)
Data Transfer Systems, Inc.	Delaware, USA	**	100	GTECH Corporation
Dreamport, Inc.	Delaware, USA	**	100	GTECH Corporation
Dreamport do Brasil Ltda.	Brazil	3,434.133	100	Dreamport, Inc. (99.75%); GTECH Foreign Holdings Corporation (0.25%)
Dreamport Suffolk Corporation	Delaware, USA	**	100	GTECH Corporation
Dynamite Design & Marketing Limited	United Kingdom	**	100	Boss Media AB
East Luck Investments Limited (12)	British Virgin Islands	**	100	CLS-GTECH Company Limited
Europrint (Games) Ltd.	United Kingdom	20	100	Europrint Holdings Ltd.
Europrint Holdings Ltd.	United Kingdom	90.908	100	Cam Galaxy Group (40%); JSJ Ltd. (60%)
Europrint Promotions Ltd.	United Kingdom	**	100	Europrint Holdings Ltd.
Finsoft Limited	United Kingdom	1.172	100	GTECH Sports Betting Solutions Limited

DOCUMENT REDACTED BY TLC - 12-4-10

List of Lottomatica Group S.p.A. Subsidiaries and Affiliates				
Name	**Jurisdiction**	**Share Capital***	**Ownership %**	**Shareholder**
GEMed AB (20)	Sweden	100	87.45	GTECH Global Services Corporation Limited
GTECH Asia Corporation	Delaware, USA	**	100	GTECH Corporation
GTECH Australasia Corporation	Delaware, USA	**	100	GTECH Corporation
GTECH Avrasya Teknik Hizmetler Ve Musavirlik A.S. (17)	Turkey	280	99.6	On-Line Lottery License and Lease B.V.
GTECH Brasil Ltda.	Brazil	96,582.428	100	GTECH Corporation (99.75%); GTECH Foreign Holdings Corporation (0.25%)
GTECH Colombia Ltda.	Colombia	6,884,500	100	GTECH Global Services Corporation Limited (99.998%); GTECH Comunicaciones Colombia Ltda. (.007%); Alvaro Gomez Munoz (.007%) (Nominee share)
GTECH Comunicaciones Colombia Ltda.	Colombia	10,000	100	GTECH Foreign Holdings Corporation (99.99%); Alvaro Rivas (.01%) (Nominee share)
GTECH Computer Systems Sdn Bhd	Malaysia	**	100	GTECH Corporation
GTECH Corporation	Utah, USA	**	100	GTECH Corporation
GTECH Cote d'Ivoire	Ivory Coast	1,000	100	GTECH Foreign Holdings Corporation
GTECH Czech Services s.r.o.	Czech Republic	1,000	100	GTECH Global Services Corporation Limited (98%); GTECH Ireland Operations Limited (2%)
GTECH Czech Republic, LLC (18)	Delaware, USA	100	25	GTECH Corporation (25%)
GTECH Espana Corporation	Delaware, USA	**	100	GTECH Corporation
GTECH Europe	Belgium	1,250	100	GTECH Corporation (99.9%); GTECH Foreign Holdings Corporation (.1%)
GTECH Far East Pte Ltd	Singapore	25	100	GTECH Global Services Corporation Limited
GTECH Foreign Holdings Corporation	Delaware, USA	**	100	GTECH Corporation

DOCUMENT REDACTED BY TLC - 12-4-10

List of Lottomatica Group S.p.A. Subsidiaries and Affiliates				
Name	**Jurisdiction**	**Share Capital***	**Ownership %**	**Shareholder**
GTECH France SARL	France	50	100	GTECH Foreign Holdings Corporation
GTECH GmbH	Germany	500	100	GTECH Global Services Corporation Limited
GTECH Global Lottery S.L.U. (16)	Spain	1,346	100	GTECH Global Services Corporation Limited
GTECH Global Services Corporation Limited (14)	Cyprus	458,881.574	100	GTECH Corporation
GTECH Ireland Operations Limited	Ireland	100	100	GTECH Global Services Corporation Limited
GTECH Lanka (Private) Ltd.	Sri Lanka	1,000,000	100	GTECH Global Services Corporation Limited (99.9%); GTECH Corporation (.1%)
GTECH Latin America Corporation	Delaware, USA	**	100	GTECH Corporation
GTECH Management P.I. Corporation	Delaware, USA	**	100	GTECH Corporation
GTECH Mexico S.A. de C.V	Mexico	50,000	100	GTECH Corporation (99.656696%); GTECH Foreign Holdings Corporation (0.343297%); GTECH Latin America Corporation (0.000007%)
GTECH Northern Europe Corporation	Delaware, USA	**	100	GTECH Corporation
GTECH Polska Sp.z o.o.	Poland	47,445	100	GTECH Global Services Corporation Limited
GTECH Printing Corporation	Delaware, USA	**	100	GTECH Corporation
GTECH Rhode Island Corporation	Rhode Island, USA	**	100	GTECH Corporation
GTECH Slovakia Corporation	Delaware, USA	**	100	GTECH Corporation
GTECH Southern Africa (Pty) Ltd.	South Africa	**	100	GTECH Corporation
GTECH Sports Betting Solutions Limited	United Kingdom	**	100	GTECH Global Services Corporation Limited
GTECH Sweden AB	Sweden	**	100	GTECH Global Services Corporation
GTECH U.K. Limited	United Kingdom	200	100	GTECH Corporation

DOCUMENT REDACTED BY TLC - 12-4-10

List of Lottomatica Group S.p.A. Subsidiaries and Affiliates				
Name	**Jurisdiction**	**Share Capital***	**Ownership %**	**Shareholder**
GTECH Ukraine	Ukraine	19,066.264	100	GTECH Asia Corporation (99%); GTECH Management P.I. Corporation (1%)
GTECH WaterPlace Park Company, LLC	Delaware, USA	**	100	GTECH Corporation
GTECH West Africa Lottery Limited	Nigeria	10,000	100	GTECH Global Services Corporation Limited (75%); GTECH Ireland Operations Limited (25%)
GTECH West Greenwich Technology Associates GP, LLC	Delaware, USA	**	100	GTECH Corporation
GTECH Worldwide Services Corporation	Delaware, USA	**	100	GTECH Corporation
Innoka Oy	Finland	20	81	GTECH Global Services Corporation Limited
Interactive Games International Ltd.	United Kingdom	**	100	Europrint Holdings Ltd.
International Poker Network Ltd.	Malta	40	99.99	Boss Holdings Ltd.
JSJ Ltd.	United Kingdom	690	100	GTECH Corporation
Leeward Islands Lottery Holding Company, Inc.	St. Kitts & Nevis	13,600.637	100	GTECH Global Services Corporation Limited
Lottery Equipment Company	Ukraine	87,747.8	100	GTECH Asia Corporation (99.994%); GTECH Management P.I. Corporation (.006%)
Loxley GTECH Technology Co., Ltd. (12)	Thailand	100,000	49	GTECH Global Services Corporation Limited (39%); GTECH Corporation (10%)
On-Line Lottery License and Lease B.V.	Netherlands	90	100	GTECH Corporation
Online Transaction Technologies SARL à Associé Unique (15)	Morocco	500	100	GTECH Foreign Holdings Corporation
Oy GTECH Finland Ab	Finland	8	100	GTECH Corporation
Prodigal Lottery Services, N.V.	Netherlands Antilles	10	100	Leeward Islands Lottery Holding Company, Inc.

DOCUMENT REDACTED BY TLC - 12-4-10

List of Lottomatica Group S.p.A. Subsidiaries and Affiliates				
Name	**Jurisdiction**	**Share Capital***	**Ownership %**	**Shareholder**
Retail Display and Service Handlers, LLC	Delaware, USA	**	100	GTECH Corporation
SB Indústria e Comércio Ltda.	Brazil	4,138.646	100	GTECH Corporation (99.99%); GTECH Foreign Holdings Corporation (0.01%)
Siam GTECH Company Limited	Thailand	2,000	99.97	GTECH Corporation
Springboard Technologies Private Limited	India	**	90	GTECH Global Services Corporation Limited
St. Enodoc Holdings Limited	Gibraltar	15.701	90	GTECH Global Services Corporation Limited
St. Endellion Limited (13)	Gibraltar	2	30	GTECH Global Services Corporation Limited
St. Kitts and Nevis Lottery Company, Ltd.	St. Kitts & Nevis	**	100	Leeward Islands Lottery Holding Company, Inc.
St. Minver Limited	Gibraltar	**	100	St. Enodoc Holdings Limited
St. Minver (UK) Limited	United Kingdom	**	100	St. Enodoc Holdings Limited
Taiwan Sport Lottery Corporation (13)	Republic of China	500,000	24.5	GTECH Global Services Corporation Limited
Technology Risk Management Services, Inc.	Delaware, USA	**	100	GTECH Corporation
Tranco Investment Limited (12)	Hong Kong	**	100	East Luck Investments Limited
Turks and Caicos Lottery Company Ltd.	Turks & Caicos	50	100	Leeward Islands Lottery Holding Company, Inc.
UTE Logista-GTECH (19)	Spain	2,000	50	GTECH Global Lottery S.L.U.
WebDollar AB	Sweden	100	100	Boss Media AB
West Greenwich Technology Associates, L.P.	Rhode Island, USA	**	100	GTECH Corporation (50%); GTECH West Greenwich Technology Associates GP, LLC (50%)

DOCUMENT REDACTED BY TLC - 12-4-10

NOTES

Unless otherwise noted, the consolidation method for all subsidiaries listed above is on a line-by-line basis.

* All Share Capital amounts are stated in local currency amounts and in thousands.
** Share Capital is less than €1,000.
*** Companies not consolidated and carried at cost.
**** Companies not consolidated.

(1) On December 11, 1009, Lottomatica Videolot Gestione S.p.A., Topolino Service S.r.l. and Royal Gold S.r.l. were merged into the parent company, Lottomatica Videolot Rete S.p.A.
(2) On July 1, 2009, Lottomatica Group S.p.A. acquired from GTECH 100% of Atronic Americas, LLC and its subsidiary, GTECH German Holding Corporation GmbH and its subsidiaries, Atronic Australien GmbH and its subsidiary, Spielo USA Incorporated and Spielo Manufacturing ULC.
(3) On June 25, 2009, Lottomatica Scommesse S.r.l. acquired 100% of LABET S.r.l.'s interest participation.
(4) On June 12, 2009, Lottomatica Videolot Rete S.p.A. acquired 100% of Tulipano S.r.l.'s interest participation from Euromatic S.r.l.
(5) On June 4, 2009, Lottomatica Videolot Rete S.p.A. acquired 100% of Europa Gestione S.r.l.'s interest participation from Eurobet.
(6) On December 29, 2009, Lottomatica Videolot Rete S.p.A. acquired 100% of Empoli Giochi S.r.l.'s interest participation from Novamatic Group S.r.l.
(7) On May 20, 2009, Grips Management GmbH was merged into Atronic Systems GmbH.
(8) In liquidation.
(9) As of September 16, 2009, Invest Games S.A. is owned by Lottomatica Group S.p.A. (65.27%) and Lottomatica International Hungary Kft (34.73%).
(10) As of September 16, 2009, GTECH Holdings Corporation is 100% owned by Invest Games S.A.
(11) Effective January 1, 2010, after the close of 2009, Lottomatica Sistemi S.p.A. and Lottomatica International S.r.l. were merged into Lottomatica Group S.p.A. As a result of such merger, Lottomatica Group S.p.A. is the sole shareholder of both PCC Giochi e Servizi S.p.A. and Lottomatica International Hungary *Korlátolt Felelősségű Társaság (KFT).*
(12) The Consolidation method is proportionate consolidation.
(13) Accounted for by the equity method of accounting.
(14) On July 5, 2009, GTECH Global Services Corporation Limited increased its share capital to US$458,881,574.
(15) Under decision of the sole shareholder dated October 9, 2009, the share capital of Online Transaction Technologies SARL was reduced to DH500,000.
(16) Under decision of the sole shareholder dated October 9, 2009, the share capital of GTECH Global Lottery, S.L. was increased to €1,346,000.
(17) On December 18, 2009, GTECH Avrasya Teknik Hismetler Ve Musavirlik amended its Articles of Association to adapt its share capital to the new Turkish monetary system.
(18) On January 13, 2010, after the close of 2009, GTECH Corporation acquired an additional 12,000 units of GTECH Czech Republic, LLC from Sazka, a.s., thereby increasing its percentage of ownership to 37%.
(19) The Compañia de Distribución Integral Logísta S.A.U. and GTECH Global Lottery S.L.U., Union Temporal de Empresas, Law 18/1982 of 26th May, Number 1 ("UTE Logísta-GTECH") is a Temporary Union of Entities formed under Spanish law. It was formed for the purposes of carrying out the obligations unde the Agreement with National Organisation for the Blind in Spain (ONCE) dated October 19, 2009.
(20) On April 12, 2010, after the close of 2009, GTECH Global Services Corporation Limited purchased the remaining 12.546% in GEMed AB from Medströms Invest AB, increasing its percentage of ownership to 100%.

DOCUMENT REDACTED BY TLC - 12-4-10

DOCUMENT REDACTED BY TLC - 12-4-10

2008 Lottomatica Annual Report

DOCUMENT REDACTED BY TLC - 12-4-10



Responsibly Driving Global Gaming

2008 ANNUAL REPORT

DOCUMENT REDACTED BY TLC - 12-4-10

TABLE OF CONTENTS

Page

Lottomatica S.p.A. Profile 3

Lottomatica Group 5

Operating and Financial Review 7

Significant Business Developments During 2008 24

Predictable Developments 25

Lottomatica Stock Information 26

Business Overview

- Lottomatica's Italian Lottery Businesses 28
- Lottomatica's Other Businesses 29
- GTECH's Business 30
- Significant Contract Developments During 2008 37
- Tables of Customer Contracts 40

Long Term Incentive Plans 51

Consolidated Financial Statements and Footnotes- December 31, 2008

- Balance Sheets 56
- Income Statements 57
- Cash Flow Statements 58
- Statements of Changes in Equity 59
- Notes to Financial Statements 60

Audit Firm Fees 169

Summary Schedule of Essential Data of Consolidated Companies Pursuant to Article 2429 of Italian Civil Code 170

Additional Disclosures Pursuant to Specific Italian Requirements 175

Compliance with the Conditions Set Forth by Sections 36 and 37 of CONSOB Resolution No. 16191 of October 29, 2007 176

Compliance Model Under Legislative Decree No. 231/01 177

DOCUMENT REDACTED BY TLC - 12-4-10

Regulatory Framework Reference 178

Processing of Personal Data 182

Receipts and Payments (Presidential Decree No. 560 of 9/16/1996 182

Certification Pursuant to Law 262 183

List of Subsidiaries 184

DOCUMENT REDACTED BY TLC - 12-4-10

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 December 31, 2008: € 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)

Chairman, Managing Director and C.E.O.	Mr. Lorenzo PELLICIOLI
Vice Chairman	Mr. Robert DEWEY Jr. *
Managing Director and General Manager	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)

Chairman	Mr. Sergio DUCA
Regular Members	Mr. Angelo GAVIANI Mr. Francesco MARTINELLI
Substitute Members	Mr. Gian Piero BALDUCCI Mr. Giulio GASLOLI Mr. Umile Sebastiano IACOVINO Mr. Guido MARTINELLI Mr. Marco SGUAZZINI VISCONTINI

DOCUMENT REDACTED BY TLC - 12-4-10

Independent Auditors	Reconta Ernst & Young S.p.A.
Members of the Executive Committee (2)	Mr. Lorenzo PELLICIOLI (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

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

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.

DOCUMENT REDACTED BY TLC - 12-4-10

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.

As further described in the Business Overview section of 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 226,700 terminals in about 97,200 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. 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 1,144 points of sale and 504 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. Lottomatica is also acquiring further points of sale in order to develop the Italian sports betting/interactive market, and as of December 31, 2008, 1,700 points of sale were acquired.

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 49,000 amusement with prize machines. GTECH completed its

DOCUMENT REDACTED BY TLC - 12-4-10

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, operates in the United States and is licensed in approximately 228 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 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 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 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; 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 has operations in more than 50 countries worldwide on six continents and has 7,496 employees, comprised of the following personnel:

COMPOSITION OF EMPLOYEES AS OF DECEMBER 31, 2008

Description	12/31/2008	2008 Average
Executives	398	373.5
Middle Management	933	906.6
All Other Permanent Employees	5,975	5,740.9
Employees with Temporary Employment Contracts	190	209.3
TOTAL	**7,496**	**7,230.3**

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

Lottomatica complies with the self-regulatory code of March 2006 issued by the Italian Stock Exchange. The report on the compliance with the above-mentioned code is available at Lottomatica's headquarters and on its website (www.gruppolottomatica.it).

DOCUMENT REDACTED BY TLC - 12-4-10

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.

As described earlier in this report, beginning in the second quarter ended June 30, 2008 after successfully completing acquisitions in the Interactive segment, 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.

Despite unexpected negative changes in the worldwide economic environment, the Group achieved growth in revenues and EBITDA due to the resiliency of the business and an international portfolio which constitutes a natural hedge against fluctuations. Given the backdrop of the world recession, the Group's 2008 performance was encouraging. Revenues were up 24%, net income rose by 30%, and earnings per share grew by 27%.

Revenues from lotteries continued on a steady growth trend. Contributions from Gaming Solutions and Sports Betting experienced an exponential increase, doubling and tripling, respectively, largely due to new programs in Italy as well as acquisitions by GTECH.

Strategic investments were made during 2008 to broaden the Group's geographical footprint, expand product offerings, and enter new delivery channels and market segments to help ensure sustainable performance. As envisioned in the Group's three year plan, during 2008, investments of €500 million were made in a diversification strategy that is expected to be a major driver in sustaining performance going forward.

The Italian market has continued to develop and has become one of the most advanced gaming markets in the world. Having achieved leading positions in every channel, from traditional retail to the latest internet wagering options, Lottomatica has consolidated its role as the leading gaming operator in the Italian market, capturing 41% of all wagers.

Lotto and scratch tickets continued their solid performance in 2008. The gaming machine market grew dramatically to become a significant contributor. In addition, sports betting and on-line poker were launched and are experiencing widespread player acceptance, becoming significant contributors as well in 2008.

In summary, Lottomatica achieved revenue growth in all segments at an overall growth rate of 25%.

In the traditional on-line lottery industry, GTECH maintained its market leadership position and experienced growth in same store revenue largely driven by international contracts.

Having made a €20 million investment in 2008 in a state-of-the-art printing press and facility which is planned to come on-line in the second quarter of 2009, GTECH is expected to become a leading provider of instant tickets, an industry segment that has not had significant competition for major contracts. Since entering the instant ticket printing business, GTECH has tripled its revenues.

DOCUMENT REDACTED BY TLC - 12-4-10

GTECH also established a leadership position in internet wagering, the fastest growing gaming market segment, by acquiring Finsoft, Boss Media and St. Minver, leading providers of sports-betting solutions, online bingo, poker, games and casino products and fully managed e-gaming services for a total investment of more than €260 million in this segment.

In the Gaming Solutions segment, we recorded non-cash impairment and other charges of €78 million in 2008, which has reduced operating income. While Spielo experienced substantial contract wins in 2008 in the government-sponsored machine gaming sector, further enhancing its market leadership, the US casino market has entered into a period of substantial contraction. Atronic America's operations, which were in the early stages of its entry into the US market, could not be sustained in the face of significantly diminishing demand. Accordingly, a decision was taken to curtail Atronic Americas' activities and fold them into Spielo's operations.

On the lottery side, an international customer encountered a sustained period of political instability that has prevented the lottery system deployed there from launching. While we have not fully lost confidence that the lottery system may go live in the near future, we recorded a non-cash impairment charge of €27 million in 2008, which has also reduced operating income.

Presented below are the Group's key performance indicators as of December 31, 2008 and 2007.

	For the year ended			
	December 31,		Increase (decrease)	
(thousands of euros)	2008	2007	€	%
Revenue	2,058,940	1,661,391	397,549	23.9
EBITDA	755,876	701,528	54,348	7.7
Operating income	339,995	394,923	(54,928)	(13.9)
EBIT	352,016	377,319	(25,303)	(6.7)
Net income	137,870	105,964	31,906	30.1
Diluted earnings per share	€ 0.62	€ 0.49	€ 0.13	26.5

DOCUMENT REDACTED BY TLC - 12-4-10

CONSOLIDATED REVENUE

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

	For the year ended			
	December 31,		Increase (decrease)	
(thousands of euros)	2008	2007	€	%
By Segment				
Lottery	1,550,105	1,418,480	131,625	9.3
Gaming Solutions	232,251	101,415	130,836	129.0
Sports Betting	144,726	40,136	104,590	>200.0
Commercial Services	83,508	96,897	(13,389)	(13.8)
Interactive	48,350	4,463	43,887	>200.0
Total revenue	2,058,940	1,661,391	397,549	23.9
By Legal Entity				
Lottomatica	1,022,634	821,641	200,993	24.5
GTECH	1,036,306	839,750	196,556	23.4
Total revenue	2,058,940	1,661,391	397,549	23.9

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.

DOCUMENT REDACTED BY TLC - 12-4-10

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:

	For the year ended			
	December 31,		Increase (decrease)	
(thousands of euros)	2008	2007	€	%
Operating income	339,995	394,923	(54,928)	(13.9)
Depreciation and amortization	311,556	273,319	38,237	14.0
Impairment losses	100,778	8,526	92,252	>200.0
Other	3,547	24,760	(21,213)	(85.7)
EBITDA	755,876	701,528	54,348	7.7
Operating income	339,995	394,923	(54,928)	(13.9)
Equity income (loss)	(1,825)	753	(2,578)	>200.0
Other income	6,193	18,705	(12,512)	(66.9)
Other expense	(2,699)	(3,357)	(658)	(19.6)
Foreign exchange gain (loss), net	10,352	(33,705)	44,057	130.7
EBIT	352,016	377,319	(25,303)	(6.7)

ACQUISITIONS

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.

DOCUMENT REDACTED BY TLC - 12-4-10

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. The public cash offer resulted in GEMed acquiring approximately 94% of the outstanding shares of Boss Media. Pursuant to Swedish law, on March 10, 2008 GTECH and Medströms AB commenced a process to compel the sale of the untendered shares, which was completed on September 8, 2008 for a total cost of €9.7 million.

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 approximately 82% of 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.

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 £9.2 million (€9.6 million at the December 31, 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.

Toto Carovigno S.p.A.

On August 29, 2008, Lottomatica acquired 100% of the shares of Toto Carovigno S.p.A., ("Toto Carovigno"), the owner of the Totosi sports-betting brand and the leading Italian online betting company concessionaire for sports and horse race betting, for a total cash purchase price of €35.8 million. In addition, a refundable payment of €4.4 million has been paid into escrow. The final purchase price will be determined after the results of certain procedures performed on the acquiree's statement of financial position as of the date of acquisition, which is currently underway.

Royal Gold

On December 5, 2008, Lottomatica acquired 100% of the shares of Royal Gold S.r.l., an Italian entity that owns and operates amusement with prize machines, for a purchase price of €21.4 million.

DOCUMENT REDACTED BY TLC - 12-4-10

COMPARISON OF 2008 WITH 2007

Consolidated revenue for 2008 increased 23.9% over 2007. Lottomatica's revenue increased 24.5% and GTECH's revenue increased 23.4%.

Lottomatica Revenue

Consolidated revenue for the year ended December 31, 2008 and 2007 includes the following amounts for Lottomatica:

	For the year ended December 31,		Increase (decrease)	
(thousands of euros)	2008	2007	€	%
Lotto	378,827	398,122	(19,295)	(4.8)
Instant tickets	323,789	277,775	46,014	16.6
Other	2,580	2,093	487	23.3
Lottery	705,196	677,990	27,206	4.0
Sports Betting	144,726	40,136	104,590	>200.0
Commercial Services	83,508	74,908	8,600	11.5
Gaming Solutions	89,204	28,607	60,597	>200.0
Total revenue	1,022,634	821,641	200,993	24.5

Lotto

Lotto revenue declined 4.8% primarily due to a corresponding decline in Lotto wagers as detailed in the table below.

	For the year ended December 31,		Increase (decrease)	
(millions of euros)	2008	2007	Wagers	%
Lotto wagers				
Core wagers	5,045.8	5,234.9	(189.1)	(3.6)
Wagers for late numbers	806.2	942.4	(136.2)	(14.5)
	5,852.0	6,177.3	(325.3)	(5.3)

DOCUMENT REDACTED BY TLC - 12-4-10

Instant tickets
Throughout 2008, the strong performance in instant ticket sales continued. Instant ticket revenue increased 16.6% over the same period last year primarily due to higher sales of Scratch and Win tickets as detailed in the table below. The €1.3 billion increase in instant ticket sales was driven by increased sales of lottery tickets across all price points.

	For the year ended December 31,		Increase (decrease)	
	2008	2007	Amount	%
Scratch & Win tickets				
Total tickets sold (in millions)	2,531.0	2,300.5	230.5	10.0
Total sales (in millions)	€ 9,177.7	€ 7,866.2	€ 1,311.5	16.7
Average price point	€ 3.63	€ 3.42	€ 0.21	6.0

Sports Betting
Sports betting revenue increased €104.6 million in 2008, a substantial increase over 2007 due to the strong performance of fixed odds sports-betting operations that commenced on August 19, 2007 (19% market share as of December 31, 2008) as detailed in the table below. As of December 31, 2008, 1,144 fixed odds sports-betting and 504 sports pool points of sale locations were operational.

	For the year ended December 31,		Increase (decrease)	
(millions of euros)	2008	2007	Wagers	%
Sports Betting wagers				
Fixed odds sports betting wagers	635.0	126.2	508.8	>200.0
Sports pool wagers	150.5	194.5	(44.0)	(22.6)
	785.5	320.7	464.8	144.9

Commercial Services
Revenue from Commercial Services in 2008 increased 11.5% over 2007 principally due to an increase in bill payment services, electronic top-up services for prepaid mobile, and ticketing services for sporting and musical events.

Gaming Solutions
Revenue from Gaming Solutions in 2008 increased substantially over 2007, driven primarily by the increased placement of amusement with prize machines (AWP machines), resulting in a €1.9 billion increase in wagers. Approximately 49,000 AWP machines were installed at the end of 2008 compared to approximately 32,000 installed at the end of 2007.

DOCUMENT REDACTED BY TLC - 12-4-10

GTECH Revenue

Consolidated revenue for the year ended December 31, 2008 and 2007 includes the following amounts for GTECH:

	For the year ended December 31,		Increase (decrease)	
(thousands of euros)	2008	2007	€	%
United States	417,605	436,008	(18,403)	(4.2)
International	277,577	261,875	15,702	6.0
Lottery	695,182	697,883	(2,701)	(0.4)
Gaming Solutions	56,721	35,200	21,521	61.1
Interactive	43,730	3,632	40,098	>200.0
Commercial Services	-	21,989	(21,989)	(100.0)
Service revenue	795,633	758,704	36,929	4.9
Product sales	240,673	81,046	159,627	197.0
Total revenue	1,036,306	839,750	196,556	23.4

Lottery

United States lottery service revenue declined 4.2% primarily due to the strengthening of the euro against the US dollar.

International lottery service revenue increased 6.0% primarily due to higher service revenues from an approximate 9% increase in sales by our international lottery customers, partially offset by rate changes.

Gaming Solutions

Gaming Solutions service revenue increased 61.1% principally due to the January 2008 acquisition of Atronic.

Interactive

Interactive service revenue increased substantially over the same period last year due to 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 €159.6 million higher in 2008 compared to 2007 principally due to €57.2 million of product sales from Atronic, along with the sale of a new lottery central system to our customer in Finland and the sale of 28,500 lottery terminals to our customer in the United Kingdom.

DOCUMENT REDACTED BY TLC - 12-4-10

Consolidated operating costs

(thousands of euros)	For the year ended December 31, 2008	2007	Increase (decrease) €	%
Raw materials, services and other costs	991,247	693,459	297,788	42.9
Personnel	410,513	369,295	41,218	11.2
Depreciation and amortization	311,556	273,319	38,237	14.0
Impairment losses	100,778	8,526	92,252	>200.0
Capitalization of internal construction costs - labor and overhead	(95,149)	(78,131)	(17,018)	(21.8)
Total operating costs	1,718,945	1,266,468	452,477	35.7
Percentage of total revenue	83.5%	76.2%		

Consolidated operating costs detailed by legal entity are as follows:

(thousands of euros)	For the year ended December 31, 2008	2007	Increase (decrease) €	%
Lottomatica	464,955	340,860	124,095	36.4
GTECH	526,292	352,599	173,693	49.3
Raw materials, services and other costs	991,247	693,459	297,788	42.9
Lottomatica	93,928	89,797	4,131	4.6
GTECH	316,585	279,498	37,087	13.3
Personnel	410,513	369,295	41,218	11.2
Lottomatica	64,164	54,666	9,498	17.4
GTECH	247,392	218,653	28,739	13.1
Depreciation and amortization	311,556	273,319	38,237	14.0
Lottomatica	20	1,282	(1,262)	(98.4)
GTECH	100,758	7,244	93,514	>200.0
Impairment losses	100,778	8,526	92,252	>200.0
Lottomatica	-	-	-	-
GTECH	(95,149)	(78,131)	(17,018)	(21.8)
Capitalization of internal construction costs	(95,149)	(78,131)	(17,018)	(21.8)
Lottomatica	623,067	486,605	136,462	28.0
GTECH	1,095,878	779,863	316,015	40.5
Total operating costs	1,718,945	1,266,468	452,477	35.7

DOCUMENT REDACTED BY TLC - 12-4-10

The €297.8 million increase in raw materials, services and other costs resulted from €124.1 million of higher costs incurred by Lottomatica along with €173.7 million of higher costs incurred by GTECH. The higher costs incurred by Lottomatica principally related to €67.6 million of variable costs associated with higher service revenue and €56.5 million of higher costs related to the substantial growth in revenue, principally in the Sports Betting and Gaming Solutions segments. Of this €56.5 million increase in costs, €30.4 million related to betting taxes which are a percentage of wagers, €15.7 million related to accounts receivable write-downs in the Gaming Solutions segment and €11.3 million relates to higher consulting costs. The higher costs incurred by GTECH principally related to the 2008 acquisitions of Atronic, Boss Media and St. Minver.

The €41.2 million increase in personnel resulted from €4.1 million of higher costs incurred by Lottomatica along with €37.1 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 2008 acquisitions of Atronic, Boss Media and St. Minver.

The €38.2 million increase in depreciation and amortization resulted from €9.5 million of higher costs incurred by Lottomatica along with €28.7 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 point of sales acquisitions and additional AWP machines installed during the year. The higher costs incurred by GTECH principally related to the 2008 acquisitions of Atronic, Boss Media and St. Minver.

As previously discussed, the €92.3 million increase in impairment losses relate to €74.0 million of goodwill and other impairment losses primarily related to Atronic America's operations in the Gaming Solutions segment and €26.8 million related to a lottery system we deployed for an international customer in the Lottery segment that has encountered a sustained period of political instability that has prevented the lottery system from launching.

The €95.1 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, 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 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 26% of the €95.1 million) are recovered as payments are received under product sale contracts. As of December 31, 2008, we collected €36.7 million of advance payments from customers, primarily related to product sale contracts, representing approximately 69% of our associated product sale inventory.

DOCUMENT REDACTED BY TLC - 12-4-10

Foreign exchange gain (loss), net

	For the year ended December 31,		Increase (decrease)	
(thousands of euros)	2008	2007	€	%
Realized foreign exchange losses	(5,984)	(1,867)	4,117	>200.0
Unrealized foreign exchange gains (losses)	16,336	(31,838)	(48,174)	(151.3)
	10,352	(33,705)	(44,057)	(130.7)

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 gains of €16.3 million incurred during 2008 includes €14.7 million of gains related to this loan due to fluctuations in the Polish zloty to US dollar exchange rate.

Unrealized foreign exchange losses of €31.8 million incurred during 2007 are principally comprised of non-cash losses associated with a US dollar denominated 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 effective 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

	For the year ended December 31,		Increase (decrease)	
(thousands of euros)	2008	2007	€	%
GTECH Senior Credit Facilities	(70,777)	(103,829)	(33,052)	(31.8)
Capital Securities	(64,403)	(64,530)	(127)	(0.2)
4.8% Bonds	(17,303)	(17,811)	(508)	(2.9)
Lottomatica Revolving Credit Facility	(6,961)	-	6,961	-
Atronic related debt	(5,904)	-	5,904	-
Lottomatica Term Loan Facility	(820)	-	820	-
Other	(11,387)	(7,646)	3,741	48.9
	(177,555)	(193,816)	(16,261)	(8.4)

Interest expense decreased €16.3 million principally due to lower interest rates in 2008 on the GTECH Senior Credit Facilities as compared to 2007, along with the strengthening of the euro against the US dollar, partially offset by interest expense on debt assumed in connection with 2008 investment activities.

DOCUMENT REDACTED BY TLC - 12-4-10

Weighted Average Diluted Shares
Weighted average diluted shares during 2008 totaled 150.5 million shares (including the impact of treasury shares purchased), in line with the same period last year.

Income Taxes
The Group's effective income tax rate during 2008 was 25.6% compared to 46.1% during 2007. The rate decrease was primarily due to a reduction in the Italian corporate income tax rate from 33% to 27.5%, including its effect on deferred taxes, for years beginning in 2008. Also contributing to the rate decrease was 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.

In May 2008, Lottomatica entered into a €300 million senior unsecured revolving credit facility (the "LTO Revolving Credit Facility") that expires in August 2012. During the quarter ended June 30, 2008, Lottomatica borrowed the €300 million available under the LTO Revolving Credit Facility and the Group used the proceeds to prepay US$467.4 million of the GTECH Term Facilities that had scheduled repayment dates in 2008, 2009 and 2010.

In December 2008, Lottomatica entered into a €360 million senior unsecured term loan facility that expires in November 2013, the proceeds of which were principally used to repay the 4.80% Bonds that came due in December 2008. In addition to extending the weighted average maturity of the Group's debt portfolio, the current composition of US dollar and euro debt reflects the increase in euro denominated cash flow in our business which is primarily driven by recent acquisitions.

DOCUMENT REDACTED BY TLC - 12-4-10

Summary Cash Flow Statement

(thousands of euros)	For the year ended December 31, 2008	2007
Net cash flows from operating activities	680,804	503,759
Acquisitions	(249,667)	(48,688)
Acquisitions - cash acquired	39,689	22
Purchases of systems, equipment and other assets related to contracts	(195,178)	(178,332)
Purchases of property, plant and equipment	(26,176)	(13,835)
Purchases of intangible assets	(18,439)	(60,377)
Finsoft contingent consideration	(13,415)	-
Net cash proceeds from the sale of POLCARD S.A.	-	166,727
Other investing activities, net	2,806	4,820
Net cash flows used in investing activities	(460,380)	(129,663)
Principal payments on long-term debt	(957,580)	(40,924)
Interest paid	(159,850)	(180,188)
Dividends paid	(125,393)	(119,695)
Treasury share purchases	(74,830)	-
Dividends paid - minority interest	(31,357)	(5,920)
Net proceeds from (repayments of) short-term borrowings	44,542	(6,066)
Proceeds from issuance of long-term debt	763,440	-
Proceeds from shares issued to employees at a discount	-	15,301
Other financing activities, net	(5,905)	5,189
Net cash flows used in financing activities	(546,933)	(332,303)
Net cash flow	(326,509)	41,793

Analysis of Cash Flows

During 2008, we generated €680.8 million of net cash flows from operating activities. Net cash flows used in investing activities were €460.4 million, principally due to €210.0 million for the acquisitions of Atronic, Boss Media, St. Minver and Toto Carovigno, along with capital additions of €195.2 million for systems, equipment and other assets (principally related to spending in the United Kingdom, Michigan, Oregon, New York, California, and Italy). Net cash flows used in financing activities of €546.9 million were principally comprised of €194.1 million of net principal payments on long-term debt; €159.9 million of interest paid primarily on the Capital Securities and GTECH Senior Credit Facilities; €125.4 million of dividends paid to our shareholders in April 2008; and €74.8 million of treasury share purchases. These uses of cash were partially offset by €44.5 million of net proceeds from short-term borrowings. At December 31, 2008, we had €109.3 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 December 31, 2008, there was €480.3 million of committed undrawn capacity under these two 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 Group's liquidity or capital resources. At December 31, 2008, we were in compliance with all applicable covenants.

DOCUMENT REDACTED BY TLC - 12-4-10

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 Consolidated Balance Sheet

(thousands of euros)	December 31, 2008	December 31, 2007	Increase (decrease) €	Increase (decrease) %
Systems, equipment and other assets related to contracts, net	758,717	740,260	18,457	2.5
Goodwill	3,086,297	2,793,186	293,111	10.5
Intangible assets, net	853,146	740,613	112,533	15.2
Deferred income taxes	235,421	160,758	74,663	46.4
Other non-current assets	113,886	108,103	5,783	5.3
Total non-current assets	5,047,467	4,542,920	504,547	11.1
Inventories	129,560	106,982	22,578	21.1
Trade and other receivables	773,595	695,222	78,373	11.3
Cash and cash equivalents	109,274	434,065	(324,791)	(74.8)
Other current assets	91,102	71,507	19,595	27.4
Non-current assets classified as held for sale	7,456	-	7,456	-
Total assets	6,158,454	5,850,696	307,758	5.3
Equity	1,667,423	1,733,191	(65,768)	(3.8)
Long-term debt, less current portion	2,573,802	2,143,722	430,080	20.1
Deferred income taxes	441,409	452,735	(11,326)	(2.5)
Other non-current liabilities	209,985	126,591	83,394	65.9
Total non-current liabilities	3,225,196	2,723,048	502,148	18.4
Accounts payable	800,653	602,556	198,097	32.9
Short-term borrowings	60,848	7,610	53,238	>200.0
Current portion of long-term debt	61,109	487,384	(426,275)	(87.5)
Income taxes payable	49,457	61,277	(11,820)	(19.3)
Other current liabilities	293,768	235,630	58,138	24.7
Total equity and liabilities	6,158,454	5,850,696	307,758	5.3

DOCUMENT REDACTED BY TLC - 12-4-10

The €18.5 million increase in systems, equipment and other assets related to contracts, net was principally due to capital additions of €202.3 million, €32.5 million primarily related to the 2008 acquisitions of Atronic, Boss Media, St. Minver and Toto Carovigno, and €24.6 million of foreign currency translation. These increases were partially offset by depreciation and impairment losses of €233.1 million.

The €293.1 million increase in goodwill was primarily related to the 2008 acquisitions of Atronic, Boss Media, St. Minver, Toto Carovigno and Royal Gold, along with €107.6 million of foreign currency translation, partially offset by €48.7 million of goodwill impairment.

The €112.5 million increase in intangible assets, net was principally due to €144.1 million of intangible assets primarily associated with the 2008 acquisitions of Atronic, Boss Media, St. Minver and Toto Carovigno, along with €24.1 million of foreign currency translation, partially offset by €89.3 million of amortization and impairment losses.

The €74.7 million increase in deferred income tax assets was principally due to the recognition of deferred tax assets relating to foreign operating losses, provisions currently not deductible for income tax purposes and interest rate swaps.

The €22.6 million increase in inventories was principally due to €28.2 million of inventory associated with the 2008 acquisition of Atronic, along with higher inventory related to our contracts to provide lottery terminals to our customer in Denmark and a gaming central system to our customer in Sweden. These increases were partially offset by lower inventory related to the sale of a new lottery central system to our customer in Finland.

The €78.4 million increase in trade and other receivables was principally due to revenue growth across all of Lottomatica's business segments, along with €37.9 million of trade and other receivables associated with the January 2008 acquisition of Atronic. Lottomatica's trade receivables increased €28.1 million, primarily due to the placement of approximately 17,000 additional AWP machines during 2008.

The €65.8 million decrease in equity was primarily due to €125.4 million of dividends paid to shareholders of the parent and €31.4 million of dividends paid to minority shareholders, along with €74.8 million of treasury shares purchased and €39.9 million of fair value of interest rate swaps recognized directly in equity. These decreases were partially offset by net income of €137.9 million and €54.2 million of foreign currency translation. The foreign currency translation principally relates to the weakening of the euro against the US dollar (the US dollar to euro exchange rate was 1.4721 at December 31, 2007 compared to 1.3917 at December 31, 2008).

The €430.1 million increase in long-term debt, less current portion resulted from €270.9 million of net borrowings, primarily under the Lottomatica Revolving Credit Facility, GTECH Senior Credit Facilities and LTO Term Loan Facility, along with €80.1 million of debt associated with the January 2008 acquisition of Atronic and €78.9 million of foreign currency translation.

The €83.4 million increase in other non-current liabilities was principally due to an increase in interest rate swaps held to convert variable interest rate debt to fixed rate debt.

The €198.1 million increase in accounts payable was principally due to an increase in accounts payable primarily related to a higher volume of Scratch and Win tickets, along with €38.8 million primarily related to the 2008 acquisitions of Atronic, Boss Media and St. Minver.

DOCUMENT REDACTED BY TLC - 12-4-10

The €53.2 million increase in short-term borrowings was principally due to borrowings under uncommitted lines of credit.

The €426.3 million decrease in current portion of long-term debt was primarily due to €476.9 million of principal payments on the 4.8% Bonds, GTECH Senior Credit Facilities and Atronic debt, partially offset by €43.6 million of debt associated with the January 2008 acquisition of Atronic.

The €58.1 million increase in other current liabilities was primarily due to the 2008 acquisitions of Atronic, Boss Media and St. Minver.

Consolidated Net Financial Position

The Group's consolidated net financial position at December 31, 2008 declined €463.9 million from its net financial position at December 31, 2007, principally due to €210.0 million for the 2008 acquisitions of Atronic, Boss Media, St. Minver and Toto Carovigno; €81.2 million of Atronic debt; and €74.8 million of treasury share purchases. Consolidated net financial position is calculated as follows:

	December 31,		
(thousands of euros)	2008	2007	Change
Cash on hand	392	181	211
Cash at bank	108,882	433,884	(325,002)
Cash and cash equivalents	109,274	434,065	(324,791)
Current financial receivables	20,288	19,611	677
Short-term borrowings	60,848	7,610	53,238
Capital Securities	46,491	46,618	(127)
GTECH Senior Credit Facilities	2,565	78,398	(75,833)
4.80% Bonds	-	359,976	(359,976)
Other	24,794	18,602	6,192
Current financial debt	134,698	511,204	(376,506)
Net current financial debt	5,136	57,528	(52,392)
GTECH Senior Credit Facilities	1,359,888	1,403,920	(44,032)
Capital Securities	730,525	727,869	2,656
LTO Term Loan Facility	353,354	-	353,354
Interest rate swaps	73,740	14,632	59,108
Atronic related debt	69,793	-	69,793
Lottomatica Senior Credit Revolving Facility	50,000	-	50,000
Other	71,106	45,720	25,386
Non current financial debt	2,708,406	2,192,141	516,265
Net financial position	2,713,542	2,249,669	463,873

Net financial position of €2,229,206 at December 31, 2007, as previously reported, has been revised to include €20.5 million of contingent consideration associated with the July 2, 2007 acquisition of Finsoft to more appropriately reflect its classification as a financial liability.

DOCUMENT REDACTED BY TLC - 12-4-10

Dividends
In April 2008 and May 2007, the Group paid dividends of €0.825 per share (a total dividend of €125.4 million) and €0.79 per share (a total dividend of €119.7 million) to its shareholders for calendar 2007 and 2006 results, respectively.

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 equity holders			
(thousands of euros)	Lottomatica S.p.A.	All other subsidiaries	Minority interests	Consolidated
Balance at January 1, 2008	1,880,469	(192,420)	45,142	1,733,191
Fair value of interest rate swaps	-	(39,925)	-	(39,925)
Amortization of unrecognized gain on interest rate swap	(570)	-	-	(570)
Unrecognized net gain on derivative instruments	-	607	-	607
Unrecognized net gain on available for sale investment	-	88	-	88
Foreign currency translation	-	54,228	-	54,228
Net income (loss)	115,535	(21,787)	44,122	137,870
Dividend distribution	(125,393)		(31,357)	(156,750)
Treasury shares purchased	(74,830)	-	-	(74,830)
Shares issued upon exercise of stock options	2,915	-	-	2,915
Share-based payment	14,682	-	-	14,682
Put/call option arising from business combination	-	(5,461)	-	(5,461)
Other movements in equity	-	857	521	1,378
Balance at December 31, 2008	1,812,808	(203,813)	58,428	1,667,423

DOCUMENT REDACTED BY TLC - 12-4-10

SIGNIFICANT BUSINESS DEVELOPMENTS DURING 2008

Since the start of 2008, the Group has reported a number of significant business developments, in addition to significant contract developments discussed later in this report.

Business Developments

In April 2008, the shareholders of Lottomatica authorized the Board of Directors, for a maximum of 18 months from the time of such authorization, to purchase up to a number of ordinary shares of Lottomatica representing a maximum of 10% of its share capital (such limit being 15,199,189 ordinary shares as of April 15, 2008), in compliance with current regulations and contractual agreements entered into by the Group. The shareholder authorization allowed the Board of Directors (or its delegates) to determine the purchase price, which price shall not be lower or higher than the reference price (i) registered by Lottomatica's stock in the last market day preceding each relevant transaction and (ii) decreased or increased by 25%, respectively. Following the shareholder authorization, the Board of Directors adopted the resolutions to enact the share buy-back plan (the "Plan").

The Plan has the purpose of stabilizing Lottomatica's share price and enables the acquisition of shares that may be used for employee long-term incentive plans or for operations relating to the strategic plans of Lottomatica. The April shareholders meeting also authorized the Board of Directors to dispose of treasury shares purchased by Lottomatica, without time restrictions and in a manner deemed appropriate, at a price not lower than 50% of the reference price registered by Lottomatica's stock in the last market day preceding each relevant transaction. Implementation of the Plan began in May 2008. As of February 23, 2009, after the close of 2008, Lottomatica had 3,845,451 treasury shares resulting from the Plan.

In November 2008, Lottomatica entered into the newly liberalized segment of skill games in Italy and introduced an interactive online poker network, leveraging off of GTECH subsidiary Boss Media's platform.

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 requires that Lottomatica make payments pursuant to the following schedule (euros in thousands):

2011	132,000
2012	132,000
2013	96,000
Total	360,000

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.

Managerial Developments

GTECH appointed Donald R. Sweitzer as Chairman of GTECH, effective January 1, 2009. In his new role, Mr. Sweitzer will continue to closely advise Mr. Pellicioli, Chairman and CEO of the Lottomatica Group, and Mr. Patel, GTECH President and CEO, on government relations and general business affairs and will have a number of important additional responsibilities. Mr. Sweitzer was formerly GTECH's Senior Vice President of Global Business Development and Public Affairs.

DOCUMENT REDACTED BY TLC - 12-4-10

PREDICTABLE DEVELOPMENTS

The overall economic environment remains unstable. Financial markets have been and continue to be very volatile. Capital markets have been fluctuating with remarkable swings in a matter of days or weeks, along an overall significant downward trend. Major financial institutions have reported huge losses.

The financial crisis has caused substantial changes in consumers' behavior and modified the terms and conditions under which any corporation can access capital markets, both for equity and debt. Moreover, expectations of GDP limited growth rates or other negative changes in 2009 versus 2008 have forced several governments to launch rescue plans intended originally for financial markets. Due to potential severe consequences in many different industries, governmental financing aids have been extended to key sectors and/or companies.

Central banks have sharply reduced cost of funding to historical lows as part of the monetary maneuvers.

Notwithstanding these challenging market conditions, the Group was able to increase the flexibility and terms of existing committed credit lines, as well as enter into two new facilities intended to lengthen the maturity of its debt as well as to provide liquidity for the business going forward.

The Group's business is resilient and so generally not affected by macro-economic trends. The Group's revenues grew in 2008 versus prior years, although at different paces in different geographical markets.

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. The Group will also leverage GTECH's experience developing solutions in sports-related wagering for lotteries in over 15 jurisdictions.

The decision to downsize the Group's presence in the commercial casino market in the United States is intended to reduce exposure to this market, which has been significantly impacted by the slowdown of the US economy and financial constraints affecting highly-leveraged customers.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA STOCK INFORMATION

LOTTOMATICA S.p.A. SHAREHOLDING STRUCTURE

Based on most recent filings as of February 23, 2009

Shareholder	Number of shares	% of outstanding share
De Agostini Group	90,980,318	59.7%
Treasury shares	3,845,451	2.5%
Generali Assicurazioni	4,989,596	3.3%
Mediobanca	5,932,795	3.9%

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 7,932,795 or 5.2% of outstanding shares.

Underwritten and paid up share capital as of February 23, 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.

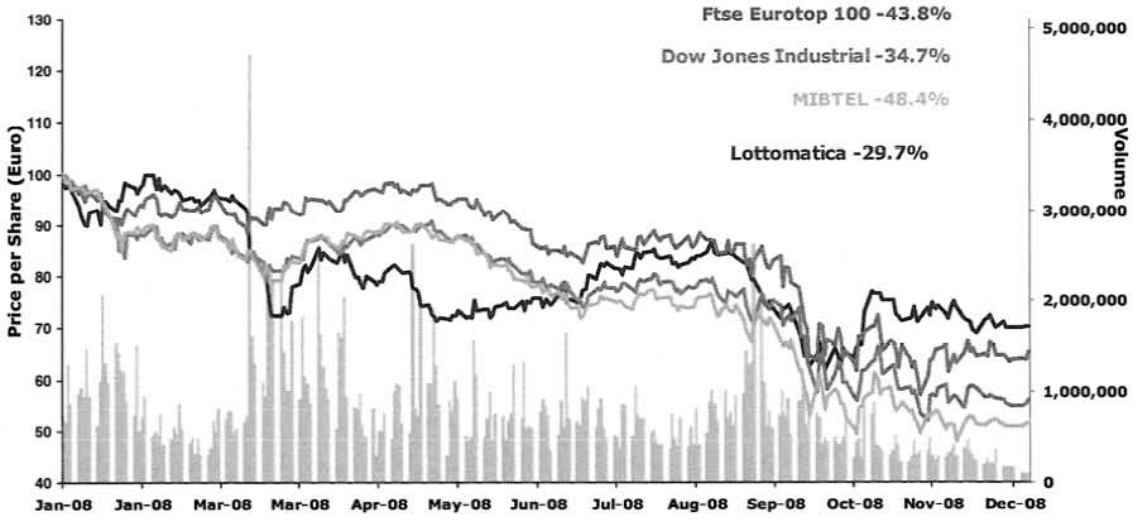
LOTTOMATICA STOCK FOR THE PERIOD ENDED DECEMBER 31, 2008

The average price of the stock for the twelve months ended December 31, 2008 was € 20.10. Over 201 million shares were traded in the twelve months of 2008, with a daily exchange of approximately 795,610 shares.

Lottomatica's capitalization was approximately € 2.7 billion on December 31, 2008.

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 December 31, 2008, Lottomatica purchased 3,856,323 shares, corresponding to 2.5% of the share capital.

DOCUMENT REDACTED BY TLC - 12-4-10



(Source: Bloomberg Borsa Italiana)

DOCUMENT REDACTED BY TLC - 12-4-10

BUSINESS OVERVIEW

The Group operates worldwide in the gaming market, proposing its range of products and know-how according to the specific needs of each individual customer. The following is a description of the Group's products and brands by market/geography.

LOTTOMATICA'S ITALIAN LOTTERY BUSINESSES

Since 1993, Lottomatica has been the sole concessionaire for the Italian Lotto game, a traditional game that was played off-line for centuries. Lottomatica has gained substantial experience managing all the activities along the lottery value chain, such as collecting wagers through its network, paying out prizes, managing all accounting and other back office functions, running advertising and promotion, operating data transmission networks and processing centers, training staff, providing retailers with assistance and supplying materials for the game.

Lottomatica operates both online lotteries and games, which are conducted through computerized systems in which lottery or gaming terminals are connected to a central computer system and which are generally games where players select their own numbers, such as Lotto, and off-line lotteries, which are games involving preprinted paper tickets and are not computerized (except for ticket distribution and validation purposes).

A list of Lottomatica's concessions in Italy is set forth on ***Table 1*** of this report.

Online Lottery

Lotto is a traditional game that was played off-line for centuries and that originated roughly 500 years ago in Genoa. In July 2006, Lottomatica introduced Lotto Istantaneo, a game that allows players an option to participate in an instant draw game using the same numbers selected for the Lotto game.

As compensation for its management of Lotto, Lottomatica receives a fee equal to a percentage of the amount wagered.

Lottomatica is required to provide a performance bond in an amount equal to 0.3% of total wagers to the Amministrazione Autonoma dei Monopoli di Stato ("*AAMS*") to guarantee performance of Lottomatica's obligations pursuant to the Lotto concession.

Upon termination of the Lotto concession, Lottomatica is required to transfer, free of charge, to the AAMS upon its request, ownership of the entire automated systems which relate to the operation of the Lotto game. A similar requirement exists with respect to the termination of the other concessions as well.

DOCUMENT REDACTED BY TLC - 12-4-10

Instant and Traditional Lotteries

In October 2003, the Ministry of Economy and Finances granted to Consorzio Lotterie Nazionali, a consortium 63% owned by Lottomatica, the exclusive concession to operate instant and traditional Lotteries, which prior to that time had been operated by AAMS. The remaining quotas of the consortium are held by Scientific Games International, Inc. (20%), Arianna 2001 S.p.A. (15%) and others (2%). The concession expires in March 2010, with respect to traditional lotteries, and in May 2010, with respect to instant lotteries, unless such terms are extended at the discretion of the AAMS. Instant and traditional lotteries are available at over 47,000 points of sale (of which approximately 34,000 are also Lotto points of sale), mainly consisting of tobacconists but also at bars, motorway restaurants and newspaper stands. The Lotto, Sports Pools and Other Pari-Mutual Betting and Services networks and terminals also support the instant and traditional lotteries, for which Lottomatica provides a dedicated data processing center.

As compensation for its management of the traditional and instant lotteries, Lottomatica receives a fee equal to a percentage of the amount wagered.

Fixed Odds Sports Betting

Following a competitive tender completed in the last quarter of 2006, Lottomatica has been awarded a non-exclusive concession by the AAMS to operate fixed odds sports betting at 1,144 points of sale, and the right to operate sports betting over the Internet. With such award Lottomatica has become the leading operator in the sports betting shop-in-shop distribution segment. Lottomatica has extended its presence in Italy to almost all products of the gaming business, reinforcing its leadership position in the Italian market. This new opportunity, in one of the fastest growing segments of the worldwide gaming industry, is anticipated to contribute significantly to revenues through the expiration of the license in 2016.

Lottomatica has also been granted rights to operate horse betting at 504 corner points of sale.

LOTTOMATICA'S OTHER BUSINESSES

Gaming Solutions

Lottomatica, through its subsidiary Lottomatica Videolot Rete, was granted, in July 2004, a license by the AAMS to activate and operate a network in Italy that links amusement and entertainment machines installed in outlets consisting of bars, licensed betting halls, tobacconists and hotels to a central system. Lottomatica Videolot Rete has agreements with approximately 680 operators who have connected to approximately 49,000 machines.

Commercial Services

Leveraging its distribution network and transaction processing experience, Lottomatica offers 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.

DOCUMENT REDACTED BY TLC - 12-4-10

Commercial Services. Lottomatica distributes services for commercial operators including electronic top-up services for prepaid mobile and fixed-line telephone accounts, ticketing for sporting and musical events, and collects payments from end-users for which it retains a fee.

Payment Services. Through its LIS Finanziaria S.p.A. subsidiary, Lottomatica provides collection and payment services in Italy for the payment of utility bills, local fines and duties and also collects payments due on behalf of creditors.

Processing Services. Lottomatica provides a processing and network service on behalf of third parties, without collecting amounts due. The most important of these services are telephone top-ups and digital Terrestrial TV cards, payment of car road taxes, fidelity card services and stamp duties services.

In Italy, Lottomatica's services network comprises over 80,000 points of sale (including approximately 30,000 points of sale where Lottomatica provides only processing services for third-parties and about 23,000 which overlap with Lotto points of sale) comprised of tobacconists, bars, petrol stations, newspaper stands and motorway restaurants. Lottomatica has over 90,000 POS terminals installed at these locations and about 30,000 Lis Printers installed at tobacconists. The Lis Printer is a proprietary dedicated terminal for printing stamp duties. All services are provided through Lottomatica's own separate services network (other than car road tax processing, which continues to be handled through the Lotto terminals). Not all points of sale with a POS terminal offer all services provided by Lottomatica in Italy.

GTECH'S BUSINESS

GTECH delivers value added services and technology solutions to its customers worldwide. As a global leader in the online lottery business, GTECH is a full service technology partner catering to all of the systems and support needs of online lottery operators worldwide. GTECH also operates several lotteries in the Caribbean through its LILHCo subsidiary. GTECH provides instant ticket management systems to securely operate the instant ticket programs of more than 40 lottery jurisdictions. Although most lotteries look to GTECH for online transaction processing of instant tickets, GTECH entered into the instant ticket printing segment in 2007 and continues to grow that business through its subsidiary GTECH Printing Corporation. GTECH provides complete gaming systems technology to government-sponsored machine gaming venues. GTECH also operates in the high growth interactive gaming and sports betting segments of the global gaming market.

CONTRACT AWARD PROCESS

In the United States, lottery authorities generally commence the contract award process by issuing a request for proposals from various lottery vendors. The request for proposals usually indicates certain requirements specific to the jurisdiction, such as the number of terminals and breadth of services desired, the particular games which will be required, particular pricing mechanisms, the experience required of the vendor and the amount of any performance bonds that must be furnished. After the bids have been evaluated and a particular vendor's bid has been accepted, the lottery authority and the vendor generally negotiate a contract in more detailed terms. Once the contract has been finalized, the vendor begins to install the lottery system.

DOCUMENT REDACTED BY TLC - 12-4-10

GTECH's marketing efforts for its lottery products and services frequently involve senior management in addition to its professional marketing staff. These efforts consist primarily of marketing presentations to the lottery authorities of jurisdictions in which requests for proposals have been issued.

Marketing of GTECH's lottery products and services to lottery authorities outside the United States is often performed in conjunction with licensees and consultants with whom GTECH contracts for representation in specific market areas. Although generally neither a condition of their contracts with GTECH nor a condition of their contracts with lottery authorities, such licensees and consultants often agree with GTECH to provide on-site services after installation of the online lottery system.

After the expiration of the initial or extended contract term, a lottery authority in the United States generally may either seek to negotiate further extensions or commence a new competitive bidding process. Internationally, lottery authorities do not typically utilize as formal a bidding process, but rather negotiate proposals with one or more potential vendors.

From time to time, there are challenges or other proceedings relating to the awarding of the lottery contracts.

GTECH'S LOTTERY CONTRACTS

GTECH serves online government sponsored lotteries under facilities management or product sales contractual arrangements which are described in more detail below.

Facilities Management Contracts

GTECH's Facilities Management Contracts typically require GTECH to construct, install and operate the lottery system for an initial term, which is typically at least five to seven years, and usually contain options permitting the lottery authority to extend the contract under the same terms and conditions for one or more additional periods, generally ranging from one to five years. In addition, GTECH's customers occasionally renegotiate extensions on different terms and conditions.

GTECH's revenues under Facilities Management Contracts are generally a variable amount of monthly or weekly service fees which are paid to GTECH directly from the lottery authority based on a percentage of such lottery's gross online and instant ticket sales. The level of lottery ticket sales within a given jurisdiction is determined by many factors, including population density, the types of games played and the games' design, the number of terminals, the size and frequency of prizes, the nature of the lottery's marketing efforts and the length of time the online lottery system has been in operation.

Under GTECH's Facilities Management Contracts, GTECH typically retains title to the lottery system and provides its customers with the services necessary to operate and manage the lottery system. GTECH installs and commences operations of a lottery system after being awarded a Facilities Management Contract and, following the start-up of the lottery system, GTECH is responsible for all aspects of the system's operations. GTECH typically operates lottery systems in each jurisdiction on a stand-alone basis through the installation of two or more dedicated central computer systems, although in a few instances several jurisdictions share the same central system. In addition, in most jurisdictions GTECH employs a work force consisting of a site director, marketing personnel, computer operators, communications specialists and customer service representatives who service and maintain most aspects of the system.

DOCUMENT REDACTED BY TLC - 12-4-10

Under certain of GTECH's Facilities Management Contracts the lottery authority has the right to purchase GTECH's lottery system (including the central system, terminals, software and communications network) during the contract term at a predetermined price, which is calculated so that it exceeds the net book value of the lottery system at the time the right is exercisable. In addition, some of GTECH's lottery contracts permit the lottery authority to acquire title to GTECH's system-related equipment and software during the term of the contract or upon the expiration or earlier termination of the contract, in some cases (i.e., were GTECH to materially breach or be unable to perform under certain circumstances) without paying GTECH any compensation related to the transfer of that equipment and software to the lottery authority. GTECH's role, if any, with respect to the continued operation of a lottery system in the event of the exercise of such a purchase option generally is not specified in such contracts and thus would be subject to negotiation. Under many of GTECH's Facilities Management Contracts, the lottery authority also has the option to require GTECH to install additional terminals and/or add new lottery games. Such installations may require significant expenditures by GTECH. However, since GTECH's revenues under such contracts generally depend on the level of lottery ticket sales, such expenditures have generally been recovered through the revenues generated by the additional equipment or games and revenues from existing equipment.

Under a number of GTECH's lottery contracts, in addition to constructing, installing and operating the lottery systems in these jurisdictions, GTECH is providing a wide range of support services and equipment for the lottery's instant-ticket games, such as marketing, distribution and automation of validation, inventory and accounting systems, for which GTECH receives fees based upon a percentage of the sales of instant-ticket games.

A list of GTECH's Facilities Management Contracts is set forth on **Table 2** of this report.

Product Sales Contracts

Under Product Sales Contracts, GTECH constructs, sells, delivers and installs turnkey lottery systems or lottery equipment and licenses the computer software for a fixed price, and the lottery authority subsequently operates the lottery system. GTECH also sells additional terminals and central computers to expand existing systems and/or replace existing equipment under Product Sales Contracts.

In connection with GTECH's Product Sales Contracts, GTECH generally designs the lottery system, trains the lottery authority's personnel and provides other services required to make and keep the system operational. GTECH also generally licenses its software to its customers for a fixed additional fee.

Historically, product sales revenues have been derived from the installation of new online lottery systems, installation of new software and the sale of lottery terminals and equipment in connection with the expansion of existing lottery systems. The size and timing of these transactions at times have resulted in variability in product sales revenues from quarter to quarter.

A list of GTECH's direct or indirect customers that since January 2007 have purchased (or have agreed to purchase) from GTECH new online lottery systems, software and/or terminals and equipment in connection with the expansion or replacement of existing lottery systems is set forth on **Table 3** of this report.

DOCUMENT REDACTED BY TLC - 12-4-10

ONLINE PRODUCTS AND SERVICES

A Suite of Solutions for Lotteries Worldwide

GTECH's lottery systems consist of lottery terminals, central computer systems, communications and game software, and communications equipment which connect the terminals and the central computer systems. The systems' terminals are typically located in high-traffic retail outlets, such as newsstands, convenience stores, food stores, tobacco shops and liquor stores. This breadth of solutions enables GTECH to support lotteries at every stage of their development, from the smallest "start-up" to a fully matured operation.

Terminals. GTECH designs, manufactures and provides the point-of-sale terminals used in its online lottery systems. GTECH's first model terminals were introduced in 1985. Since then, GTECH has developed an entire suite of industry-leading flexible retail solutions that support the wide range of rctailcr nccds across a varicty of rctail tradc channcls. This includcs a family of clcrk-opcratcd tcrminals, player self-service terminals including instant ticket vending machines (ITVMs) and hand-held terminals, to support each unique lottery sales environment. A list of GTECH's ITVM contracts is set forth on **Table 4** of this report.

Software. GTECH designs and provides, or licenses from third parties, all applications solutions for its lottery systems. GTECH's highly sophisticated and specialized software is designed to provide the following characteristics: rapid processing; storage and retrieval of transaction data in high volumes and in multiple applications; the ability to down-line load (i.e., to reprogram the lottery terminals from the central computer installation via the communications system to add new games and other solutions); a high degree of security and redundancy to guard against unauthorized access and tampering and to ensure continued operations without data loss; and a comprehensive management information and control system. GTECH's Enterprise Series has an open architecture that it believes sets the industry standard for the development, deployment, integration and support of next-generation online lottery solutions, including those which permit sales of lottery products via secure infrastructure over the Internet, without compromising the integrity of the games. The open system architecture of the Enterprise Series allows lotteries to upgrade their systems, and integrate a broad spectrum of third-party hardware and software solutions to achieve greater performance.

Central Computers. Each of GTECH's lottery systems contains one or more central computer sites to which the lottery terminals are connected. GTECH's central computer systems are primarily manufactured by IBM Corporation and Hewlett-Packard Company. The specifications for the configuration of its central computer installations are designed to provide continuous availability, a high throughput rate and maximum security. Central computer installations typically include: redundant mainframe computers, various peripheral devices (such as magnetic storage devices, management terminals and hard copy printers), and various safety, environmental control and security subsystems (including back-up power supplies), which are all manufactured by third parties, and a microcomputer-based communication and switching subsystem. In addition, GTECH supplies management information systems that provide lottery personnel access to important financial and operational data without compromising the security of the online system. Based upon the development of its Enterprise Series, GTECH is able to integrate qualified third party software applications.

DOCUMENT REDACTED BY TLC - 12-4-10

Communications. GTECH's lottery terminals are typically connected to the central computer installations by dedicated communications channels. Due to the varying nature of telecommunications services available in lottery jurisdictions, GTECH has developed the capability to utilize and interface with a wide range of communications technologies to provide a data communications pathway between the lottery terminals and the central computers, including GSAT/VSAT, Microwave, Integrated Services Digital Networking (ISDN), Data Over Voice (DOV), fiber optic, cellular telephone and UHF Radio capability (narrow-band and Spread Spectrum). According to industry sources that GTECH regards as reliable, GTECH is the largest global provider of wireless point-of-sale devices.

Games. An important factor in maintaining and increasing public interest in lottery games is the development of innovative and compelling new game content. In conjunction with lottery authorities, GTECH utilizes principles of demographics, sociology, psychology, mathematics and computer technology to design customized lottery games which are intended to appeal to the populations served by its lottery systems. The principal characteristics of game design include: frequency of drawing, size of pool, cost per play and setting of appropriate odds. GTECH believes that its expertise in game design has enhanced the marketing of its lottery systems and has contributed to increases in the revenues of many of its customers. GTECH currently has a substantial number of variations of lottery games in its software library and new games under development. GTECH believes that this game library and the "know how" and experience accumulated by its professionals since its inception make it possible for GTECH to meet the requirements of its customers for specifically tailored games on a timely and comprehensive basis.

Marketing. In Facilities Management jurisdictions in which GTECH has been awarded a lottery contract, GTECH is frequently asked to assist the lottery authority in the marketing of lottery games to the public. Because GTECH revenues under Facilities Management Contracts are based on a percentage of the lottery's gross online and/or instant ticket sales, the value of GTECH's marketing efforts can have an impact in driving revenue for both GTECH and the lottery. The full breadth of marketing expertise and services are offered to support lottery efforts. Marketing assistance generally includes:

- Game Portfolio Management
- Business Development
- Marketing Development
- Sales Development
- Corporate Social Responsibility
- Professional/Consulting Services
- Retailer terminal distribution and optimization, including utilization of GTECH's "GMark", a computerized marketing analysis system used to determine optimal placement of lottery terminals in retail locations
- Market Research, including Focus Group Testing of new games and products, primary and secondary research studies, Annual Worldwide Player Survey, and Annual Customer Satisfaction Survey
- Retail Expansion and Development.

DOCUMENT REDACTED BY TLC - 12-4-10

Instant Ticket Printing Business

In February 2007, GTECH, through its subsidiary GTECH Printing Corporation ("*GTECH Printing*"), purchased substantially all of the assets of Creative Games International, Inc., a provider of instant lottery tickets for the global lottery industry. GTECH Printing has established itself as a highly-regarded instant ticket printer with contracts throughout North America, Europe, Latin America and the Caribbean. Presently headquartered in Plant City, Florida, GTECH Printing currently has a total production capacity of more than 3 billion instant tickets annually.

In the spring of 2009, GTECH Printing will open its new state-of-the-art printing facility in Lakeland, Florida. The new facility will employ more than 100 GTECH Printing employees and GTECH plans to add an additional 100 or more employees over the next three to five years. In addition, over the same period, GTECH Printing will have invested more than $40 million in developing its production capability in the Lakeland area.

The new 100,000-square-foot facility in Lakeland will house GTECH Printing's new production capability, which is estimated to produce approximately 11 billion instant tickets annually. The current Plant City facility will continue to operate as redundant operations.

Instant tickets are sold at numerous types of retail outlets but most successfully in grocery and convenience stores. GTECH anticipates that new methods of distribution and game play including Internet-based promotions and games will provide additional growth opportunities.

Government sponsored lotteries grant printing contracts on both an exclusive and non-exclusive basis where there is typically one primary vendor and one or more secondary vendors. A primary contract permits the vendor to supply the majority of the lottery's ticket printing needs and includes the complete production process from concept development through production and shipment. It also typically includes marketing and research support. A primary printing contract can also include any or all of the following services: warehousing, distribution, telemarketing, and sales/field support. A secondary printing contract includes providing back up printing services and alternate product sources. It may or may not include a guarantee of a minimum or maximum number of games.

Instant ticket contracts are priced on a percent of instant ticket sales or on a price per unit basis and generally range from 2-5 years with extension opportunities.

GTECH GAMING SOLUTIONS

GTECH provides complete gaming systems technology primarily to government-sponsored programs as well as commercial and Native American gaming venues. GTECH is the world's leading provider of central systems for government sponsored machine gaming programs and is a single source provider for online central systems, system design, terminals and games. GTECH is typically compensated on a "participation" basis whereby GTECH retains the title to the equipment and receives a percentage of sales or "net win" per machine or on a product sales basis whereby GTECH receives a purchase price for the equipment.

DOCUMENT REDACTED BY TLC - 12-4-10

In January 2008, GTECH acquired a 50 percent controlling interest in the Atronic group of companies ("Atronic") owned by Paul and Michael Gauselmann for €20 million, previously paid into escrow in October 2006. In May 2008, GTECH paid €32 million for the remaining 50 percent interest in Atronic.

GTECH NEW MEDIA AND SPORTS BETTING [INTERACTIVE SEGMENT]

Since the mid 1980's, GTECH has been providing certain customers with sports betting technology solutions. Since 2002, GTECH has been delivering interactive solutions that allow its lottery customers to provide Internet, mobile and interactive digital television access by their players.

Through its 2007 and 2008 acquisitions of 100% of Finsoft Limited (a leading sports betting technology provider in Europe), approximately 87.45% of Boss Media AB and its subsidiaries (a provider of digital gaming software and services for poker, casino and bingo), and 90% of St. Enodoc, the parent of St. Minver (a Gibraltar-based operator of white-label gaming services), 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.

GTECH's New Media and Sports Betting division has over 600 employees in Europe and Asia. The division has over 150 gaming or media customers operating under license in various European jurisdictions. The business model varies by product but is broadly a fixed upfront and recurring licenses fee for sports betting technology, which varies by size (number of CPUs/Web Servers, seats per call center and retail POS), software integration and support fees (per diem). For games, online casino, poker and end-to-end sports book trading/risk management services, a revenue share based on the Gross Gaming Yield (or GGY) is charged to the gaming operator/media company.

The division operates 4 poker networks in Europe with over 100,000 persons playing on these networks each day. It has 32 sports betting customers and over 50 bingo customers on Europe's third largest bingo network. Its online casino customers handled more than €3.6 billion through 600 million wagers in 2008. The casino and games suite has also been leveraged to support leading server based machine gaming software, currently operating on more than 5,000 gaming machines in Central and Eastern Europe.

DOCUMENT REDACTED BY TLC - 12-4-10

SIGNIFICANT CONTRACT DEVELOPMENTS DURING 2008

Facilities Management

In January 2008, GTECH was chosen by the West Virginia lottery authority to receive a five-year integrated services contract to provide a new online and instant lottery system, terminals, telecommunications network, self-service lottery products, and related ongoing services. This contract award followed a competitive procurement and includes two one-year extension options. The agreement with the West Virginia State Lottery Commission was executed in October 2008.

In March 2008, GTECH was notified by the Pennsylvania lottery authority that the authority had selected another vendor to provide equipment and services for its online and instant ticket systems following the expiration of its current contract with the same bidder. The Pennsylvania lottery authority had previously announced its intention to award to GTECH the successor contract.

In April 2008, GTECH entered into a six-year integrated services contract to provide new lottery technology and ongoing services to the Michigan lottery authority. The contract includes six one-year extension options and followed a competitive procurement. Under the terms of this contract, GTECH will convert the Michigan lottery authority's current lottery system to GTECH's Enterprise Series online and instants system solution. GTECH will also install a new IP-telecommunications network and up to 11,000 *Altura*® terminals.

In June 2008, GTECH announced that the Mexican lottery authority Pronosticos para la Asistencia Publica planned to use *Lottery Inside*, GTECH's in-lane solution, thus increasing the number of the authority's dedicated online lottery points of sale from 9,000 to over 24,000. This announcement came in the wake of a decision by GTECH, Pronosticos and the Soriana Corporation, a grocery, department and retail chain headquartered in Monterrey, Nuevo León, Mexico, to employ GTECH's *Lottery Inside* offering to sell online lottery tickets through the stores' existing cash registers.

In July 2008, GTECH entered into a four-year contract extension with the California lottery authority to provide online/instant central system enhancements, new lottery terminals, a variety of self-service products, imaging display units and ongoing services. The four-year contract extension is scheduled to commence in October 2009.

In July 2008, GTECH announced that its subsidiary, GTECH Global Services Corporation Limited, had introduced a five minute keno game in Poland with its customer Totalizator Sportowy Sp. Z o.o., a government-owned lottery organization in Poland.

In July 2008, GTECH Global Services Corporation Limited entered into an agreement with Pinbridge Ltd., the holder of a 10-year sports-betting license in Ghana, to be the technology solutions and consulting services provider for the first online sports-betting wagering system in the country.

In July 2008, GTECH signed a two (2) year contract extension with An Post National Lottery Company of Ireland to continue providing online lottery technology and services. The two year extension commenced on January 1, 2009.

DOCUMENT REDACTED BY TLC - 12-4-10

In August 2008, GTECH signed a 20-year contract with Loto Real Del Cibao, C.X.A. ("LOTO REAL") to be the exclusive technology provider to LOTO REAL for an online lottery system, terminals, and future commercial services and other gaming opportunities in the Dominican Republic. LOTO REAL was recently awarded a concession to operate and manage an online lottery in the Dominican Republic for the next 20 years.

In September 2008, GTECH announced that it had signed a 16-month contract extension to continue providing online lottery technology and services to La Société de Gestion de la Loterie Nationale and La Marocaine des Jeux et des Sports (the "Morocco Lotteries") in Morocco. The extension is scheduled to commence in April 2009 and will extend GTECH's integrated services contract with the Lotteries until August 2010.

In September 2008, GTECH announced that GTECH Global Services had entered into an agreement with closed joint stock company Sport Pari to create the first online lottery system in Belarus. Sport Pari has the right to become the exclusive license holder and online lottery games operator in Belarus. This agreement, the award of which followed a competitive procurement, is scheduled to run through July 2013.

In October 2008, GTECH entered into a two year extension of its current online contract with the Illinois lottery authority. This extension provides for GTECH to continue to provide online lottery products and services to the Illinois lottery authority through October 17, 2010.

In October 2008, following a competitive procurement, GTECH was selected to negotiate a five year online contract with the South Dakota Lottery to provide a new online central system, terminals and on-going lottery and marketing and consultancy services. The contract, which was executed on January 30, 2009 after the close of 2008, includes five one-year extension options, and is expected to commence operations on August 3, 2009.

In November 2008, GTECH signed a three-year contract extension with the Georgia Lottery Corporation to continue providing online lottery technology and services, as well as new games and products, through September 2013.

In November 2008, after a competitive procurement, GTECH executed a contract with the Kansas Lottery to supply and operate the central gaming system that will monitor electronic gaming machines at six gaming facilities in the state of Kansas. The contract signing followed its approval by the Kansas Lottery Commission and the Kansas Information Technology Office.

In December 2008, GTECH Global Services Corporation Limited signed an agreement with National Sports Lottery PLC (NSL) to implement a National Online Lottery in Nigeria. Under the agreement, GTECH will replace NSL's existing central systems for the operation of its lottery games with a new GTECH central system and will assist NSL in the transition from its existing systems to the new system. GTECH will also provide other related technical, marketing and commercial support services for the duration of NSL's license, which runs through December 18, 2016.

In December 2008, GTECH was notified by the New Jersey Division of Purchase and Property of its intent to award GTECH a new contract to provide a new online/instant lottery system, terminals, a variety

DOCUMENT REDACTED BY TLC - 12-4-10

of self-service products, an IP-communications network and on-going services, following a competitive procurement. The proposed seven-year integrated services contract includes up to three years of extensions, exercisable at the option of the Lottery. The contract became effective on January 30, 2009, after the close of 2008.

In March 2009, after the close of 2008, 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.

Other Contracts

In January 2008, GTECH Global Services Corporation Limited signed a four-year contract extension with Veikkaus Oy, the operator of the Finnish National Lottery, pursuant to which GTECH will continue to provide, through November 2013, software licensing and additional software products in connection with a GTECH-provided turn-key, state-of-the-art Lottery and Sports Betting System.

In June 2008, GTECH Printing Corporation entered into an agreement with Pronosticos para la Asistencia Publica to provide instant-ticket printing services. The contract, which was awarded in March 2008, followed a competitive procurement and was effective for calendar year 2008.

In July 2008, GTECH successfully launched its Enterprise Series interactive solution for the New Zealand Lotteries Commission, thereby allowing the sale of select online games to players via the Internet.

In October 2008, GTECH's subsidiary, GTECH Printing Corporation, was selected to provide instant ticket printing services to the Kansas and Oregon lottery authorities. The Kansas award, which followed a competitive procurement, has a five year contract term, while the Oregon award has a one-year contract term. Both awards provide for one-year extension options after expiration of the base term in the discretion of the respective lottery authorities.

In November 2008, GTECH entered into an agreement with the Maryland State Lottery Agency to provide and service approximately 1,000 new Instant Ticket Vending Machines. The five-year contract, which also includes five one-year extension options, followed a competitive procurement.

In November 2008, GTECH's subsidiary, Boss Media AB, announced that it and CryptoLogic, Inc. had entered into a five-year strategic alliance for Poker, whereby CryptoLogic will facilitate the move of several of its licensees, including InterPoker and Parbet Poker, to Boss Media's International Poker Network, the largest independent poker network in the world.

In November 2008, GTECH and the South Australia Lotteries entered into an agreement establishing a partnership that will allow for the provision of a new central lottery system and terminals, self-service products and ongoing support services in South Australia. The contract term is for seven years following the start-up of operations under the new GTECH central system with three additional one-year extension options, and followed a competitive procurement.

In January 2009, after the close of 2008, GTECH announced that its subsidiary, GTECH Printing Corporation, had been 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.

DOCUMENT REDACTED BY TLC - 12-4-10

Tables of Customer Contracts

DOCUMENT REDACTED BY TLC - 12-4-10

Table 1 Italian Concessions

The table below sets forth Lottomatica's Italian Concessions as of December 31, 2008.

Holder	Purpose	Date of Commencement of Current Contract[1]	Date of Expiration of Current Contract	Current Extension Options[2]
Lottomatica	Activation and operation of the network for the Lotto Game	March 1993	June 2016[3]	Not renewable
Consorzio Lotterie Nazionali	Operation of the National Lotteries for instant and periodic drawings	October 2003	March 14, 2010 for lotteries with periodic drawings – May 30, 2010 for lotteries with instant drawings	Renewable
Consorzio Lotterie Nazionali	Experimental Operation – as central operator – of the on-line Scratch and Win Lotteries	November 2006	October 2009	Not Applicable
Lottomatica Videolot Rete S.p.A.	Activation and operation of the network for the telematic operation of legalized amusement with price machine (Video Lotteries)	July 2004	October 2010	Renewable only for 1 year at AAMS discretion
Lottomatica Scommesse S.r.l.	Activation and operation of the network for sports gaming, toto betting and sports betting, operated through interactive channel also for the operation of Skill Games.	March 2007	June 2016	Not renewable
Lottomatica Scommesse S.r.l.	Activation and operation of the new horse gaming, toto betting and horse betting.	March 2007	June 2016	Not renewable

DOCUMENT REDACTED BY TLC - 12-4-10

Holder	Purpose	Date of Commencement of Current Contract[1]	Date of Expiration of Current Contract	Current Extension Options[2]
Toto Carovigno S.p.A.	Activation and operation of horse betting. Concession no. 1100	January 2007	June 2012	Not renewable
Toto Carovigno S.p.A.	Activation and operation of sports betting. Two concession [4]	August 2007	June 2012	Not renewable
L.S. ALPHA S.r.l.	Activation and operation of horse betting. Seven concessions [5]	November and December 2008	June 2012	Not renewable
L.S. ALPHA S.r.l.	Activation and operation of sports betting. Nine concessions [6]	November 2008	June 2012	Not renewable

[1] Reflects the date upon which the contract became effective.
[2] Reflects extensions available to the governmental authority under the same terms as the current contract.
[3] As discussed in Note 31 to the Notes to the Consolidated Financial Statements concerning litigation, the indicated expiration date is under dispute with AAMS.
[4] Concessions no. 3067, and no. 3673, also through interactive channel.
[5] Concessions no. 1014, 1089, 1095, 1101, 1106, 1120 and 1191.
[6] Concessions no. 3173, 3413, 3414, 3416, 3475, 3558, 3559, 3651 and 3751.

DOCUMENT REDACTED BY TLC - 12-4-10

Table 2 Facilities Management Contracts

Unless otherwise indicated, the table below sets forth the lottery authorities with which GTECH had Facilities Management Contracts as of December 31, 2008 for the installation and operation of lottery systems, and as to which GTECH is the sole supplier of central computers and terminals and material services. The table also sets forth information regarding the term of each contract and, as of December 31, 2008, the approximate number of terminals installed in each jurisdiction.

Jurisdiction	Approximate Number of Lottery Terminals Installed (1)	Date of Commencement of Current Contract*	Date of Expiration of Current Contract Term	Current Extension Options**
United States:				
Arizona	2,700	November 2005	August 2011	5 one-year
California	21,400	October 2003	October 2013	(2)
D.C. (3)	600	June 1999	November 2009	---
Florida	13,700	January 2005	March 2011	2 two-year
Georgia	8,600	September 2003	September 2013	---
Illinois	7,300	April 2000	October 2010	---
Kansas	1,900	July 2008	June 2018	---
Kentucky	2,800	April 1997	June 2011	---
Louisiana	2,800	June 1997	June 2010	---
Michigan (4)	11,100	January 1998	January 2009	---
Minnesota	3,100	June 2002	February 2013	---
Missouri	4,600	December 2004	June 2012	3 one-year and additional 5 years
New Jersey (5)	6,100	June 1996	August 2009	---
New York	16,400	November 2000	February 2010	---
North Carolina	5,900	January 2006	March 2013	---
Ohio	8,200	August 2000	June 2009	---
Oregon (6)	3,500	October 2007	November 2015	3 one-year
Rhode Island	1,200	January 1997	June 2023	---
Tennessee	4,700	January 2004	April 2011 (7)	---
Texas	17,300	October 2001	August 2011	---
Virginia	5,300	June 2006	October 2014	3 one-year or 1 three-year
Washington	4,600	July 2006	July 2012	4 years
West Virginia	1,700	June 2009	June 2014	2 one-year
Wisconsin	3,800	November 2003	June 2011	2 one-year
International:				
Anguilla -LILHCo	10	May 2007	May 2017	---

DOCUMENT REDACTED BY TLC - 12-4-10

Jurisdiction	Approximate Number of Lottery Terminals Installed (1)	Date of Commencement of Current Contract*	Date of Expiration of Current Contract Term	Current Extension Options**
Antigua/ Barbuda -LILHCo	40	September 1996	September 2016	---
Argentina -Loteria National Sociedad del Estado (8)	900	November 1993	January 2009	---
-Boldt IPLC (8)	4,300	November 1999	November 2009	---
Barbados - LILHCo	230	June 2005	June 2023	---
Belarus - Sport-Pari	0 (9)	December 2007	October 2013	Automatic annual renewal
Bermuda -LILHCo	1	---	---	Automatic annual renewal
Chile -Pollo Chilena de Beneficencia S.A.	2,500	September 2008	August 2016	Up to 24 months
China -Beijing Welfare Lottery	3,100	April 2004	December 2015	Automatic 3 one-year
-Shenzhen Welfare Lottery	100	July 2005	July 2013	---
Colombia -ETESA (10)	5,000	December 1999	January 2011	1 five-year
- Apuestas En Linea, S.A.	3,000	March 2007	September 2012	---
Czech Republic -SAZKA	7,000	October 1992	December 2017	---
Dominican Republic - Loto Real Del Cibao, C.X.A.	1,000	August 2008	20 years after start-up date	---

DOCUMENT REDACTED BY TLC - 12-4-10

Jurisdiction	Approximate Number of Lottery Terminals Installed (1)	Date of Commencement of Current Contract*	Date of Expiration of Current Contract Term	Current Extension Options**
Ghana -- Pinbridge Ltd	100	June 2008	June 2018	Automatic renewal for 10 year period
Ireland -An Post Nat'l Lottery Company	3,700	June 2002	December 2010	---
Jamaica -Supreme Ventures Limited	1,100	November 2000	January 2016	---
Luxembourg -Loterie Nationale (11)	530	June 2001	October 2012	---
Mexico -Pronosticos Para La Assistencia Publica (12)	9,400	September 2005	September 2012	2 one-year
Morocco -La Societe de Gestion de la Loterie Nationale and La Marocaine des Jeux et Les Sports	2,000	August 1999	August 2010	Two year extension option
Nigeria -National Sports Lottery plc.	2,000	November 2008	December 2016 (12)	10 years (13)
Poland -Totalizator Sportowy	10,800	May 2001	December 2011	1 one-year
Slovak Republic -TIPOS a.s.	2,200	March 1996	December 2011	---

DOCUMENT REDACTED BY TLC - 12-4-10

Jurisdiction	Approximate Number of Lottery Terminals Installed (1)	Date of Commencement of Current Contract*	Date of Expiration of Current Contract Term	Current Extension Options**
St. Kitts/Nevis -LILHCo	40	April 1996	April 2016	---
St. Maarten/Saba/ St. Eustatius -LILHCo	40	September 2007	September 2017	1 ten-year (14)
Trinidad & Tobago -National Lotteries Control Board	800	December 1993	September 2011	---
Turkey -Turkish National Lottery (15)	4,000	February 1996	(15)	(15)
United Kingdom -The National Lottery (16)	27,300	January 2002	January 2009	---
U.S. Virgin Islands -LILHCo	60	January 2002	January 2012	2 five-year

* Reflects the date upon which the contract became effective.

**Reflects extensions available to the lottery authority under the same terms as the current contract. Lottery authorities occasionally negotiate extensions on different terms and conditions.

(1) Total does not include instant-ticket validation terminals or instant ticket vending machines.
(2) At the end of the final extension option period, the contract will remain in effect under the same terms and conditions until either party provides at least 2 years notice of termination. .
(3) Operated by Lottery Technology Enterprises, a joint venture in which GTECH has a 1% interest, and to which GTECH supplies lottery goods and services.
(4) On April 2, 2008, the Michigan Lottery and GTECH entered into a six-year contract to provide new lottery technology and on-going services. The term of the contract will be for a 6 year period commencing on January 20, 2009.

DOCUMENT REDACTED BY TLC - 12-4-10

(5) Effective January 30, 2009, GTECH has entered into a new contract with the New Jersey Division of Purchase and Property to provide a new online/instant lottery system, terminals, a variety of self-service products, an IP-communications network and on-going services. The new contract is for a term of 7 years and includes up to 3 years of extensions, exercisable at the option of the Lottery.
(6) On October 3, 2007, the Oregon State Lottery Commission and GTECH entered into a new seven-year contract to provide a new online lottery system, terminals and ongoing services. The new system commenced operations in November 2008.
(7) In March 2009, after the close of 2008, 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 4 year period ending in April 2015.
(8) Under these contractual arrangements, the lottery authorities purchased the lottery system and related software license from GTECH at the commencement of the respective contracts.
(9) 2,150 Altura terminals and 3,000 Imagine terminals will be installed by the end of 2010.
(10) GTECH's contract with the Colombia ETESA lottery authority is not a true facilities management contract in that title to the equipment vests in ETESA at the end of the term.
(11) The Luxembourg lottery authority can extend the software license granted by GTECH for up to 10 years after the end of the initial term and any extensions of the contract.
(12) In June 2008, GTECH announced that Pronosticos Para La Assistencia Publica will substantially increase its on-line lottery ticket sales points from approximately 9,000 to 24,000 with GTECH's on-line in-lane solution, *Lottery Inside*.
(13) GTECH's contract expires on the date of expiry of the National Sports Lottery's license, which is in December 2016 with an option to extend for 10 years.
(14) The extension option for this contract may be exercised on mutual agreement of the parties.
(15) The term of the contract with the Turkey lottery authority renews for successive one-year extension terms unless either party gives timely notice of non-renewal. In addition, the Turkey lottery authority has the option to assume responsibility for the provision of certain lottery services at any time after the second anniversary of system start-up.
(16) Operated by Camelot Group plc on a facilities management basis. In September 2007, it was announced that Camelot had received a new 10-year license that commenced on February 1, 2009. GTECH will supply Camelot with at least 29,700 lottery terminals.

DOCUMENT REDACTED BY TLC - 12-4-10

Table 3 Product Sales Contracts

The table below lists certain of GTECH's direct and indirect customers that since January 2007 have purchased (or have agreed to purchase) from GTECH new online systems, software and/or terminals and equipment in connection with the expansion or replacement of existing lottery systems. It does not include jurisdictions in which GTECH has a facilities management contract with the lottery authorities unless the product sale is set forth in a separate contract.

Jurisdiction	Customer
Argentina	Boldt – Instituto Provincial de Loterias y Casinos de la Provincia de Buenos Aires
Australia	New South Wales Lotteries Corporation
	Lotterywest (f/k/a Western Australia Lotteries Commission)
	Lotteries Commission of South Australia
Belgium	Loterie Nationale de Belgique
Canada	British Columbia Lottery Corporation
	Western Canada Lottery Corporation
Denmark	Danske Spil A/S
Finland	Veikkaus Oy
France	La Francaise des Jeux
Georgia	Scientific Games Inc.
Germany	WestLotto
	Sachsische Lotto – Gmbh
	Lotterie Treuhandgesellschaft mbH Thuringen
Indiana	Hoosier Lottery
Israel	Mifal Hapayis
Lithuania	UAB Olifėja
Luxembourg	Loterie Nationale
Massachusetts	Massachusetts State Lottery Commission
Mexico	Pronosticos para la Asistencia Publica
New Zealand	New Zealand Lotteries Commission
Pennsylvania	Scientific Games OES Online Entertainment Systems, Inc.
Poland	Totalizator Sportowy Sp. Zo.o
Portugal	Santa Casa de Misericordia de Lisboa
Singapore	Singapore Pools (Pte) Ltd.
Spain	Organizacion Nacional de Ciegos Espanoles
Switzerland	Loterie de la Suisse Romande
Taiwan	Taiwan Sports Lottery Corporation
Ukraine	Ukraine National Lottery
United Kingdom	Camelot Group plc
Virginia	Virginia Lottery

DOCUMENT REDACTED BY TLC - 12-4-10

Table 4 ITVM Contracts

The table below sets forth the lottery authorities with which GTECH has ITVM Facilities Management Contracts ("*FMCs*"). This table also provides (except where noted by footnote) historical information respecting the number of ITVMs that are currently in service, under various ITVM Product Sales Contracts ("*PSCs*"). Finally, the table below sets forth information regarding the term of each FMC, as well as the approximate number of ITVMs installed in each FMC jurisdiction, as of December 31, 2008.

Jurisdiction	FMC or PSC	Approximate Number of ITVMs In Service	Date of Commencement of Current FMC Contract*	Date of Expiration of Current FMC Contract Term	Current Extension Options**
Arizona	(1)	750	--	--	--
California	PSC	4,200	--	--	--
France	PSC	1,160	--	--	--
Georgia	PSC	440	--	--	--
Iceland	PSC	25	--	--	--
Illinois	FMC	3,470	July 2004	September 2010	1 three-year
Indiana	PSC	1,200			
Italy	PSC	500	--	--	--
Kentucky	FMC	1,500	December 2007	December 2010 (2)	2 one-year
Luxembourg	FMC	130	September 2005	October 2012	--
Maine	PSC	150	September 2004	August 2009	--
Maryland	PSC	1,000	--	--	--
Massachusetts	PSC	2,200	--	--	--
Minnesota	(1)	110	--	--	--
Missouri	FMC	620	March 2007	June 2012	--
New Hampshire	PSC	250	June 2005	June 2010	--
New Jersey	(1)	200	--	--	--
New York	(3)	5,200	(3)	(3)	--
North Carolina	FMC	660	January 2006	March 2013	--
Ohio	FMC	1,500	July 2003	June 2009	--
Oregon	PSC	500	--	--	--
Pennsylvania	PSC	3,450	--	--	--
Rhode Island	(1)	150	--	--	--
Switzerland	PSC	100	--	--	--
Texas	(1)	1,320	September 2003	August 2011	--

DOCUMENT REDACTED BY TLC - 12-4-10

Jurisdiction	FMC or PSC	Approximate Number of ITVMs In Service	Date of Commencement of Current FMC Contract*	Date of Expiration of Current FMC Contract Term	Current Extension Options**
Virginia	(4)	2,000	June 2004	June 2011	3 one-year or 1 three-year
Washington	FMC	1,000	November 2004	November 2010	--
Wisconsin	FMC	500	June 2004	June 2011	2 one-year

* Reflects the date upon which the contract became effective.

**Reflects extensions available to the lottery authority under the same terms as the current contract. Lottery authorities occasionally negotiate extensions on different terms and conditions.

(1) Represents ITVMs installed under an on-line lottery Facilities Management Contract. See Facilities Management Contracts table above for additional information.
(2) The contract contains a different term for the lease of the equipment than for the contract term itself, running from the date of acceptance of the equipment with 2 one-year extensions at the option of the Kentucky Lottery Corporation. The current date of expiration of the equipment lease is March 2011.
(3) GTECH has entered into a contract to supply maintenance services for approximately 4,100 ITVMS which are owned by the New York lottery authority.
(4) The Virginia Lottery entered into a seven-year contract with Oberthur Gaming Technologies Corporation (OGT) under which GTECH has subcontracted to provide 1,500 ITVMs and management of warehousing and distribution of instant tickets. Additionally, 200 ITVMs have been provided by GTECH under the Facilities Management Contract which is described in Table 2.

DOCUMENT REDACTED BY TLC - 12-4-10

LONG TERM INCENTIVE PLANS

Long term incentive plans adopted by Lottomatica in favour of directors and/or employees of Lottomatica and/or its direct or indirect subsidiaries provide for stock option grants and restricted stock awards to their directors, executives and key employees. The principal purpose of granting long-term incentives is to assist Lottomatica in attracting and retaining within its group directors, officers and other key employees, to provide a market competitive total compensation package and to motivate recipients to increase shareholder value by enabling them to participate in the value which has been created. Most of the plans are based upon three year performance measurements, generally based upon Lottomatica's EBITDA. In general, the total value delivered is allocated 65% to stock options and 35% to restricted stock, respectively. The following are summaries of the long term incentive plans in force as of December 31, 2008.

Stock Option Plans

2003 – 2008 Plans
The Extraordinary Shareholders' Meeting of Lottomatica held on September 21, 2005 resolved to set December 31, 2008 as the expiration date for subscriptions of a maximum of €2,439,110, for issuances of a maximum of 2,439,110 new ordinary shares, par value of €1 each, with ordinary rights, excluding the right of option under Article 2441, paragraph 5, of the Italian Civil Code. To date, all the options have been exercised.

The Extraordinary Shareholders' Meeting of Lottomatica held on September 21, 2005 also resolved to set December 31, 2008 as the expiration date for subscriptions of a maximum of €223,175, for issuances of a maximum of 223,175 new ordinary shares, par value of €1 each, with ordinary rights, excluding the right of option under Article 2441, paragraph 5, of the Italian Civil Code. To date all the options have been exercised.

2005 – 2010 Plans
The September 21, 2005 Extraordinary Shareholders' Meeting of Lottomatica also resolved to set December 31, 2010, as the expiration date for the following subscriptions:

- a maximum of €297,580, for a maximum of 297,580 new ordinary shares, par value of €1 each, with ordinary rights, excluding the right of option under Article 2441, paragraph 5, of the Italian Civil Code. To date 297,580 options have been issued, of which 203,120 remain exercisable and 94,460 have been voided;
- a maximum of €57,016, for a maximum of 57,016 new ordinary shares, par value of €1each, with ordinary rights, excluding the right of option under Article 2441, paragraph 5, of the Italian Civil Code. To date none of the 57,016 options have been issued;
- a maximum of €219,812, for a maximum of 219,812 new ordinary shares, par value of €1each, with ordinary rights, excluding the right of option under Article 2441, paragraph 5, of the Italian Civil Code. To date, 219,812 options have been issued, of which 95,336 remain exercisable and 124,476 have been voided.

DOCUMENT REDACTED BY TLC - 12-4-10

2006 – 2014 Plan
The Lottomatica Board of Directors' Meeting of October 18, 2006 resolved to increase the share capital by a maximum amount of €1,500,000 by issuing up to 1,500,000 new ordinary shares with a par value of €1 each, with ordinary rights, excluding the right of option under Article 2441, paragraph 4, of the Italian Civil Code to be subscribed by December 31, 2014, serving the exercise of 1,188,600 options assigned on the same date by the Board of Directors' Meeting and not yet due within the framework of the stock option plan 2006-2014 reserved for employees of Lottomatica and/or its subsidiaries, other than 127,700 options that may be exercised prior to the vesting period pursuant to the resolution of the Lottomatica Board of Directors of December 11, 2007. As of December 31, 2008 there are 752,950 options outstanding under the Plan.

2007 – 2015 Plan
The Lottomatica Board of Directors' Meeting of May 3, 2007 resolved to increase the share capital against payments, in one or more tranches and in divisible form, by a maximum amount of €1,973,790 by issuing up to 1,973,790 new ordinary shares with a par value of €1 each, with ordinary rights, excluding the right of option under Article 2441, paragraph 4, second sentence of the Italian Civil Code, to be subscribed by December 31, 2015, serving the exercise of 1,973,790 options assigned on the same date by the Board of Directors' Meeting and not yet due within the framework of the stock option plan 2007-2015 reserved for employees of Lottomatica and/or its subsidiaries, other than 115,200 options that may be exercised prior to the vesting period pursuant to the resolution of the Lottomatica Board of Directors of December 11, 2007. As of December 31, 2008 there are 1,483,710 options outstanding under the Plan.

2008-2016 Plan
The Lottomatica Board of Directors' Meeting of April 22, 2008 resolved to increase the share capital against payment, in one or more tranches and in divisible form, by a maximum amount of €2,318,045 by issuing up to 2,318,045 new ordinary shares with a par value of €1 each, with ordinary rights, excluding the right of option under Article 2441, paragraph 4, second sentence of the Italian Civil Code, to be subscribed by December 31, 2016, serving the exercise of 2,318,045 options assigned on the same date by the Board of Directors' Meeting and not yet due within the framework of the stock option plan 2008-2016 reserved for employees of Lottomatica and/or its subsidiaries. During following meetings of the Board of Directors 2,248,772 options have been assigned. As of December 31, 2008 there are 2,188,902 options outstanding under the Plan.

Restricted Stock

(a) Executive Purchase of Shares at the Rights Offering Price
The Lottomatica Board of Directors' Meeting of August 29, 2006 resolved to increase the share capital against payment, in divisible form, by a maximum amount of €2,000,000 by issuing up to 2,000,000 new ordinary shares with a par value of €1 each, with ordinary rights, excluding the right of option under Article 2441 of the Italian Civil Code, to be assigned by December 15, 2007, to employees of Lottomatica and/or its subsidiaries for the price of €24.425 each. Of the 2,000,000 shares, 1,528,582 have been assigned and are vested but are restricted from sale for one to three years from August 29, 2006 depending upon the employee's position at Lottomatica or at its subsidiaries, provided shares can be sold if an employee terminates from Lottomatica or its subsidiaries before the restriction is lifted.

DOCUMENT REDACTED BY TLC - 12-4-10

(b) Share Allocation Plans (article 2349 of the Italian Civil Code)
- 2006-2009 Share Allocation Plan, Reserved For Employees of Lottomatica and/or its subsidiaries, approved by the Shareholders' Meeting of Lottomatica of October 18, 2006;
- 2006-2011 Share Allocation Time Based Plan, Reserved for Employees of Lottomatica and/or its subsidiaries, approved by the Shareholders' Meeting of Lottomatica of October 18, 2006;
- 2007-2010 Share Allocation Plan, Reserved for Employees of Lottomatica and/or its subsidiaries, approved by the Shareholders' Meeting of Lottomatica of April 23, 2007;
- 2008-2011 Share Allocation Plan, Reserved for Employees of Lottomatica and/or its subsidiaries, approved by the Shareholders' Meeting of Lottomatica of April 15, 2008.

Originally Approved Grants

The Board of Directors' Meeting of Lottomatica of October 18, 2006 resolved to assign up to 397,800 ordinary shares within the framework of the 2006-2009 Share Allocation Plan and 733,125 of ordinary shares within the framework of the time-based plan 2006-2011, identified the beneficiaries and established the number of shares to be allocated to each one of them. The Board of Directors' Meeting of Lottomatica of May 3, 2007 resolved to assign up to 285,130 ordinary shares within the framework of the 2007-2010 Share Allocation Plan. The Board of Directors' Meeting of Lottomatica of April 22, 2008 resolved to assign up to 286,916 ordinary shares within the framework of the 2008-2011 Share Allocation Plan.

Current Plan Balances

As of December 31, 2008, the following numbers of shares are outstanding in each plan: 231,522 ordinary shares have been assigned in the framework of the 2006-2009 Share Allocation Plan, 308,205 in the framework of the *time-based* 2006-2011, 131,570 ordinary shares in the framework of the 2007-2010 Plan and 270,083 ordinary shares in the framework of the 2008-2011 Plan.

In connection with the above mentioned Share Allocation Plans, as well as any other future plan, the Extraordinary Shareholders' Meeting of Lottomatica of April 23, 2007 empowered the Board of Directors for five years to increase the share capital in one or more tranches by a maximum amount of €3,200,000 by issuing up to 3,200,000 new ordinary shares, with a par value of €1 each.

The Ordinary Shareholders' Meeting of Lottomatica of April 15, 2008 empowered the Board of Directors to purchase a maximum number of own shares equal to 10% of the share capital, in compliance with the provision of law and of the contractual commitments concerning the Group, also granting, pursuant to section no. 2357 *ter* of the Italian Civil Code, the power to dispose the own shares purchased, including the implementation of the stock plans, with no time limit and in the way deemed opportune.

The Board of Directors' Meeting of Lottomatica, pursuant to the powers granted by the Shareholders' Meeting held on April 23, 2007 and on April 15, 2008:

- On May 3, 2007, resolved a free increase in share capital, for a nominal amount of €99,271 by issuing up to 99,271 new ordinary shares, with a par value of €1 each, with ordinary rights, that were all assigned, between August 29, 2007 and September 30, 2007, to the 2006-2011 Share Allocation Time-Based Plan beneficiaries;

DOCUMENT REDACTED BY TLC - 12-4-10

- On December 11, 2007, resolved a free increase in share capital, for a nominal amount of € 139,962 by issuing up to 139,962 new ordinary shares, with a par value of €1 each, with ordinary rights, that were all assigned to some of the beneficiaries of the above stock allocation plans, contextually to the early termination of the respective employment relationships;

- On April 22, 2008, resolved a free increase in share capital, for a nominal amount of €155,497 by issuing up to 155,497 new ordinary shares, with a par value of €1 each, with ordinary rights, that were all assigned to the beneficiaries of the 2006-2009 Share Allocation Plan and of the 2007-2010 Share Allocation Plan; and

- On July 31, 2008, resolved to assign free of charge to the beneficiaries of the 2006-2011 Share Allocation Time-Based Plan an overall maximum amount of 73,897 Lottomatica owned shares corresponding to the second instalment of the Plan that were all consigned between August 29, 2008 and September 13, 2008.

DOCUMENT REDACTED BY TLC - 12-4-10

Consolidated Financial Statements and Footnotes

December 31, 2008

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(thousands of euros)	*Notes*	December 31, 2008	December 31, 2007
ASSETS			
Non-current assets			
Systems, equipment and other assets related to contracts, net	5	758,717	740,260
Property, plant and equipment, net	6	86,023	63,129
Goodwill	7	3,086,297	2,793,186
Intangible assets, net	8	853,146	740,613
Investments in associates		6,093	2,816
Other non-current assets	10	21,380	36,393
Non-current financial assets	11	390	5,765
Deferred income taxes	12	235,421	160,758
Total non-current assets		5,047,467	4,542,920
Current assets			
Inventories	13	129,560	106,982
Trade and other receivables	14	773,595	695,222
Other current assets	10	65,160	49,845
Current financial assets	11	20,288	19,611
Income taxes receivable		5,654	2,051
Cash and cash equivalents	15	109,274	434,065
Total current assets		1,103,531	1,307,776
Non-current assets classified as held for sale	16	7,456	-
TOTAL ASSETS		6,158,454	5,850,696
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital		152,287	151,899
Share premium		1,139,071	1,574,956
Treasury shares		(73,184)	-
Retained earnings		95,647	75,471
Other reserves	17	295,174	(114,277)
		1,608,995	1,688,049
Minority interests		58,428	45,142
Total equity		1,667,423	1,733,191
Non-current liabilities			
Long-term debt, less current portion	18	2,573,802	2,143,722
Deferred income taxes	12	441,409	452,735
Long-term provisions	19	27,042	23,709
Other non-current liabilities	20	48,339	54,463
Non-current financial liabilities	11	134,604	48,419
Total non-current liabilities		3,225,196	2,723,048
Current liabilities			
Accounts payable		800,653	602,556
Short-term borrowings	18	60,848	7,610
Other current liabilities	20	278,751	218,882
Current financial liabilities	11	12,741	16,210
Current portion of long-term debt	18	61,109	487,384
Short-term provisions	19	2,276	538
Income taxes payable		49,457	61,277
Total current liabilities		1,265,835	1,394,457
TOTAL EQUITY AND LIABILITIES		6,158,454	5,850,696

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

(thousands of euros)	*Notes*	For the year ended December 31 2008	2007
Service revenue		1,818,267	1,580,345
Product sales		240,673	81,046
Total revenue	4	2,058,940	1,661,391
Raw materials, services and other costs		991,247	693,459
Personnel		410,513	369,295
Depreciation and amortization		311,556	273,319
Impairment losses	25	100,778	8,526
Capitalization of internal construction costs - labor and overhead		(95,149)	(78,131)
Total costs		1,718,945	1,266,468
Operating income	4	339,995	394,923
Interest income		10,955	12,913
Equity income (loss)		(1,825)	753
Other income		6,193	18,705
Other expense		(2,699)	(3,357)
Foreign exchange gain (loss), net	21	10,352	(33,705)
Interest expense	22	(177,555)	(193,816)
		(154,579)	(198,507)
Income before income tax expense		185,416	196,416
Income tax expense	12	47,546	90,452
Net income		137,870	105,964
Attributable to:			
Equity holders of the parent		93,748	74,049
Minority interest		44,122	31,915
		137,870	105,964
Earnings per share/ADRs			
Basic - net income attributable to equity holders of the parent	23	€ 0.62	€ 0.49
Diluted - net income attributable to equity holders of the parent	23	€ 0.62	€ 0.49

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS

(thousands of euros)	*Notes*	For the year ended December 31 2008	2007
Operating activities			
Income before income tax expense		185,416	196,416
Adjustments to reconcile income before income tax expense to net cash flows			
Depreciation	5, 6	225,460	205,321
Intangibles amortization	8	86,276	68,192
Other amortization		(180)	(194)
Impairment losses	25	100,778	8,526
Interest income		(10,955)	(12,913)
Interest expense	22	177,555	193,816
Unrealized foreign exchange (gain) loss	21	(16,336)	31,838
Share-based payment expense	26	14,682	21,346
Other non-cash items		7,575	13,104
Income tax paid		(135,071)	(58,252)
Cash flows before changes in operating assets and liabilities		635,200	667,200
Changes in operating assets and liabilities:			
Inventories		35,513	(31,911)
Trade and other receivables		(56,978)	(145,220)
Accounts payable		122,539	(16,778)
Advance payments from customers		(43,914)	28,663
Taxes other than income taxes		(35,516)	(797)
Other assets and liabilities		23,960	2,602
Net cash flows from operating activities		680,804	503,759
Investing activities			
Acquisitions	3	(249,667)	(48,688)
Acquisitions - cash acquired	3	39,689	22
Purchases of systems, equipment and other assets related to contracts		(195,178)	(178,332)
Purchases of property, plant and equipment		(26,176)	(13,835)
Purchases of intangible assets		(18,439)	(60,377)
Finsoft contingent consideration		(13,415)	-
Other investments		(6,187)	(13,904)
Toto Carovigno S.p.A. escrow payment	3	(4,368)	-
Refundable performance deposit		1,345	6,176
Interest received		11,056	13,270
Net cash proceeds from the sale of POLCARD S.A.	27	-	166,727
Other		960	(722)
Net cash flows used in investing activities		(460,380)	(129,663)
Financing activities			
Principal payments on long-term debt		(957,580)	(40,924)
Interest paid		(159,850)	(180,188)
Dividends paid	28	(125,393)	(119,695)
Treasury share purchases		(74,830)	-
Dividends paid - minority interest		(31,357)	(5,920)
Debt issuance costs		(9,113)	-
Proceeds from exercise of stock options		2,915	3,892
Net proceeds from (repayment of) short-term borrowings		44,542	(6,066)
Proceeds from issuance of long-term debt		763,440	-
Proceeds from shares issued to employees at a discount		-	15,301
Other		293	1,297
Net cash flows used in financing activities		(546,933)	(332,303)
Net (decrease) increase in cash and cash equivalents		(326,509)	41,793
Net decrease in cash associated with assets held for sale		-	4,117
Effect of exchange rate changes on cash		1,718	(8,462)
Cash and cash equivalents at the beginning of the year		434,065	396,617
Cash and cash equivalents at the end of the year	15	109,274	434,065

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2008 and 2007

	Attributable to equity holders of the parent							
(thousands of euros)	Issued Capital	Share Premium	Treasury Shares	Retained Earnings	Other Reserves (Note 17)	Total	Minority Interests	Total Equity
Balance at January 1, 2007	150,750	1,637,701	-	35,196	32,482	1,856,129	17,487	1,873,616
Fair value of interest rate swaps, net of €5.4 million of tax benefits (Note 33)	-	-	-	-	(9,199)	(9,199)	-	(9,199)
Amortization of unrecognized gain on interest rate swap	-	-	-	-	(570)	(570)	-	(570)
Unrecognized net gain on derivative instruments, net of €0.2 million of tax expense	-	-	-	-	262	262	-	262
Foreign currency translation, net of €16.2 million of tax benefits	-	-	-	-	(152,380)	(152,380)	-	(152,380)
Total income and expense recognized directly in equity	-	-	-	-	(161,887)	(161,887)	-	(161,887)
Net income	-	-	-	74,049	-	74,049	31,915	105,964
Total income and expense for the year	-	-	-	74,049	(161,887)	(87,838)	31,915	(55,923)
Dividend distribution (€0.79 per share) (Note 28)	-	(69,214)	-	(30,343)	(20,138)	(119,695)	-	(119,695)
Appropriation of 2006 income in accordance with Italian law	-	(11,814)	-	(2,345)	14,159	-	-	-
Shares issued upon exercise of stock options	308	3,584	-	-	-	3,892	-	3,892
Shares issued to employees at a discount in connection with the acquisition of GTECH	602	14,699	-	-	-	15,301	-	15,301
Share-based payment (Note 26)	-	-	-	-	21,346	21,346	-	21,346
Shares issued under stock award plans	239	-	-	-	(239)	-	-	-
Dividend distribution	-	-	-	-	-	-	(5,920)	(5,920)
Other movements in equity	-	-	-	(1,086)	-	(1,086)	1,660	574
Balance at December 31, 2007	151,899	1,574,956	-	75,471	(114,277)	1,688,049	45,142	1,733,191
Fair value of interest rate swaps, net of €22.7 million of tax benefits (Note 33)	-	-	-	-	(39,925)	(39,925)	-	(39,925)
Amortization of unrecognized gain on interest rate swap	-	-	-	-	(570)	(570)	-	(570)
Unrecognized net gain on derivative instruments, net of €0.6 million of tax expense	-	-	-	-	607	607	-	607
Unrecognized net gain on available for sale investment	-	-	-	-	88	88	-	88
Foreign currency translation, net of €15.0 million of tax expense	-	-	-	-	54,228	54,228	-	54,228
Total income and expense recognized directly in equity	-	-	-	-	14,428	14,428	-	14,428
Net income	-	-	-	93,748	-	93,748	44,122	137,870
Total income and expense for the year	-	-	-	93,748	14,428	108,176	44,122	152,298
Dividend distribution (€0.825 per share) (Note 28)	-	(56,471)	-	(68,922)	-	(125,393)	-	(125,393)
Treasury share purchase plan	-	(456,926)	-	-	456,926	-	-	-
Treasury shares purchased (3,943,022 shares)	-	74,830	(74,830)	-	(74,830)	(74,830)	-	(74,830)
Appropriation of 2007 income in accordance with Italian law	-	-	-	(77)	77	-	-	-
Shares issued upon exercise of stock options	233	2,682	-	-	-	2,915	-	2,915
Share-based payment (Note 26)	-	-	-	-	14,682	14,682	-	14,682
Shares issued under stock award plans	155	-	1,646	-	(1,801)	-	-	-
Dividend distribution	-	-	-	-	-	-	(31,357)	(31,357)
Put/call option arising from business combination (Note 3)	-	-	-	(5,461)	-	(5,461)	-	(5,461)
Other movements in equity	-	-	-	888	(31)	857	521	1,378
Balance at December 31, 2008	152,287	1,139,071	(73,184)	95,647	295,174	1,608,995	58,428	1,667,423

DOCUMENT REDACTED BY TLC - 12-4-10

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.

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 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's principal activities are described in Note 4.

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 consolidated financial statements for the year ended December 31, 2008 were authorized for issuance in accordance with a resolution of the Board of Directors on March 5, 2009. On this date, the Board of Directors also proposed to distribute a dividend of €0.68 per share.

2.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for those items measured at fair value as disclosed in the accounting policies below. The 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. The Group presents its cash flows using the indirect method.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis of consolidation
The consolidated financial statements include the financial statements of Lottomatica and its subsidiaries as of December 31 each year. The financial statements of significant subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Subsidiaries are those entities in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has control, directly or indirectly, over the entities' operations so as to obtain benefits from the entities' activities. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group balances, transactions, income and expenses, and gains and losses resulting from intra-group transactions are eliminated.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of preparation (continued)

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the entity method, whereby the difference between the consideration and the book value of the share of net assets acquired is recognized in equity.

Reclassifications

December 31, 2007 Consolidated Balance Sheet
The Group changed the December 31, 2007 presentation and classification of contingent consideration associated with the July 2, 2007 acquisition of Finsoft Limited ("Finsoft") to more appropriately reflect its classification as a financial liability as summarized below. Consolidated net financial position was revised accordingly to include the contingent consideration (Note 15).

	December 31, 2007		
(thousands of euros)	As Adjusted	As Previously Reported	Reclassification
Liabilities			
Other non-current liabilities	54,463	63,260	(8,797)
Non-current financial liabilities	48,419	39,622	8,797
Other currrent liabilities	218,882	230,548	(11,666)
Current financial liabilities	16,210	4,544	11,666
Consolidated net financial position	2,249,669	2,229,206	20,463

2.2 Changes in accounting policies and disclosures

The Group's accounting policies are consistent with those of the previous financial year except the Group adopted new International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) amendments and interpretations during the year as described below. Adoption of these amendments and interpretations did not have a material effect on the financial position or performance of the Group; however, they gave rise to additional disclosures, including, in some cases, revisions to accounting policies.

IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (Revised)
The Group adopted IAS 39 and IFRS 7 (Revised) on July 1, 2008, which permits and entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss upon initial recognition) out of the fair value through profit or loss category in specific circumstances. The amendments also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables had it not been designated as available-for-sale. Such a reclassification is possible only if the entity has the intention and ability at the time of reclassification to hold that financial asset for the foreseeable future or until maturity. The adoption of these amendments had no material impact on the financial position or performance of the Group.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.2 Changes in accounting policies and disclosures (continued)

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
The Group adopted IFRIC 11 on January 1, 2008, which requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled transaction, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The adoption of this interpretation had no material impact on the financial position or performance of the Group.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
The Group adopted IFRIC 14 on January 1, 2008, which provides guidance on how to assess the limit on the amount of surplus in a defined benefit plan that can be recognized as an asset under IAS 19 Employee Benefits. It also explains how the pension's asset or liability may be affected when there is a statutory or contractual minimum funding requirement. The adoption of this interpretation had no material impact on the financial position or performance of the Group.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation
The Group early adopted IFRIC 16 on October 1, 2008, which provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recognized on disposal of the net investment. The adoption of this interpretation had no material impact on the financial position or performance of the Group.

The following IFRIC interpretations became effective during 2008 but were not applicable to the Group:

IFRIC 12 Service Concession Arrangements
IFRIC 12 became effective on January 1, 2008 and applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. Service concession arrangements are arrangements whereby a government or other body grants contracts for the supply of public services, such as roads, prisons or hospitals, to private operators.

IFRIC 13 Customer Loyalty Programmes
IFRIC 13 became effective on July 1, 2008 and provides guidance on the accounting by an entity that grants loyalty award credits (such as "points" or travel miles) to customers who buy other goods or services.

2.3 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 consolidated financial statements:

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.3 Significant accounting judgments, estimates and assumptions (continued)

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 December 31, 2008 and December 31, 2007 was €758.7 million and €740.3 million, respectively. Further details are provided in Notes 5 and 25.

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 December 31, 2008 and December 31, 2007 was €3.1 billion and €2.8 billion, respectively. Further details are provided in Notes 7, 9 and 25.

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 December 31, 2008 and December 31, 2007 was €853.1 million and €740.6 million, respectively. Further details are provided in Notes 8, 9 and 25.

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. The valuation model and assumptions used are disclosed in Note 26.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.3 Significant accounting judgments, estimates and assumptions (continued)

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 December 31, 2008 was €45.4 million and €3.7 million, respectively. The carrying value of recognized tax losses and unrecognized tax losses at December 31, 2007 was €11.8 million and €10.7 million, respectively. Further details are provided in Note 12.

2.4 Summary of significant accounting policies

Business combinations and goodwill
Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, regardless of the extent of any minority interest.

For business combinations where the Group has a put option with respect to the minority shares, the Group determines whether it has a present ownership interest in those minority shares. If the Group determines that it has a present ownership interest in the minority shares, the acquisition is accounted for as an acquisition of those underlying shares and no minority interest is recognized. The cost of the acquisition includes the estimated fair value of the liability to the minority shareholders. Following the initial accounting, all changes in the carrying amount of the liability are adjusted against goodwill, except for the unwinding of the discount due to the passage of time which is recognized in the income statement.

If the Group determines it does not have a present ownership interest in the minority shares, the minority interest is attributed its share of profits and losses of the acquiree after the business combination. At each reporting date, the amount of the minority interest is presented in the balance sheet as a financial liability. Any difference between the present value of the amount payable to the minority shareholders and the minority interest is reclassified to equity.

Goodwill is initially measured at cost, being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of an acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Following initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 Summary of significant accounting policies (continued)

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operations when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Investment in an associate
An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. This is generally evidenced by ownership of between 20% and 50% of the voting rights. Associates are accounted for by the equity method of accounting, from the date that significant influence commences, until the date that significant influence ceases.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortized or separately tested for impairment. The income statement reflects the Group's share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit or loss of associates is included in equity income (loss) on the face of the income statement. This is the profit or loss attributable to equity holders of the associate after tax and minority interest in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting year as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the income statement.

Interest in a joint venture
A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The Group recognizes its interests in joint ventures using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealized gains and losses on transactions between the Group and its jointly controlled entity. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 Summary of significant accounting policies (continued)

Non-current assets held for sale
Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Property, plant and equipment once classified as held for sale are not depreciated.

Foreign currency translation
The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency. The functional currency for the majority of the Group's foreign subsidiaries is the applicable local currency and items included in the financial statements of each subsidiary are measured using that functional currency. For those subsidiaries, we translate assets and liabilities at exchange rates in effect at the balance sheet date, and income and expense accounts at weighted average exchange rates. The resulting foreign currency translation adjustments are recorded in other reserves within the equity section of our consolidated balance sheets. The US dollar to euro exchange rate was 1.3917 at December 31, 2008 and 1.4721 at December 31, 2007.

Transactions in foreign currencies are initially recorded at the functional currency exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate in effect at the balance sheet date. The resulting foreign currency translation adjustments are recorded in our consolidated income statement with the exception of adjustments that arise on monetary items that, in substance, form part of the net investment in foreign operations (such as intragroup loans where settlement is neither planned nor likely to occur in the foreseeable future) which are recorded in a separate component of equity.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the date of the initial transaction. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For those foreign subsidiaries operating in a highly inflationary economy or whose functional currency is the United States dollar, nonmonetary assets and liabilities are translated at historical rates and monetary assets and liabilities are translated at current rates. The resulting foreign currency translation adjustments are recorded in our consolidated income statement.

Revenue recognition
Revenue is recognized to the extent that it is probable the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts. Specific recognition criteria must also be met before revenue is recognized as discussed below.

Lottery, gaming, sports betting, interactive, and transaction processing services
We generally conduct our business under three types of contractual arrangements: Operating Contracts, Facilities Management Contracts and Product Sales Contracts.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 Summary of significant accounting policies (continued)

Operating contracts

Certain of our revenue, primarily revenue from Italian operations, are derived from operating contracts. Under operating contracts, we manage all 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. We also provide sports pools and sports betting services. Under sports pools arrangements, we manage the sports pool whereby the sports pool prizes are divided among those players who select the correct outcome. There are no odds involved in sports pools and each winner's payoff depends on the number of players and the size of the pool. We also set odds and assume risks under fixed odds sports betting contracts. Fees earned under operating contracts are recognized as revenue in the period earned and are classified as service revenue in our consolidated income statement when all of the following criteria are met:

- Persuasive evidence of an arrangement exists, which is typically when a customer contract has been signed
- Services have been rendered
- Our fee is deemed to be fixed or determinable and free of contingencies or significant uncertainties
- Collectibility is reasonably assured

Under sports pools arrangements, we collect the wagers, pay prizes, pay a percentage fee to retailers, withhold our fee, and remit the balance to the respective regulatory agency. We assume no risk associated with sports pool wagering. We record revenue net of prize payouts, taxes, retailer commissions and remittances to state authorities, because we are acting as an agent to the authorities.

In sports betting contracts, we establish and assume the risks related to the odds. Under fixed odds betting, the potential payout is fixed at the time bets are placed, and because we bear the risk of odds setting, we can make or lose money. We are responsible for collecting the wagers, paying prizes, and paying fees to retailers. We retain the remaining cash as profits. Under these arrangements, we record revenue net, calculated as total wagers less the estimated payout for prizes, because the betting contract is considered a derivative and is required to be recorded at fair value. Taxes and retailer commissions are shown as expenses.

Facilities management contracts

A substantial portion of our revenue is derived from facilities management contracts, under which we construct, install, operate and retain ownership of the online system. These contracts generally provide for a variable amount of monthly or weekly service fees paid to us directly from our customer based on a percentage of sales or net machine income. Fees earned under facilities management contracts are recognized as revenue in the period earned and are classified as service revenue in our consolidated income statement when all of the following criteria are met:

- Persuasive evidence of an arrangement exists, which is typically when a customer contract has been signed
- Services have been rendered
- Our fee is deemed to be fixed or determinable and free of contingencies or significant uncertainties
- Collectibility is reasonably assured

In instances where customer acceptance of the product or system is required, revenue is deferred until all the acceptance criteria have been met.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 Summary of significant accounting policies (continued)

Product sales contracts

Under multiple element product sales contracts, we construct, sell, deliver and install a turnkey system or deliver equipment, and license the computer software for a fixed price, and our customer subsequently operates the system. Product sale contracts generally include customer acceptance provisions and general customer rights to terminate the contract if we are in breach of the contract.

Because product sales contracts include significant customization, modification and other services prior to customer acceptance that are considered essential to the software inherent in our systems, revenue is recognized using contract accounting upon customer acceptance as long as the cost to deliver remaining obligations or elements to the customer can be reasonably estimated. Upon revenue recognition, sufficient revenue is deferred associated with estimated costs to deliver any remaining elements to the customer. Multiple elements are generally recorded as a single unit of accounting at an overall blended margin. Customer acceptance milestones typically coincide with phases of delivery resulting in a percentage of completion recognition of product sales revenues. Amounts due to us and costs incurred by us in constructing the system prior to customer acceptance are deferred. We recognize losses, if any, on fixed price contracts when the amount of the loss is probable and determinable. Revenue attributable to the system is classified as product sales in our consolidated income statement and is recognized upon customer acceptance as long as there are no substantial doubts regarding collectibility.

Revenues attributable to any ongoing services provided subsequent to customer acceptance are classified as service revenue in our consolidated income statement in the period earned.

In certain product sale contracts (primarily the stand alone sale of lottery or video lottery terminals and software deliverables that do not involve significant customization of software) where we are not responsible for installation, we recognize revenue when all of the following criteria are met:

- Persuasive evidence of an arrangement exists, which is typically when a customer contract has been signed
- The product has been delivered
- Our fee is deemed to be fixed or determinable and free of contingencies or significant uncertainties
- Collectibility is reasonably assured

In instances where customer acceptance of the product is required, revenue is deferred until any acceptance criteria have been met.

In instances where installation is required, and/or other post contract customer support (PCS) is included, revenue is deferred until installation is complete and is then recognized over the contracted PCS period, unless a fair value revenue amount is determinable for the installation and PCS obligations. In the cases where a fair value revenue amount is determinable, that amount is deferred and recognized when the installation obligation is complete and, for PCS, over the remaining contracted PCS period.

Our typical payment terms under product sale contracts include customer progress payments based on specific contract milestones with final payment due on or shortly after customer acceptance.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 Summary of significant accounting policies (continued)

In those cases where we provide extended payment terms to our customer, we consider the standard business environment of the customer and industry to determine if extended payment terms are a common practice. Where extended payment terms are not our typical profile, terms that extend substantially beyond the date the product is delivered, may result in the necessity to defer revenue (no more than 6 to 9 months payment extension would be acceptable). In such cases, it is presumed that the fee is not fixed or determinable. In other cases where it is an industry practice to provide extended payment terms, we consider the impact of the extended payment terms on the ability to reliably measure revenue and costs due to the time value of money, credit risk associated with the extended payment terms, the potential for fee reductions, and the risk of future concessions. Depending on these considerations, revenue recognition for transactions with extended payment terms may be permitted whereby the nominal amount of the revenue is recorded at a discount to take into consideration the time value of money. No upfront revenue is currently being recorded.

Non-lottery commercial transaction processing services

We offer high-volume transaction processing services outside of our core market of providing online lottery services that consist of the acquiring, processing and transmission of commercial non-lottery transactions. Such transactions include bill payments, electronic tax payments, utility payments, prepaid cellular telephone recharges and retail-based programs.

We earn a fee for processing commercial non-lottery transactions that is transaction-based (a fixed fee per transaction or a fee based on a percentage of monetary volume processed). We recognize these fees as service revenue at the time a transaction is processed based on the net amount retained.

Deferred revenue and liquidated damage assessments

Amounts received from customers in advance of revenue recognition are recorded in other current liabilities in our consolidated balance sheets. We generally record liquidated damage assessments, which are penalties incurred due to a failure to meet specified deadlines or performance standards, as a reduction of revenue in the period they become probable and estimable.

Interest income

Revenue is recognized as interest accrues using the effective interest method.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 Summary of significant accounting policies (continued)

Income taxes

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax
Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 Summary of significant accounting policies (continued)

Post employment benefits
The Group has a defined benefit plan (staff severance fund) to provide certain post employment benefits to Italian employees following termination from the Group. Italian employees may choose to participate in an unfunded plan within the Group or transfer their plan balance to independent external funds. These benefits are funded only to the extent paid to the external funds. The cost of providing benefits under the plan, for those employees that participate in the unfunded plan within the Group, is determined using the projected unit credit actuarial valuation method. The cost of providing benefits for those employees that choose to transfer their plan to independent external funds are considered as defined contributions and are accrued as the employees render the related service. Actuarial gains and losses are immediately recognized in the consolidated income statement. The defined benefit liability represents the present value of the Group's defined benefit plan obligation.

Share-based payment transactions
Employees of the Group may receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value on the date they are granted. The fair value is determined using a binomial model, further details of which are provided in Note 26.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognized as of the beginning and end of that period. No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, at a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share, further details of which are provided in Note 23.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 Summary of significant accounting policies (continued)

Financial assets

Initial recognition
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognized initially at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group's financial assets include cash and cash equivalents, trade and other receivables, loan and other receivables, available-for-sale financial instruments and derivative financial instruments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:
- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments; or
- Available-for-sale financial assets

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with gains or losses recognized in the income statement. The Group has not designated any financial assets as at fair value through profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognized in the consolidated income statement when the investments are derecognized or impaired, as well as through the amortization process. The Group did not have any held-to-maturity investments during the years ended December 31, 2008 and 2007.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 Summary of significant accounting policies (continued)

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized, at which time the cumulative gain or loss previously recorded in equity is recognized in the income statement, or determined to be impaired, at which time the cumulative loss previously reported in equity is recognized in the income statement.

Financial liabilities

Initial recognition
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, directly attributable debt issuance costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, finance lease obligations and derivative financial instruments.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as follows:
- Financial liabilities at fair value through profit or loss; or
- Loans and borrowings

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. Gains or losses on liabilities held for trading are recognized in the income statement.

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated income statement when the liabilities are derecognized as well as through the amortization process.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 Summary of significant accounting policies (continued)

Financial guarantee contracts
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability (with a corresponding asset) at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the balance sheet date and the amount recognized less cumulative amortization.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments
The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis; option pricing models or other valuation models.

Amortized cost of financial instruments
Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Impairment of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, an only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and recoverable amount, calculated as the present value of estimated future cash flows. The estimated future cash flows take into account the risks specific to the asset and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities

Financial assets
A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either
  (a) the Group has transferred substantially all the risks and rewards of the asset; or
  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement
The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign market risks and interest rate risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are recognized in the consolidated income statement.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 Summary of significant accounting policies (continued)

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk); or
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment ; or
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognized in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognized in the income statement.

For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through the income statement over the remaining term to maturity. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedge item is derecognized, the unamortized fair value is recognized immediately in the income statement.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the income statement.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized immediately in the income statement.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 Summary of significant accounting policies (continued)

Amounts taken to equity are transferred to the income statement when the hedged transaction affects income or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction or firm commitment occurs. If the related transaction is not expected to occur, the amount is recognized in the income statement.

Hedges of a net investment in a foreign operation
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized directly in equity while any gains or losses relating to the ineffective portion are recognized in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized directly in equity is transferred to the income statement.

Current versus non-current classification
Derivative instruments that are not a designated and effective hedging instrument are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e. the underlying contracted cash flows).

Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting), for a period beyond 12 months after the balance sheet date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

Treasury shares
Lottomatica's own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration paid or received is recognized in other reserves.

Systems, equipment and other assets related to contracts, net
Systems, equipment and other assets related to contracts are stated on the basis of cost, net of accumulated depreciation and/or accumulated impairment losses, if any. The cost is depreciated over the estimated useful life of the assets using the straight-line method depending on the type of cost. Cost is comprised of two categories:

- hard costs (for example: terminals, mainframe computers and communications equipment) and;
- soft costs (for example: software development).

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 Summary of significant accounting policies (continued)

Hard costs are depreciated using the straight line method over the base term of the contract plus extension years provided for in the contract that are deemed probable, but not to exceed 10 years. Soft costs are depreciated using the straight line method over the base term of the contract, but not to exceed 10 years. Repair and maintenance costs are recognized in the income statement as incurred.

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.

Systems, equipment and other assets related to contracts are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

Property, plant and equipment, net
Property, plant and equipment is stated on the basis of cost. The cost, excluding land, is depreciated over the estimated useful life of the assets using the straight-line method. The estimated useful lives are generally 40 years for buildings and five to 10 years for furniture and equipment. Repair and maintenance costs are recognized in the income statement as incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date and whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

For arrangements entered into prior to January 1, 2005, the date of inception is deemed to be January 1, 2005 in accordance with the transitional requirements of IFRIC 4.

Finance leases
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the income statement.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 Summary of significant accounting policies (continued)

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases
Operating lease payments are recognized as an expense in the consolidated income statement on a straight line basis over the lease term.

Borrowing costs
Borrowing costs are recognized as an expense when incurred.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and any expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least annually at year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization expense on intangible assets with finite lives is recognized in the expense category of depreciation and amortization in our consolidated income statement.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, as of December 31, either individually or at the cash generating unit level, as appropriate. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Research and development costs
Research costs are expensed as incurred. A development expenditure on an individual project is recognized as an asset when the Group can demonstrate:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during the development.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 Summary of significant accounting policies (continued)

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit from the related project. The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the year.

Inventories

Inventories are valued at the lower of cost (under the first in, first out method or specific cost basis as considered necessary in the specific circumstances) or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Inventories include amounts we manufacture or assemble for our long-term service contracts, which are transferred to systems, equipment and other assets related to contracts, net upon shipment. Inventories also include amounts related to product sales contracts, including product sales under long-term contracts.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the assets in prior years. Such reversal is recognized in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 Summary of significant accounting policies (continued)

The following criteria are also applied in assessing impairment of goodwill and intangible assets.

Goodwill
Goodwill is tested for impairment annually, as of December 31, or more frequently when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGU's) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets
Intangible assets with indefinite useful lives are tested for impairment annually, as of December 31, either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

Cash and cash equivalents
Cash and cash equivalents in the consolidated balance sheets are comprised of cash at banks and on hand and short-term, highly liquid investments with an original maturity of three months or less at the date of purchase.

Trade receivables and other receivables
Trade accounts receivable are reported net of allowances for doubtful accounts and liquidated damages (penalties incurred due to a failure to meet specified deadlines or performance standards). Allowances for doubtful accounts are generally recorded when there is objective evidence that we will not be able to collect the related receivables. Bad debts are written off when identified. Allowances for liquidated damages are generally recorded when they are probable and estimable.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.5 International Financial Reporting Standards issued but not yet effective

The IASB and IFRIC issued additional standards, interpretations and amendments during the year which are effective for periods starting after the date of these financial statements and therefore have yet to be adopted by the Group as described below.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements
The amendments 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. Both revisions will be effective for financial years beginning on or after January 1, 2009. The revision to IAS 27 will have to be applied prospectively. The adoption of these amendments is not expected to have a material impact on the financial position or performance of the Group when adopted on January 1, 2009.

IFRS 2 Share-Based Payment (Revised)
IFRS 2 (Revised) was issued in January 2008 and becomes effective for financial years beginning on or after January 1, 2009. The amendment clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. The adoption of this amendment is not expected to have a material impact on the financial position or performance of the Group when adopted on January 1, 2009.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Revised)
IFRS 3 (Revised) and IAS 27 (Revised) were issued in January 2008 and become effective for financial years beginning on or after July 1, 2009. IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. The changes by IFRS 3 (Revised) and IAS 27 (Revised) will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early applied. The Group is evaluating the impact the amendment will have on the Group's consolidated financial statements when adopted on January 1, 2010.

IFRS 8 Operating Segments
IFRS 8 was issued in November 2006 and becomes effective for financial years beginning on or after January 1, 2009. The 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. The Group plans to adopt IFRS 8 on January 1, 2009, its effective date. The adoption of this standard will not have any impact on the financial position or performance of the Group, but will only require additional disclosures.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.5 International Financial Reporting Standards issued but not yet effective (continued)

IAS 1 Presentation of Financial Statements (Revised)
IAS 1 (Revised) was issued in September 2007 and becomes effective for financial years beginning on or after January 1, 2009. The Standard separates owner and non-owner changes in equity. 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 is evaluating whether it will have one or two statements when adopted on January 1, 2009.

IAS 23 Borrowing Costs (Revised)
IAS 23 (Revised) was issued in April 2007 and becomes effective for financial years beginning on or after January 1, 2009. The Standard requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or productions of a qualifying asset. The Group's current policy is to expense borrowing costs as they are incurred. The adoption of this amendment is not expected to have a material impact on the financial position or performance of the Group when adopted on January 1, 2009.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
The amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for financial years beginning on or after January 1, 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfill a number of specified features. The adoption of this amendment is not expected to have a material impact on the financial position or performance of the Group when adopted on January 1, 2009.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
The amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after July 1, 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Group is evaluating the impact the amendments to the standard will have on the Group's consolidated financial statements when adopted on January 1, 2010.

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 Group has not yet adopted the following amendments and anticipates these changes will not have a material effect on the financial statements.

- ***IFRS 7 Financial Instruments: Disclosures*** - removal of the reference to "total interest income" as a component of finance costs.

- ***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 balance sheet.

- ***IAS 8 Accounting Policies, Change in Accounting Estimates and Errors*** - clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.5 International Financial Reporting Standards issued but not yet effective (continued)

- ***IAS 10 Events after the Reporting Period*** – clarification that dividends declared after the end of the reporting period are not obligations.

- ***IAS 16 Property, Plant and Equipment*** – replaced the term "net selling price" with "fair value less costs to sell" and items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventory when rental ceases and they are held for sale.

- ***IAS 18 Revenue*** – replacement of the term "direct costs" with "transaction costs" as defined in IAS 39.

- ***IAS 19 Employee Benefits*** – revised the definition of "past service costs", "return on plan assets" and "short term" and "other long-term" employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment. The reference to the recognition of contingent liabilities was deleted to ensure consistency with IAS 37.

- ***IAS 20 Accounting for Government Grants and Disclosures of Government Assistance*** – loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as a government grant. In addition, various terms were revised to be consistent with other IFRS Standards.

- ***IAS 23 Borrowing Costs*** – the definition of borrowing costs is revised 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 27 Consolidated and Separate Financial Statements*** – when a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statement, this treatment continues when the subsidiary is subsequently classified as held for sale.

- ***IAS 28 Investments in Associates*** – if an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.

- ***IAS 29 Financial Reporting in Hyperinflationary Economies*** – revised the reference to the exception to measure assets and liabilities at historical costs, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. In addition, various terms were revised to be consistent with other IFRS Standards.

- ***IAS 31 Interest in Joint Ventures*** – if a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

- ***IAS 34 Interim Financial Reporting*** – earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33 Earnings Per Share.

- ***IAS 36 Impairment of Assets*** – when discounted cash flows are used to estimate "fair value less cost to sell", additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use".

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.5 International Financial Reporting Standards issued but not yet effective (continued)

- ***IAS 38 Intangible Assets*** – expenditure on advertising and promotional activities is 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.
- ***IAS 39 Financial Instruments: Recognition and Measurement*** – changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the "fair value through profit or loss" classification after initial recognition. The reference in IAS 39 to a "segment" was removed when determining whether an instrument qualifies as a hedge. In addition, it requires the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.
- ***IAS 40 Investment Property*** – revision of the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. It also revised the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognized liability.
- ***IAS 41 Agriculture*** – removed the reference to the use of a pre-tax discount rate to determine fair value and removed the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. In addition, it replaced the term "point-of-sale costs" with "costs to sell".

IFRIC 15 Agreements for the Construction of Real Estate
IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after January 1, 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue. IFRIC 15 will not have an impact on the consolidated financial statements because the Group does not engage in such activity.

IFRIC 17 Distributions of Non-Cash Assets to Owners
IFRIC 17 was issued in November 2008 and becomes effective for financial years beginning on or after July 1, 2009. The interpretation clarifies that a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity. It also clarifies that an entity should measure the dividend payable at the fair value of the net assets to be distributed and should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. The adoption of this interpretation is not expected to have a material impact on the financial position or performance of the Group when adopted on July 1, 2009.

IFRIC 18 Transfers of Assets from Customers
IFRIC 18 was issued in January 2009 and becomes effective prospectively to transfers of assets from customers received on or after July 1, 2009. The interpretation, which is particularly relevant to the utility sector, provides additional guidance on accounting for transfers of assets from customers. It clarifies the requirements of IFRSs for agreements in which an entity receives an item of property, plant and equipment from a customer that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The Group is evaluating the impact the interpretation will have on the Group's consolidated financial statements when adopted on July 1, 2009.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Business combinations

Acquisitions in 2008

The Group's business combination activity during 2008 is summarized as follows:

(thousands of euros)	Atronic	Boss Media	St. Minver	Toto Carovigno	Other	Total
Cash purchase price	32,000	133,873	36,045	35,757	7,055	244,730
Cash acquisition costs	1,362	2,667	484	309	115	4,937
Cash acquisition cost	33,362	136,540	36,529	36,066	7,170	249,667
Receivable from acquired companies	-	-	-	-	24,935	24,935
Payable to acquired companies	-	-	-	-	20,760	20,760
Escrow payment in 2006	20,000	-	-	-	-	20,000
Liability to minority shareholder	-	15,778	-	-	-	15,778
Present value of contingent consideration	-	-	5,323	-	-	5,323
Accrued acquisition costs	56	51	38	-	-	145
Interest expense accretion	(227)	-	-	-	-	(227)
Equity loss	-	(485)	-	-	-	(485)
Non-cash acquisition cost	19,829	15,344	5,361	-	45,695	86,229
Total acquisition cost	53,191	151,884	41,890	36,066	52,865	335,896
Cash acquisition cost	33,362	136,540	36,529	36,066	7,170	249,667
Net cash acquired	(1,527)	(33,567)	(3,478)	(565)	(552)	(39,689)
Net cash outflow	31,835	102,973	33,051	35,501	6,618	209,978

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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Business combinations (continued)

The following table summarizes the provisional 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	34,620	4,299
Other non-current assets	3,622	3,622
Deferred income taxes	549	491
Current assets	77,375	69,692
Total assets acquired	147,639	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	40,107	40,828
Total liabilities assumed	177,016	178,287
Fair value of net liabilities acquired	(29,377)	(71,442)
Goodwill arising on acquisition	47,858	
Escrow payment in 2006 **(a)**	20,000	
Payment in excess of fair value **(a)**	14,710	
Total acquisition cost	53,191	

(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 is included in other income in our consolidated income statement at December 31, 2008.

The results of Atronic's operations have been included in the consolidated financial statements since January 31, 2008 and include the following (in thousands of euros):

Total revenue	79,059
Asset impairment losses	24,963
Other costs	119,079
Total costs	144,042
Operating loss	(64,983)

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Business combinations (continued)

In May 2008, GTECH 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. This payment is included in principal payments on long-term debt in our consolidated cash flow statement.

At December 31, 2008, the Group held for sale certain property, plant and equipment (consisting of land, office and warehouse space) acquired through the acquisition of Atronic. See Note 16 for further information.

Boss Media AB

On February 1, 2008, GTECH Global Services Corporation ("GGSC") and Medströms AB, through GEMed AB (a Swedish private limited liability company owned 87.454% and 12.546% by GGSC 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 and until April 18, 2008, was listed on the OMX Nordic Exchange Stockholm under the ticker symbol "BOSS.ST." The public cash offer resulted in GEMed acquiring approximately 94% of the outstanding shares of Boss Media. Pursuant to Swedish law, on March 10, 2008 GGSC and Medströms AB commenced a process to compel the sale of the untendered shares, which was completed on September 8, 2008 for a total cost of €9.7 million. On April 18, 2008, Boss Media was delisted from the OMX Nordic Exchange Stockholm.

From February 1, 2008 through March 5, 2008, GEMed (through GGSC) purchased approximately 46.3 million shares of Boss Media AB ("Boss Media") for approximately SEK 1.2 billion (€124.2 million) resulting in GGSC owning approximately 82% of 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.

GGSC has the option, which it may exercise between April 1, 2010 and June 30, 2010 to require Medströms AB, to sell its 12.546% stake in GEMed to GGSC and Medströms AB has an identical put right. The price at which the put/call may be exercised is equal to ten times EBITDA for the period January 1, 2009 through December 31, 2009, such product to be multiplied by Medströms AB 12.546% stake in GEMed. The price is subject to both a floor (SEK 108 million) and a cap (SEK 287 million); or approximately €11.6 million floor and €30.8 million cap at the April 24, 2008 SEK to euro exchange rate.

The acquisition has been accounted for on the basis that we have present ownership access to the shares owned by Medströms AB which are subject to the put/call option and therefore, no minority interest has been recorded. Accordingly, the cost of the business combination includes the €15.8 million fair value of the estimated liability to Medströms AB for these shares. The cost of the acquisition has been reduced by €0.5 million, representing GEMed's share of Boss Media's results during the period February 1, 2008 through April 24, 2008.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Business combinations (continued)

The following table summarizes the final fair values of Boss Media'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	2,494	2,494
Goodwill	-	4,427
Intangible assets, net	53,824	6,712
Other non-current assets	3,378	3,378
Current assets	45,064	45,064
Total assets acquired	104,760	62,075
Deferred income taxes	14,378	1,237
Other non-current liabilities	2,718	2,718
Other current liabilities	31,904	31,726
Total liabilities assumed	49,000	35,681
Fair value of net assets acquired	55,760	26,394
Goodwill arising on acquisition	96,124	
Total acquisition cost	151,884	

The results of Boss Media's operations have been included in the consolidated financial statements since April 24, 2008 and include the following (in thousands of euros):

Total revenue	24,795
Total costs	19,822
Operating income	4,973

St. Enodoc Holdings Limited

On April 30, 2008, GGSC 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, GGSC also expects to pay an additional £4.7 million (€4.9 million at the December 31, 2008 exchange rate). Ten percent of St. Minver remains with Gary Shaw, Founder and Chairman, until at least 2012, at which point both Mr. Shaw and GGSC have the right to cause GGSC to acquire Mr. Shaw's shares at a price equal to fair value to be determined by an independent appraisal as of the date of exercise.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Business combinations (continued)

The cost of the acquisition includes the €11.0 million fair value of the estimated contingent consideration based on the performance of the business in 2008 and 2009 (of which €5.7 million was paid in 2008). In addition, the acquisition has been accounted for on the basis that we do not have present ownership access to the shares owned by Mr. Shaw which are subject to the put/call option. Accordingly, we record a charge to equity for the difference between the fair value of the estimated liability to Mr. Shaw for these shares and the minority interest. The minority interest is included in non-current financial liabilities in our consolidated balance sheet.

The following table summarizes the final fair values of St. Minver'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	649	2,720
Intangible assets, net	27,716	217
Other non-current assets	881	881
Current assets	6,883	6,883
Total assets acquired	36,129	10,701
Long-term debt, less current portion	767	767
Deferred income taxes	8,390	-
Current liabilities	7,048	7,048
Total liabilities assumed	16,205	7,815
Fair value of net assets acquired	19,924	2,886
Goodwill arising on acquisition	23,960	
Minority interest	(1,994)	
Total acquisition cost	41,890	

The results of St. Minver's operations have been included in the consolidated financial statements since April 30, 2008 and include the following (in thousands of euros):

Total revenue	10,799
Total costs	11,506
Operating loss	(707)

Toto Carovigno S.p.A.

On August 29, 2008, Lottomatica acquired 100% of the shares of Toto Carovigno S.p.A., ("Toto Carovigno"), the owner of the Totosi sports-betting brand and the leading Italian online betting company concessionaire for sports and horse race betting, for a total cash purchase price of €35.8 million. In addition, a refundable payment of €4.4 million has been paid into escrow. The final purchase price will be determined after the results of certain procedures performed on the acquiree's statement of financial position as of the date of acquisition, which is currently underway.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Business combinations (continued)

The following table summarizes the provisional fair values of Toto Carovigno'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	908	908
Intangible assets, net	15,842	285
Other non-current assets	621	621
Deferred income taxes	1,949	1,949
Current assets	9,681	9,681
Total assets acquired	29,001	13,444
Deferred income taxes	5,828	872
Long-term provisions	4,551	4,551
Other non-current liabilities	170	170
Other current liabilities	16,011	16,011
Total liabilities assumed	26,560	21,604
Fair value of net assets acquired	2,441	(8,160)
Goodwill arising on acquisition	33,625	
Total acquisition cost	36,066	

The results of Toto Carovigno's operations have been included in the consolidated financial statements since August 29, 2008 and include the following (in thousands of euros):

Total revenue	9,747
Total costs	7,663
Operating income	2,084

Other

Other acquisitions during 2008 primarily relate to the December 5, 2008 acquisition of 100% of the shares of Royal Gold S.r.l. ("Royal Gold"), an Italian entity that owns and operates amusement with prize machines, for a purchase price of €21.4 million. 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.

The initial accounting for the Atronic, 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Business combinations (continued)

The goodwill arising on the acquisitions described above is attributable to the expected synergies and other benefits from combining their assets and activities with the Group.

The 2008 acquisitions are individually and in the aggregate, immaterial to the Group, and accordingly, pro forma financial information has not been presented. Refer to Notes 7 and 8 for disclosures regarding goodwill and intangible assets, net related to these acquisitions.

Acquisitions in 2007

The Group's business combination activity during 2007 is summarized as follows:

(thousands of euros)	Creative Games	Finsoft	Gruppo Sigma	Total
Cash purchase price	3,395	43,891	-	47,286
Cash acquisition costs	11	1,175	216	1,402
Cash acquisition cost	3,406	45,066	216	48,688
Present value of contingent consideration	-	20,805		20,805
Net payable to acquired companies	-	-	2,631	2,631
Working capital adjustment	-	1,019	-	1,019
Non-cash acquisition cost	-	21,824	2,631	24,455
Total acquisition cost	3,406	66,890	2,847	73,143
Cash acquisition cost	3,406	45,066	216	48,688
Net (cash) overdraft acquired	(46)	24	-	(22)
Net cash outflow	3,360	45,090	216	48,666

Creative Games International
On February 1, 2007, we acquired substantially all the assets of Creative Games International, Inc. ("CGI"), a provider of instant lottery tickets for the global lottery industry for a cash purchase price of US$4.4 million (€3.4 million at the February 1, 2007 transaction date). The results of CGI's operations, which were not material to the income of the Group, have been included in the consolidated financial statements since that date.

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 transaction date). 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 (€19.4 million at the December 31, 2008 exchange rate) would be paid. The results of Finsoft's operations, which were not material to the income of the Group, have been included in the consolidated financial statements since July 2, 2007.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Business combinations (continued)

Branch of Gruppo Sigma
On December 17, 2007, we completed the acquisition of a branch of Gruppo Sigma that is engaged in the gaming solutions business for a purchase price of €2.8 million. The results of Gruppo Sigma's operations, which were not material to the income of the Group, have been included in the consolidated financial statements since that date.

The 2007 acquisitions are individually and in the aggregate, immaterial to the Group, and accordingly, pro forma financial information has not been presented. Refer to Notes 7 and 8 for disclosures regarding goodwill and intangible assets, net related to these acquisitions.

The goodwill recognized for the Finsoft and CGI acquisitions is attributable to the expected synergies and other benefits from combining their assets and activities with the Group.

4. Segment information

The Group's primary segment reporting format is business segments because the Group's risks and rates of return are affected predominately by differences in the products and services produced and provided. Secondary information is reported geographically. The 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.
- 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.
- 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.
- 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.
- 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.

Prior to the second quarter of 2008, the Group was comprised of three operating segments: Lottery, Commercial Services, and Gaming Solutions. Prior period amounts have been reclassified to conform to the current year presentation.

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

The Group's geographical segments are based on the location of the Group's assets. Revenues from external customers disclosed in geographical segments are based on the geographical location of the Group's customers.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Segment information (continued)

The following tables present revenue and operating income (loss) and certain asset and liability information regarding the Group's business segments for the years ended December 31, 2008 and 2007, respectively. All operating income (loss) is from continuing operations.

For the year ended December 31, 2008

(thousands of euros)	Lottery	Gaming Solutions	Sports Betting	Interactive	Commercial Services	Unallocated	Total
Revenue							
Revenue from third-party customers	1,550,105	232,251	144,726	48,350	83,508	-	2,058,940
Intercompany revenue	-	-	-	-	-	-	-
Total revenue	1,550,105	232,251	144,726	48,350	83,508	-	2,058,940
Results							
Segment operating income (loss) **(a)**	493,476	(109,130)	13,015	1,541	26,276	(85,183)	339,995
As of December 31, 2008							
Assets and liabilities							
Segment assets **(b)**	4,395,784	503,675	177,997	291,217	405,683	378,005	6,152,361
Investment in associates	6,093	-	-	-	-	-	6,093
Total assets	4,401,877	503,675	177,997	291,217	405,683	378,005	6,158,454
Segment liabilities **(b)**	500,635	228,596	28,490	77,211	287,512	3,368,587	4,491,031
Total liabilities	500,635	228,596	28,490	77,211	287,512	3,368,587	4,491,031

(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.

(b) Unallocated segment assets and liabilities are primarily comprised of deferred income taxes, debt, non-current financial liabilities, accounts payable and other corporate amounts that cannot be directly attributed or allocated to segments on a reasonable basis.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Segment information (continued)

For the year ended December 31, 2008

Other segment information

(thousands of euros)	Lottery	Gaming Solutions	Sports Betting	Interactive	Commercial Services	Unallocated	Total
Capital expenditures: Purchases of systems, equipment and other assets	148,456	35,675	10,249	2,103	4,250	1,521	202,254
Purchases of property, plant and equipment	19,882	3,474	-	1	-	2,954	26,311
Purchases of intangible assets	5,786	1,638	9,854	-	716	445	18,439
Depreciation	169,292	31,592	4,568	1,559	5,852	12,597	225,460
Intangibles amortization	59,269	17,330	1,446	6,210	1,239	782	86,276
Other amortization	(180)	-	-	-	-	-	(180)
Impairment losses (Note 25)	26,753	74,025	-	-	-	-	100,778

For the year ended December 31, 2007

(thousands of euros)	Lottery	Gaming Solutions	Sports Betting	Interactive	Commercial Services	Unallocated	Total
Revenue							
Revenue from third-party customers	1,418,480	101,415	40,136	4,463	96,897	-	1,661,391
Intercompany revenue	-	-	-	-	-	-	-
Total revenue	1,418,480	101,415	40,136	4,463	96,897	-	1,661,391
Results							
Segment operating income (loss) **(a)**	461,459	(8,962)	(13,733)	(1,668)	32,898	(75,071)	394,923

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Segment information (continued)

As of December 31, 2007

(thousands of euros)	Lottery	Gaming Solutions	Sports Betting	Interactive	Commercial Services	Unallocated	Total
Assets and liabilities							
Segment assets **(b)**	4,357,203	326,581	80,122	71,678	346,484	665,812	5,847,880
Investment in associates	2,816	-	-	-	-	-	2,816
Total assets	4,360,019	326,581	80,122	71,678	346,484	665,812	5,850,696
Segment liabilities **(b)**	464,664	48,779	16,071	25,273	212,767	3,349,951	4,117,505
Total liabilities	464,664	48,779	16,071	25,273	212,767	3,349,951	4,117,505

(a) Operating income for the Commercial Services business segment includes approximately €10.6 million from POLCARD S.A. which was sold on August 1, 2007. 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.

(b) Unallocated segment assets and liabilities are primarily comprised of cash, deferred income taxes, debt and other corporate amounts that cannot be directly attributed or allocated to segments on a reasonable basis.

For the year ended December 31, 2007

Other segment information

(thousands of euros)	Lottery	Gaming Solutions	Sports Betting	Interactive	Commercial Services	Unallocated	Total
Capital expenditures:							
Purchases of systems, equipment and other assets	113,246	35,386	18,512	589	5,684	3,835	177,252
Purchases of property, plant and equipment	2,417	1,492	-	-	-	9,171	13,080
Purchases of intangible assets	1,792	2,588	-	-	355	528	5,263
Depreciation	170,921	16,997	3,667	187	5,448	8,101	205,321
Intangibles amortization	58,302	2,545	3,241	1,357	1,508	1,239	68,192
Other amortization	(194)	-	-	-	-	-	(194)
Impairment losses (Note 25)	5,406	3,120	-	-	-	-	8,526

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Segment information (continued)

The following tables present revenue, asset, and capital expenditure information regarding the Group's geographical segments:

For the year ended December 31, 2008

(thousands of euros)	North America	Europe and Africa	Latin America	Asia Pacific	Unallocated	Total
Revenue						
Revenue from third-party customers	510,225	1,431,024	103,905	13,786	-	2,058,940
Intercompany revenue	-	-	-	-	-	-
Total revenue	510,225	1,431,024	103,905	13,786	-	2,058,940
As of December 31, 2008						
Other segment information						
Segment assets **(a)**	1,668,929	3,960,554	220,075	61,649	247,247	6,158,454
Capital expenditures:						
Purchases of systems, equipment and other assets	115,138	77,658	6,591	2,867	-	202,254
Purchases of property, plant and equipment	21,049	2,308	-	-	2,954	26,311
Purchases of intangible assets	-	18,439	-	-	-	18,439

(a) Unallocated segment assets are primarily comprised of other corporate amounts that cannot be directly attributed or allocated to segments on a reasonable basis.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Segment information (continued)

For the year ended December 31, 2007

(thousands of euros)	North America	Europe and Africa	Latin America	Asia Pacific	Unallocated	Total
Revenue						
Revenue from third-party customers	520,794	1,049,109	81,529	9,959	-	1,661,391
Intercompany revenue	-	-	-	-	-	-
Total revenue	520,794	1,049,109	81,529	9,959	-	1,661,391
As of December 31, 2007						
Other segment information						
Segment assets **(a)**	2,383,550	2,409,710	314,536	77,247	665,653	5,850,696
Capital expenditures:						
Purchases of systems, equipment and other assets	98,560	62,421	12,912	3,359	-	177,252
Purchases of property, plant and equipment	3,909	-	-	-	9,171	13,080
Purchases of intangible assets	154	5,109	-	-	-	5,263

(a) Unallocated segment assets are primarily comprised of other corporate amounts that cannot be directly attributed or allocated to segments on a reasonable basis.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Segment information (continued)

Countries included in our geographical segments are as follows:

North America	Europe and Africa	Latin America	Asia Pacific
United States	Austria	Anguilla	Australia
Canada	Belarus	Antigua and Barbuda	China
	Belgium	Argentina	New Zealand
	Czech Republic	Barbados	Singapore
	Denmark	Bermuda	Sri Lanka
	Estonia	Brazil	Taiwan
	Finland	Chile	Thailand
	France	Colombia	
	Germany	Dominican Republic	
	Ghana	Guatemala	
	Iceland	Jamaica	
	Ireland	Mexico	
	Israel	Puerto Rico	
	Italy	St. Kitts and Nevis	
	Lithuania	St. Maarten	
	Luxembourg	Republic of Trinidad and Tobago	
	Morocco	Turks and Caicos Islands	
	Netherlands	US Virgin Islands	
	Poland		
	Portugal		
	Slovak Republic		
	South Africa		
	Spain		
	Sweden		
	Turkey		
	Ukraine		
	United Kingdom		

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Systems, equipment and other assets related to contracts, net

(thousands of euros)	Land and Buildings	Terminals and Systems	Furniture and Equipment	Contracts in Progress	Total
Net book value					
Balance at January 1, 2007	19,415	736,906	44,963	44,606	845,890
Acquisitions (Note 3)	-	(840)	1,341	-	501
Additions	3,843	44,208	10,013	119,188	177,252
Depreciation	(3,000)	(179,895)	(12,513)	-	(195,408)
Impairment losses (Note 25)	-	(7,052)	(1,059)	(115)	(8,226)
Disposals	-	(9,311)	(2,012)	(615)	(11,938)
Foreign currency translation	(55)	(60,745)	(3,234)	(3,688)	(67,722)
Transfers	1	118,743	5,390	(123,965)	169
Other	-	(89)	(169)	-	(258)
Balance at December 31, 2007	20,204	641,925	42,720	35,411	740,260
Acquisitions (Note 3)	9	31,690	600	226	32,525
Additions	1,900	53,316	15,379	131,659	202,254
Depreciation	(3,767)	(196,674)	(13,240)	-	(213,681)
Impairment losses (Note 25)	-	(18,228)	-	(1,158)	(19,386)
Disposals	-	(6,085)	(261)	(1,482)	(7,828)
Foreign currency translation	24	19,506	435	4,609	24,574
Transfers	-	87,955	1,780	(89,725)	10
Other	-	(25)	14	-	(11)
Balance at December 31, 2008	18,370	613,380	47,427	79,540	758,717
Balance at December 31, 2007					
Cost	32,702	1,068,658	61,180	35,411	1,197,951
Accumulated depreciation	(12,498)	(426,733)	(18,460)	-	(457,691)
Net book value	20,204	641,925	42,720	35,411	740,260
Balance at December 31, 2008					
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	18,370	613,380	47,427	79,540	758,717

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Property, plant and equipment, net

(thousands of euros)	Land and Buildings	Furniture and Equipment	Construction in Progress	Total
Net book value				
Balance at January 1, 2007	29,820	30,534	6,267	66,621
Additions	327	4,378	8,375	13,080
Depreciation	(2,066)	(7,847)	-	(9,913)
Disposals	(45)	(191)	-	(236)
Foreign currency translation	(3,105)	(3,199)	101	(6,203)
Transfers	5,169	6,471	(11,809)	(169)
Other	(20)	(31)	-	(51)
Balance at December 31, 2007	30,080	30,115	2,934	63,129
Acquisitions (Note 3)	12,158	5,253	-	17,411
Additions	14	5,438	20,859	26,311
Depreciation	(2,070)	(9,709)	-	(11,779)
Impairment losses (Note 25)	-	(1,628)	-	(1,628)
Disposals	(37)	(560)	-	(597)
Non-current assets classified as held for sale (Note 16)	(10,028)	-	-	(10,028)
Foreign currency translation	1,187	1,732	295	3,214
Transfers	-	1,456	(1,466)	(10)
Balance at December 31, 2008	31,304	32,097	22,622	86,023
Balance at December 31, 2007				
Cost	32,488	39,535	2,934	74,957
Accumulated depreciation	(2,408)	(9,420)	-	(11,828)
Net book value	30,080	30,115	2,934	63,129
Balance at December 31, 2008				
Cost	35,842	50,881	22,622	109,345
Accumulated depreciation	(4,538)	(18,784)	-	(23,322)
Net book value	31,304	32,097	22,622	86,023

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Goodwill

(thousands of euros)	December 31, 2008	2007
Balance at beginning of year	2,793,186	2,972,496
Acquisitions (Note 3):		
Boss Media	96,124	-
Atronic	47,858	-
Toto Carovigno	33,625	-
St. Minver	23,960	-
Royal Gold	16,065	
Finsoft	-	46,967
Other	14,012	1,099
	231,644	48,066
Adjustments:		
Foreign currency translation	107,550	(246,931)
Subsequent changes in fair value of contingent liabilities	2,267	(22,957)
CLS-GTECH Company Limited	367	-
Impairment losses (Note 25)	(48,717)	-
Revisions to fair value of GTECH assets and liabilities acquired	-	18,257
Goodwill associated with disposal group	-	24,255
	61,467	(227,376)
Balance at end of year	3,086,297	2,793,186

Goodwill related to the Atronic, 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 January 31, 2009, August 28, 2009 and December 5, 2009 for these acquisitions, respectively. Goodwill related to the St. Minver acquisition is provisional as the cost of the acquisition includes contingent consideration. See Note 32.

On December 19, 2007, GTECH Global Services Corporation Ltd. ("GGSC") acquired 50% of Tabcorp International Hong Kong Limited, which was 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). The purchase accounting for CLS-GTECH, which is accounted for using proportionate consolidation, was finalized during the three months ended March 31, 2008.

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. See Notes 9 and 25 for further discussion.

Changes to pre-acquisition contingent income tax liabilities resulting from a change in estimate or settlement with tax authorities are applied to reduce the remaining balance of goodwill relating to acquisitions.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Goodwill (continued)

The €24.3 million prior year adjustment to goodwill associated with disposal group was principally due to the finalization of the purchase price on March 30, 2007 of the sale of POLCARD S.A. to First Data International for US$325 million (€237.8 million at the August 1, 2007 exchange rate). See Note 27.

8. Intangible assets, net

(thousands of euros)	December 31, 2008	2007
Balance at beginning of year	740,613	856,764
Intangible assets acquired during the year:		
Purchase business combination related:		
Customer contracts	64,811	13,875
Trademarks	26,715	1,678
Capitalized computer software	30,559	11,302
Networks	19,360	-
Licenses	1,387	478
Other	1,235	515
	144,067	27,848
All other intangible assets acquired:		
Patents	7,420	3,588
Sports betting rights and horse racing betting rights	5,105	540
Concessions and licenses	2,572	1,135
Other	3,342	-
	18,439	5,263
Total intangible assets acquired	162,506	33,111
Foreign currency translation	24,068	(81,708)
Customer contracts - CLS-GTECH	15,250	-
Revisions to fair value of GTECH assets and liabilities acquired	-	938
Amortization	(86,276)	(68,192)
Impairment losses (Note 25)	(3,015)	(300)
Balance at end of year	853,146	740,613

Purchase business combination related intangible assets in 2008 result principally from the Atronic, Boss Media, St. Minver and Toto Carovigno acquisitions and in 2007 result from the Finsoft, CGI and Gruppo Sigma acquisitions. 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 Atronic and Toto Carovigno 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 January 31, 2009 and August 28, 2009 for these acquisitions, respectively. As described in Note 7, the purchase accounting for CLS-GTECH was finalized during the three months ended March 31, 2008.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Intangible assets, net (continued)

Intangible assets that are subject to amortization are being amortized ratably over their estimated useful lives, with no estimated residual values. Certain trademarks and networks were determined to have indefinite lives and are not subject to amortization. The Group expects to make use of the trademarks and networks on existing and future business, and no economic, legal or contractual limitation of their useful lives is anticipated. The following tables present detailed information for intangible assets.

	As of December 31, 2008			
(thousands of euros)	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Subject to amortization				
Customer contracts	14.1	684,398	119,620	564,778
Capitalized computer software	10.1	102,345	23,007	79,338
Sports betting rights and horse racing betting rights	7.5	61,959	9,961	51,998
Proprietary hardware	14.0	20,244	3,370	16,874
Patents	3.0	66,002	56,827	9,175
Concessions & licenses	3.0	15,787	12,560	3,227
Trademarks	6.1	3,574	566	3,008
Networks	2.0	3,123	163	2,960
Other	9.6	10,736	2,577	8,159
		968,168	228,651	739,517
Not subject to amortization				
Trademarks		97,375	-	97,375
Networks		16,254	-	16,254
		113,629	-	113,629
		1,081,797	228,651	853,146

	As of December 31, 2007			
(thousands of euros)	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Subject to amortization				
Customer contracts	14.1	584,386	60,288	524,098
Capitalized computer software	11.8	72,710	9,637	63,073
Sports betting rights and horse racing betting rights	9.0	56,033	3,463	52,570
Proprietary hardware	14.0	18,477	1,779	16,698
Patents	3.0	58,577	51,664	6,913
Concessions & licenses	3.1	12,760	10,029	2,731
Other	11.0	5,313	2,051	3,262
		808,256	138,911	669,345
Not subject to amortization				
Trademarks		71,268	-	71,268
		879,524	138,911	740,613

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Impairment testing of goodwill and intangibles with indefinite lives

Goodwill and other intangible assets with indefinite lives acquired through business combinations has been allocated to seven groups of cash generating units for impairment testing as follows:

- Lottery (Lottomatica)
- Lottery (GTECH)
- Gaming Solutions (Lottomatica)
- Gaming Solutions (GTECH)
- Commercial Services
- Sports Betting
- Interactive

Carrying amount of goodwill, trademarks and networks at December 31

	Goodwill		Trademarks and Networks	
(thousands of euros)	2008	2007	2008	2007
Lottery	2,520,102	2,403,996	70,355	68,075
Commercial Services	220,098	220,098	-	-
Gaming Solutions	153,710	125,359	17,877	3,193
Interactive	150,497	43,733	25,397	-
Sports Betting	41,890	-	-	-
	3,086,297	2,793,186	113,629	71,268

Lottomatica

For Lottomatica, the principal Italian operating entity of the Group, the recoverable amounts for the Lottery, Gaming Solutions, Commercial Services, and Sports Betting cash generating units have been determined based on a value in use calculation using cash flow projections from financial forecasts approved by senior management. These forecasts cover a period of approximately eight years for the Lottery and Sports Betting units and approximately five years for the Gaming Solutions and Commercial Services units, which are based on the weighted average contractual life of customer contracts in Lottomatica's portfolio. Cash flows beyond the five year period were extrapolated using a growth rate of 3.25% for the Lottery, Gaming Solutions and Sports Betting cash-generating units, and 3.0% for the Commercial services cash-generation unit, which were based on historical trends and expected future performance.

GTECH

For GTECH, the recoverable amounts for the Lottery, Gaming Solutions, and Interactive cash generating units have been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a period of five years, which is based on the weighted average contractual life of customer contracts in GTECH's portfolio. Cash flows beyond the five year period were extrapolated using growth rates of 3.5% for all of these cash-generating units, which were based on historical trends and expected future performance.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Impairment testing of goodwill and intangibles with indefinite lives (continued)

Key assumptions used in the value in use calculations
The calculation of value in use for all cash-generating units described above are most sensitive to the following key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill and trademarks.

- Service revenue and related profit;
- Product sales and related profit;
- Discount rates; and
- Growth rate used to extrapolate cash flows beyond the forecast period

Service revenue and related profit
Projected cash flows from service revenue assumes the continuation of recent historical trends adjusted for expected new contract wins, anticipated contract renewal pricing pressures, and the expected impact of sales and marketing initiatives that are being developed or expected to be developed.

Product sales and related profit
Projected cash flows from product sales assumes renewal orders from existing customers in connection with known upcoming procurements, along with orders from new or developing customers and markets at selling prices generally in line with historical experiences adjusted for expected competitive pressures.

Discount rates
Discount rates reflect management's estimate of the risks specific to each cash-generating unit and is the benchmark used by management to assess operating performance. While both Lottomatica and GTECH participate in the Lottery and Gaming Solutions segments, the duration and geographic diversity of customer contracts is the principal reason for the differences in the discount rates used in impairment testing. The pre-tax discount rates applied to the cash flow projections for all cash-generating units described above were as follows:

	Lottomatica	GTECH
Lottery	11.7%	8.7%
Gaming Solutions	13.7%	9.2%
Commercial Services	13.1%	-
Sports Betting	9.7%	-
Interactive	-	9.5%

Growth rate used to extrapolate cash flows beyond the forecast period
Growth rates are based on historical trends and expected future performance.

Sensitivity to changes in assumptions
With the exception of GTECH's Gaming Solutions cash generating unit, management believes that any reasonably possible change in any of the key assumptions on which the cash generating unit's recoverable amounts is based would not cause the unit's carrying amount to exceed its recoverable amount. Because the fair value of GTECH's Gaming Solutions cash generating unit is equal to its carrying value, any adverse change in a key assumption may cause a further impairment loss to be recognized.

During 2008, €48.7 million of goodwill impairment losses was recorded related to GTECH's Gaming Solutions cash generating unit. See Note 25 for further discussion.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Other assets (non-current and current)

	December 31,	
(thousands of euros)	2008	2007
Other non-current assets		
Long-term customer receivables	8,971	5,415
Deposits	3,235	2,780
Long-term prepaid expenses	2,725	1,194
Share of non-current assets of joint ventures **(a)**	1,974	22,905
Sales-type lease receivables	1,842	2,362
Refundable performance deposit	-	493
Other	2,633	1,244
	21,380	36,393

(a) See Notes 7 and 8 for information regarding CLS-GTECH

	December 31,	
(thousands of euros)	2008	2007
Other current assets		
Other receivables	26,263	7,319
Value-added tax receivable	15,043	7,279
Other tax receivables	10,239	12,755
Prepaid expenses	10,048	8,536
Share of other current assets of joint ventures	1,416	617
Refundable performance deposit	719	1,359
Contract receivables	-	9,739
Other	1,432	2,241
	65,160	49,845

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Financial instruments

Fair values

Set out below is a comparison by class of the carrying amounts and fair values of our financial instruments.

	December 31, 2008		December 31, 2007	
(thousands of euros)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents				
Cash and cash equivalents	109,274	109,274	434,065	434,065
	109,274	109,274	434,065	434,065
Derivatives				
Foreign currency forward contracts	4,211	4,211	-	-
Net investment hedge	1,343	1,343	-	-
	5,554	5,554	-	-
Loans and receivables				
Escrow and other deposits	8,776	8,776	16,154	16,154
Loan guarantees	468	468	6,207	6,207
Other loans and receivables	3,440	3,440	1,000	1,000
	12,684	12,684	23,361	23,361
Available-for-sale financial assets				
Investment in government securities	2,050	2,017	2,015	1,982
Other available-for-sale financial assets	390	390	-	-
	2,440	2,407	2,015	1,982
Total non-current financial assets	390	390	5,765	5,765
Total current financial assets	20,288	20,255	19,611	19,578
	20,678	20,645	25,376	25,343

Cash and cash equivalents are stated at cost, which approximates fair value, and earn interest at market rates.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Financial instruments (continued)

	December 31, 2008		December 31, 2007	
(thousands of euros)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Loans and borrowings				
GTECH Senior Credit Facilities	1,362,453	1,373,263	1,482,318	1,494,464
Capital Securities	777,016	461,250	774,487	729,375
LTO Term Loan Facility	353,955	360,601	-	-
LTO Revolving Credit Facility	50,095	50,095	-	-
Joint venture related debt	13,020	13,020	13,733	13,733
4.80% Bonds	-	-	359,976	359,550
Other loans	139,220	139,220	8,202	8,202
	2,695,759	2,397,449	2,638,716	2,605,324
Derivatives				
Interest rate swaps	73,739	73,739	14,632	14,632
Other derivatives	1,492	1,492	3,739	3,739
	75,231	75,231	18,371	18,371
Other financial liabilities				
Acquisition related liabilities	36,081	36,081	20,463	20,463
World Headquarters finance lease obligation (Note 32)	20,336	19,079	19,588	19,222
Other finance lease obligations	15,229	15,229	-	-
Loan guarantees	468	468	6,207	6,207
	72,114	70,857	46,258	45,892
Total non-current financial liabilities	134,604	133,375	48,419	48,060
Total current financial liabilities	12,741	12,713	16,210	16,203
	147,345	146,088	64,629	64,263

The fair values of our financial instruments were determined as follows:

- forward currency forward contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles;
- escrow and other deposits are stated at cost, which approximates fair value, and earn interest at market rates;
- interest rate swaps, Capital Securities and 4.80% Bonds were determined by independent investment bankers calculated using market interest rates;
- the GTECH Senior Credit Facilities, LTO Term Loan Facility and LTO Revolving Credit Facility approximate their carrying amounts, excluding the effect of debt issuance costs;
- acquisition related liabilities and loan guarantees were determined using discounted cash flows; and
- the World Headquarters finance lease obligation is recorded at the present value of the lease payments based on current market interest rates; and
- other finance lease obligations are based on current market interest rates.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Income tax

Income before income tax expense consists of the following:

	December 31,	
(thousands of euros)	2008	2007
Italy	312,301	264,068
Foreign	(126,885)	(67,652)
	185,416	196,416

The significant components of income tax expense are as follows:

	December 31,	
(thousands of euros)	2008	2007
Current		
Italy	109,080	88,647
Foreign	45,632	38,734
Total Current	154,712	127,381
Deferred		
Italy	(793)	24,184
Foreign	(106,373)	(61,113)
Total Deferred	(107,166)	(36,929)
Income tax expense	47,546	90,452

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Income tax (continued)

The tax effects of temporary differences and carryforwards that give rise to deferred tax assets and liabilities consist of the following:

Depreciation and amortization	83,218	68,408
Provisions not currently deductible for tax purposes	48,354	27,362
Net operating loss carryforward	45,607	11,804
Interest rate swaps	28,469	5,487
Cash collected in excess of revenue recognized	13,008	8,876
Inventory reserves	4,969	3,454
Foreign currency translation	3,384	16,159
Tax credit carryforward	1,210	10,077
Other	7,202	9,131
	235,421	160,758
Deferred tax liabilities		
Acquired intangible assets	335,745	330,093
Depreciation and amortization	104,030	118,970
Other	1,634	3,672
	441,409	452,735
Net deferred tax assets (liabilities)	(205,988)	(291,977)

Net deferred tax liabilities at December 31, 2008	(205,988)
Net deferred tax liabilities at December 31, 2007	(291,977)
Net change on the balance sheet	85,989

Deferred tax benefit recorded to the income statement	107,166
Purchase accounting related	(22,246)
Other deferred tax benefit recorded to equity	1,069
	85,989

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Income tax (continued)

The effective income tax rate on income before income tax expense differed from the Italian statutory tax rate for the following reasons:

(thousands of euros)	December 31, 2008	2007
Income before income tax expense	185,416	196,416
Italian statutory tax rate	27.50%	33.00%
Theoretical provision for income taxes based on Italian statutory tax rate	50,989	64,817
Reconciliation of the theoretical and effective provision for income taxes:		
Permanent differences		
Italian local tax (IRAP)	24,051	22,763
Nondeductible expense	9,167	6,587
Substitutive tax basis benefit	(10,191)	-
Foreign tax rate differential	(25,879)	3,643
Controlled foreign corporation tax	-	(2,792)
Italian statutory tax rate change	-	(4,081)
Other	(591)	(485)
Total tax provision	47,546	90,452
Effective tax rate	25.6%	46.1%

At December 31, 2008, a (€339.1) million deficit existed in undistributed earnings of foreign subsidiaries. Accordingly, no undistributed earnings existed that would have required the consideration of a deferred tax liability if such earnings were forecasted to be distributed in the foreseeable future. If undistributed earnings had existed at December 31, 2008, an associated deferred tax liability would not have been required because there is no intention by the Group to remit foreign earnings in the foreseeable future.

At December 31, 2008, the Group has recognized deferred tax assets related to operating losses of €45.4 million (United States, state and Italian net operating losses) and recognized deferred tax assets related to tax credits of €1.2 million. The recognition of these assets is based on expectations that sufficient taxable income will be generated in future years to utilize the tax loss carry forwards. The Group also has €3.7 million of unrecognized deferred tax assets related to net operating losses and €21.8 million of unrecognized deferred tax assets related to tax credits. These deferred tax assets were not recorded because realization of these assets is uncertain.

At December 31, 2008, the Group had Italian net operating loss carry forwards for income tax purposes of €12.2 million that expire at various dates through 2012. The Group also has United States (US) net operating loss carry forwards of €73.4 million that expire in 2028.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Income tax (continued)

At December 31, 2008, the Group had US state net operating losses that will expire at various dates through 2028. The Group has recorded a deferred tax asset of €16.2 million for these state net operating losses.

At December 31, 2008, the Group had unrecognized foreign net operating losses of €15.1 million that expire at various dates through 2027. The Group also had unrecognized US tax credit carry forwards of €21.8 million that expire at various dates through 2018.

13. Inventories

(thousands of euros)	December 31, 2008	December 31, 2007
Raw materials	28,419	19,553
Work in progress	50,633	58,230
Finished goods	50,508	29,199
	129,560	106,982

The total cost of inventory related to product sales that were recognized as an expense during 2008 and 2007 was €191.5 million and €55.7 million, respectively, which is included in raw materials, services and other costs in our consolidated income statement.

The amount of write-down of inventories recognized as an expense during 2008 and 2007 was €7.7 million and €1.2 million, respectively, which is included in raw materials, services and other costs in our consolidated income statement.

14. Trade and other receivables

(thousands of euros)	December 31, 2008	December 31, 2007
Trade receivables	445,111	305,760
Receivables from intermediaries	325,139	377,498
Related party receivables (Note 30)	2,689	11,329
Sales-type lease receivables	656	635
	773,595	695,222

For terms and conditions relating to related party receivables, see Note 30. 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Consolidated net financial position

(thousands of euros)	December 31, 2008	2007
Cash on hand	392	181
Cash at bank	108,882	433,884
Cash and cash equivalents	109,274	434,065
Current financial receivables	20,288	19,611
Short-term borrowings	60,848	7,610
Capital Securities	46,491	46,618
GTECH Senior Credit Facilities	2,565	78,398
4.80% Bonds	-	359,976
Other	24,794	18,602
Current financial debt	134,698	511,204
Net current financial debt	5,136	57,528
GTECH Senior Credit Facilities	1,359,888	1,403,920
Capital Securities	730,525	727,869
LTO Term Loan Facility	353,354	-
Interest rate swaps	73,740	14,632
Atronic related debt	69,793	-
LTO Revolving Credit Facility	50,000	-
Other	71,106	45,720
Non current financial debt	2,708,406	2,192,141
Net financial position	2,713,542	2,249,669
Total indebtedness included in net financial position	2,695,759	2,638,716

As described in Note 2.1, net financial position of €2,229,206 at December 31, 2007, as previously reported, has been revised to include €20.5 million of contingent consideration associated with the July 2, 2007 acquisition of Finsoft.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Non-current assets classified as held for sale

At December 31, 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 one year. The major classes of assets held for sale are as follows (in thousands of euros):

Building	5,360
Land	4,668
	10,028
Asset impairment loss	(2,572)
Non-current assets classified as held for sale	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. See Note 25 for further details.

17. Issued capital and reserves

	December 31,	
Authorized shares	2008	2007
Ordinary shares of €1 par value per share	159,278,775	156,805,233

Ordinary shares outstanding, issued and fully paid	
Balance at January 1, 2007	150,749,576
Shares issued upon exercise of stock options	308,550
Shares issued to employees at a discount	601,837
Shares issued under stock award plans	239,233
Balance at January 1, 2008	151,899,196
Shares issued upon exercise of stock options	232,400
Shares issued under stock award plans	155,241
Balance at December 31, 2008	152,286,837

Approximately 2.8 million and 2.6 million ordinary shares were reserved to satisfy rights in respect of our various share-based payment plans at December 31, 2008 and 2007, respectively.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Issued capital and reserves (continued)

Other Reserves *(thousands of euros)*	Legal Reserve	Stock Option and Restricted Stock Reserve	Share-Based Payment Reserve	Ex Art 2349 Reserve	Net Unrealized Gains/ (Losses) Reserve	Translation Reserve	Merger Reserve	Total
Balance at January 1, 2007	18,372	18,282	7,942	-	5,320	(37,572)	20,138	32,482
Fair value of interest rate swaps	-	-	-	-	(9,199)	-	-	(9,199)
Amortization of unrecognized gain on interest rate swap	-	-	-	-	(570)	-	-	(570)
Unrecognized net gain on derivative instruments	-	-	-	-	262	-	-	262
Foreign currency translation	-	-	-	-	-	(152,380)	-	(152,380)
Dividend distribution	-	-	-	-	-	-	(20,138)	(20,138)
Appropriation of 2006 income in accordance with Italian law	11,931	-	-	2,228	-	-	-	14,159
Share-based payment	-	-	21,346	-	-	-	-	21,346
Shares issued under stock award plans	-	7,254	(7,254)	(239)	-	-	-	(239)
Balance at December 31, 2007	30,303	25,536	22,034	1,989	(4,187)	(189,952)	-	(114,277)

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Issued capital and reserves (continued)

Other Reserves

(thousands of euros)	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, 2008	30,303	25,536	22,034	1,989	(4,187)	(189,952)	-	(114,277)
Fair value of interest rate swaps	-	-	-	-	(39,925)	-	-	(39,925)
Amortization of unrecognized gain on interest rate swap	-	-	-	-	(570)	-	-	(570)
Unrecognized net gain on derivative instruments	-	-	-	-	607	-	-	607
Unrecognized net gain on available for sale investment	-	-	-	-	88	-	-	
Foreign currency translation	-	-	-	-	-	54,228	-	54,22
Treasury share purchase plan	-	-	-	-	-	-	456,926	456,926
Treasury shares purchased	-	-	-	-	-	-	(74,830)	(74,830)
Appropriation of 2007 income in accordance with Italian law	77	-	-	-	-	-	-	77
Share-based payment	-	-	14,682	-	-	-	-	14,682
Shares issued under stock award plans	-	8,530	(10,176)	(155)	-	-	-	(1,801)
Other movements in equity	-	-	-	-	-	(31)	-	(31)
Balance at December 31, 2008	30,380	34,066	26,540	1,834	(43,987)	(135,755)	382,096	295,174

Nature and purpose of other reserves

Legal reserve
The legal reserve is required by Italian law and must be increased by a minimum of 5% of net profit for the year until the balance represents 20% of share capital.

Stock option and restricted stock reserve
The stock option and restricted stock reserve is used to record the fair value of stock options granted to employees that have been exercised and stock awards that vested during the year.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Issued capital and reserves (continued)

Share-based payment reserve
The share-based payment reserve is used to record the increase in equity where goods or services are received in equity-settled share-based payment transactions. Decreases relate to the fair value of stock awards that vested during the year.

Ex Art 2349 reserve
The ex art 2349 reserve was established by shareholders' resolution in accordance with Lottomatica's by-laws, as appropriated from income of the Group, to serve share-based payment plans. Decreases relate to stock awards granted to employees that vested during the year.

Net unrealized gains/(losses) reserve
The net unrealized gains/(losses) reserve is used to record:

- the deferred gain, net of amortization, related to our agreement to lock in interest rates to hedge €750 million of capital securities;
- the fair value of interest rate swaps assessed to be highly effective; and
- the unrecognized net gain or loss on other derivative instruments assessed as being highly effective and available for sale investments.

Translation reserve
The translation reserve is used to record:

- exchange differences that arise from the translation of the financial statements of foreign subsidiaries, joint ventures and investments valued at equity; and
- exchange differences that arise on monetary items that, in substance, form part of the net investment in foreign operations (such as intragroup loans where settlement is neither planned nor likely to occur in the foreseeable future).

Merger reserve
The merger reserve was established upon the acquisition of NewGames S.p.A. to guarantee the share exchange of the Lottomatica ordinary shares owned by the minority shareholders of Lottomatica other than FinEuroGames (whose Lottomatica shares were cancelled without share exchange).

Treasury share reserve
The treasury share reserve was established upon the approval at the April 2008 Shareholders' Meeting, of the plan to repurchase Lottomatica ordinary shares up to a maximum amount of 10% of share capital. Shares may only be repurchased up to a maximum of 18 months from the time of authorization (i.e. until October 2009.) Decreases result from the actual purchase of treasury shares.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Debt

(thousands of euros)	December 31, 2008	2007
Long-term debt, less current portion		
GTECH Senior Credit Facilities	1,359,888	1,403,920
Capital Securities	730,525	727,869
LTO Term Loan Facility	353,354	-
LTO Revolving Credit Facility	50,000	-
Other	69,893	757
	2,563,660	2,132,546
Share of non-current debt of joint ventures	10,142	11,176
	2,573,802	2,143,722
Short-term borrowings		
Short-term borrowings	59,866	7,332
Share of short-term borrowings of joint ventures	982	278
	60,848	7,610
Current portion of long-term debt		
Capital Securities	46,491	46,618
GTECH Senior Credit Facilities	2,565	78,398
LTO Term Loan Facility	601	-
LTO Revolving Credit Facility	95	-
4.80% Bonds	-	359,976
Other	9,461	113
	59,213	485,105
Share of current portion of long-term debt of joint ventures	1,896	2,279
	61,109	487,384
Total indebtedness	2,695,759	2,638,716

GTECH Senior Credit Facilities

In May 2006, in connection with the acquisition of GTECH Holdings Corporation, Gold Acquisition Corp., an indirect wholly-owned subsidiary of Lottomatica and predecessor-in-interest to GTECH, entered into 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 (formerly known as Gold Holding Co.) ("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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Debt (continued)

The GTECH Senior Credit Facilities consist of the following facilities (US dollars in thousands):

	Committed amount available		Amount borrowed at
	December 31, 2007	December 31, 2008	December 31, 2008
Term Facility A	1,664,602	1,310,950	1,310,950
Term Facility B	535,398	421,650	421,650
Revolver A	250,000	250,000	165,000
Revolver B	250,000	250,000	14,515
	2,700,000	2,232,600	1,912,115

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	1,732,600

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 December 31, 2008 and December 31, 2007, 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. 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	360,000

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 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 December 31, 2008, €360 million is outstanding under the LTO Term Loan Facility.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. 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 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.

During the quarter ended June 30, 2008, Lottomatica borrowed the €300 million available under the LTO Revolving Credit Facility and the Group used the proceeds to prepay US$467.4 million of the GTECH Term Facilities. As of December 31, 2008, €50 million remains outstanding under the LTO Revolving Credit Facility.

4.80% Bonds
In December 2003, Lottomatica issued €360 million principal amount of 4.80% bonds due December 2008 (the "4.80% Bonds"). In December 2008, Lottomatica borrowed the €360 available under the LTO Term Loan Facility and used the proceeds to repay the 4.80% Bonds.

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 December 31, 2008, €425.1 million of letters of credit were outstanding with a weighted average annual cost of 0.55%.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Provisions

(thousands of euros)	Legal Matters	Tax Matters	Other	Total
Balance at January 1, 2008	18,861	3,446	1,940	24,247
Arising during the year	2,620	4,005	4,000	10,625
Utilized	(3,548)	-	(1,122)	(4,670)
Unused amounts reversed	(185)	-	-	(185)
Foreign currency translation	(906)	242	(35)	(699)
Balance at December 31, 2008	16,842	7,693	4,783	29,318
Short-term 2007	-	-	538	538
Long-term 2007	18,861	3,446	1,402	23,709
	18,861	3,446	1,940	24,247
Short-term 2008	1,125	-	1,151	2,276
Long-term 2008	15,717	7,693	3,632	27,042
	16,842	7,693	4,783	29,318

Legal matters
Provisions relate primarily to the legal matters discussed in Note 31 and are calculated based on management's expectations of settlement determined with the assistance of legal counsel.

Tax matters
Provisions relate primarily to disputed tax assessments and reserves for regulatory audits and are calculated based on assessed taxes and expected payment of tax based on statutory rates.

Other
Other provisions relate primarily to warranty obligations, which generally extend for 12 months, on equipment sales and prizes on certain lottery games. Provisions are calculated based on historical cost information and expected prize payouts. Settlement on prizes varies according to the terms of each individual game.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Other liabilities (non-current and current)

	December 31,	
(thousands of euros)	2008	2007
Other non-current liabilities		
Deferred revenue	18,321	20,728
Contingent liabilities related to GTECH acquisition	15,169	13,682
Staff severance fund (Note 29)	7,755	7,838
Advance payment from customer	1,399	4,535
Share of non-current liabilities of joint ventures	502	2,260
Other	5,193	5,420
	48,339	54,463

	December 31,	
(thousands of euros)	2008	2007
Other current liabilities		
Accrued expenses	71,403	65,376
Taxes other than income taxes	58,872	50,504
Deferred revenue	53,619	17,314
Employee compensation	49,956	39,263
Advance payments from customers	36,726	36,197
Advance billings	7,383	9,586
Other	792	642
	278,751	218,882

As described in Note 2.1, other non-current liabilities and other current liabilities at December 31, 2007 of €63.3 million and €230.5 million, respectively, as previously reported, have been revised to exclude €8.8 million and €11.7 million, respectively, of contingent consideration associated with the July 2, 2007 acquisition of Finsoft.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Foreign exchange gain (loss), net

	For the year ended December 31,	
(thousands of euros)	2008	2007
Realized foreign exchange losses	(5,984)	(1,867)
Unrealized foreign exchange gains (losses)	16,336	(31,838)
	10,352	(33,705)

Unrealized foreign exchange gains (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 gains of €16.3 million incurred during the twelve months ended December 31, 2008 include €14.7 million of gains related to this loan resulting from fluctuations in the Polish zloty to US dollar exchange rate.

Unrealized foreign exchange losses of €31.8 million incurred during the twelve months ended December 31, 2007 are principally comprised of non-cash losses associated with a US dollar denominated 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 effective 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.

22. Interest expense

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

	For the year ended December 31,	
(thousands of euros)	2008	2007
GTECH Senior Credit Facilities	(70,777)	(103,829)
Capital Securities	(64,403)	(64,530)
4.80% Bonds	(17,303)	(17,811)
LTO Revolving Credit Facility	(6,961)	-
Atronic related debt	(5,904)	-
LTO Term Loan Facility	(820)	-
Other	(11,387)	(7,646)
	(177,555)	(193,816)

See Note 18 for details of the debt facilities.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Earnings per share

Basic and diluted earnings per share are calculated as follows:

(thousands of euros)	For the year ended December 31, 2008	2007
Numerator		
Net income for the year attributable to equity holders of the parent	93,748	74,049
Numerator for basic and diluted earnings per share	93,748	74,049
Denominator		
Basic weighted average number of ordinary shares	150,215	151,101
Potential dilutive effect of employee stock options and restricted shares	329	301
Diluted weighted average number of ordinary shares	150,544	151,402
Basic earnings per share/ADRs	€ 0.62	€ 0.49
Diluted earnings per share/ADRs	€ 0.62	€ 0.49

Lottomatica's American depositary receipts (ADRs) are negotiable certificates representing ordinary shares of Lottomatica. The ratio of Lottomatica shares to ADRs is 1:1.

Basic earnings per share/ADRs amounts are calculated by dividing net income for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share/ADRs amounts are calculated by dividing net income for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year along with the weighted average number of ordinary shares that would be issued upon the conversion of all potentially dilutive ordinary shares into ordinary shares.

At December 31, 2008, there were approximately 1.2 million ordinary shares outstanding under the existing option and restricted stock plans that were not included in the 2008 computation of diluted earnings per share because the shares' exercise prices were greater than the average market price of the shares during 2008 and therefore, the effect would have been anti-dilutive.

At December 31, 2007, there were approximately 2.5 million ordinary shares outstanding under the existing option and restricted stock plans that were not included in the 2007 computation of diluted earnings per share because the shares' exercise prices were greater than the average market price of the shares during 2007 and therefore, the effect would have been anti-dilutive.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Research and development costs

The aggregate amount of research and development expenditures recognized as expense during 2008 and 2007 was €62.5 million and €33.9 million, respectively.

25. Impairment

During 2008 and 2007, the Group recorded impairment losses of €100.8 million and €8.5 million, respectively in the Lottery and Gaming Solutions segments as detailed below.

	For the year ended December 31, 2008		
	Lottery	Gaming Solutions	Total
Systems, equipment and other assets related to contracts, net	-	19,386	19,386
Property, plant and equipment, net	-	1,628	1,628
Goodwill (Note 9)	-	48,717	48,717
Intangible assets, net	1,293	1,722	3,015
Other assets, net	25,460	-	25,460
Assets classified as held for sale (Note 16)	-	2,572	2,572
	26,753	74,025	100,778

	For the year ended December 31, 2007		
	Lottery	Gaming Solutions	Total
Systems, equipment and other assets related to contracts, net	5,406	2,820	8,226
Intangible assets, net	-	300	300
	5,406	3,120	8,526

2008 impairment

Lottery segment

The 2008 impairment losses recorded in the Lottery segment relate to a lottery system we deployed for an international customer that has encountered a sustained period of political instability that has prevented the lottery system from launching.

Gaming Solutions segment

The 2008 impairment losses recorded in the Gaming Solutions segment relate to our acquisition of Atronic. The United States ("US") casino market has entered into a period of substantial contraction and Atronic America's operations, which were in the early stages of its entry into the US market, could not be sustained in the face of significantly diminishing demand, including financial constraints affecting highly-leveraged customers. Accordingly, we made the decision to curtail Atronic Americas activities and fold them into our Spielo operations.

Impairment losses related to systems, equipment and other assets related to contracts, property, plant and equipment and intangible assets represent the write-down to their recoverable amounts. The recoverable amounts were based on value in use and were determined using a 9.2% pre-tax discount rate.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Impairment (continued)

2007 impairment
The 2007 impairment losses recorded in both the Lottery and Gaming Solutions segments principally relate to underperforming customer contracts. The basis for these impairment losses was our estimate of the future discounted cash flows expected to be generated from the use of those assets compared to their net book value. The discounted cash flow projections were less than the net book value, indicating impairment.

26. Share-based payment plans

The Group has three types of equity-settled share-based payment plans for employees: performance based stock options, performance based restricted shares and time based restricted shares as described below.

Stock Option Plans

The Group has various stock option plans whereby stock options are granted to certain directors, executives, and other key employees of the Group as approved by the Board of Directors. The exercise price of the options is generally equal to the average price of the Group's ordinary shares one month prior to the grant date. The options vest subject to the satisfaction of performance conditions relating to the Group's EBITDA (earnings before interest, taxes, depreciation and amortization) and net financial debt over a three-year period and to the employees remaining in service to the Group. Options partially vest generally upon achievement of 90% or more of the performance conditions and if the performance conditions are not met, the options are forfeited. The contractual life of the options range from two to eight years (depending on the plan) and there are no cash settlement alternatives.

Restricted Stock Plans

Performance based awards
The Group has three performance based share award plans whereby restricted stock is granted to certain employees of the Group as approved by the Board of Directors. Recipients of performance based share awards do not pay the Group any cash consideration for the awards. The awards vest subject to the satisfaction of performance conditions relating to the Group's EBITDA and net financial debt over a three-year period and to the employees remaining in service to the Group. Awards partially vest generally upon achievement of 90% or more of the performance conditions and if the performance conditions are not met, the awards are forfeited. The contractual life of the awards is three years and they may be settled in cash at the Group's option. The Group does not have a past practice of cash settlement and does not plan to cash settle awards in the future.

Time based awards
The Group has a time based share award plan whereby restricted stock is granted to certain employees of the Group as approved by the Board of Directors. Recipients of time based share awards do not pay the Group any cash consideration for the awards. The awards generally vest over a five-year period and are subject to the employees remaining in service to the Group. The contractual life of the awards is five years and they may be settled in cash at the Group's option. The Group does not have a past practice of cash settlement and does not plan to cash settle awards in the future.

Modifications
In November 2007, the Group's Chief Executive Officer resigned effective December 31, 2007, resulting in a modification of his performance based awards. Upon application of the requirements of IFRS 2, the modification did not result in a change to the fair value of these awards.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Share-based payment plans (continued)

As a result of the resignation, 1,065,945 unvested stock options and share awards were forfeited and the Group accelerated 47,055 performance based awards resulting in a net expense reduction of approximately €1.5 million during 2007, which is reflected in total share-based payment expense of €21.3 million.

There were no modifications to any share-based payment plans during 2008.

Stock option movements in the year

The following table illustrates the number and weighted average exercise prices of, and movements in, stock options during the year:

	2008		2007	
	Shares under Options	Weighted Average Exercise Price	Shares under Options	Weighted Average Exercise Price
Outstanding at January 1	2,861,526	€ 27.89	2,066,126	€ 24.01
Granted during the year	2,248,772	20.29	1,973,790	30.40
Forfeited during the year	(153,880)	25.43	(869,840)	29.79
Exercised during the year	(232,400)	12.54	(308,550)	12.61
Expired during the year	-	-	-	-
Outstanding at December 31	4,724,018	25.11	2,861,526	27.89
Exercisable at December 31	541,356	€ 26.19	210,600	€ 29.66

The weighted average share price for stock options exercised during the year was €19.07 and €29.29 during 2008 and 2007, respectively.

The range of exercise prices and weighted average remaining contractual life for stock options outstanding under the stock option plans as of December 31, 2008 and 2007 are as follows:

As of December 31, 2008			As of December 31, 2007		
Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life (Years)
€11.33 - €15.04	-	-	€11.33 - €15.04	232,400	0.95
€ 23.17	298,456	1.33	€ 23.17	319,876	2.33
€20.29 - €30.40	4,425,562	6.66	€29.45 - €30.40	2,309,250	7.01
	4,724,018			2,861,526	

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Share-based payment plans (continued)

Fair value measurement of stock options

The fair value of equity-settled stock options granted is estimated at the date of grant using a binomial model, taking into account the terms and conditions upon which the stock options were granted. The weighted average fair value of stock options granted during 2008 and 2007 was €2.75 per share and €6.01 per share, respectively. The following tables list the inputs to the binomial model used for the years ended December 31, 2008 and 2007.

Year ended December 31, 2008	
Dividend yield (%)	4.24
Expected volatility (%)	22.78
Risk-free interest rate (%)	4.50
Expected life of options (in years)	4.66
Weighted average share price (€)	19.26
Exercise price (€)	20.29

Year ended December 31, 2007	
Dividend yield (%)	2.66
Expected volatility (%)	20.63
Risk-free interest rate (%)	4.01
Expected life of options (in years)	4.38
Weighted average share price (€)	31.74
Exercise price (€)	30.40

The expected life of the stock option is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of stock option grants were incorporated into the measurement of fair value.

Restricted stock grants

Restricted share awards granted during 2008 and 2007 and their weighted average fair value at the date of grant (which represents the average share price during the employee grant acceptance period) are as follows:

	Performance based		Time based	
	2008	2007	2008	2007
Granted during the year	277,753	285,130	24,000	15,800
Weighted average fair value at the date of grant	€ 19.26	€ 31.74	€ 21.09	€ 31.62

Expense charged to income statement

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:

(thousands of euros)	December 31, 2008	December 31, 2007
Equity settled share-based payment	14,682	21,346
Cash settled share-based payment	-	-
	14,682	21,346

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Disposals of business units

POLCARD S.A. ("POLCARD") is a debit/credit card merchant transaction acquirer, bank-card issuer and ATM management company in Poland. At July 31, 2007, POLCARD's outstanding equity was owned 74.43% by GTECH, 25.24% by Innova Capital Sp. z o.o. ("Innova"), a Warsaw-based private equity investment advisor, and 0.33% by the Polish Bank Association.

On August 1, 2007, GTECH and Innova sold their respective equity interests in POLCARD to First Data International for US$325 million (€237.8 million at the August 1, 2007 exchange rate) on a debt-free, cash-free basis. No gain or loss was recorded on the sale of POLCARD as the carrying value of POLCARD's assets and liabilities were adjusted to fair value in connection with the acquisition of GTECH on August 29, 2006. POLCARD represented a substantial portion of the Group's Commercial Services business segment.

The major classes of assets and liabilities disposed of were as follows (in thousands of euros):

Non-current assets	50,256
Current assets	200,736
	250,992
Non-current liabilities	67,020
Current liabilites	17,704
	84,724
Net assets disposed of	166,268

Proceeds from the sale, net of cash disposal costs was €166.7 million. Foreign currency translation gains related to POLCARD of €0.9 million at August 1, 2007 were recognized in other income in our consolidated income statement upon the sale.

28. Dividends paid

	December 31,	
(thousands of euros)	2008	2007
Cash dividend declared and paid on ordinary shares:		
Dividend for 2008: €0.825 per share (2007: €0.79 per share)	125,393	119,695

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Employee benefits

Staff Severance Fund

The Group has a defined benefit plan (staff severance fund) to provide certain post employment benefits to Italian employees following termination from the Group. Italian employees may choose to participate in an unfunded plan within the Group or transfer their plan balance to independent external funds. These benefits are funded only to the extent paid to the external funds. The cost of providing benefits under the plan, for those employees that participate in the unfunded plan within the Group, is determined using the projected unit credit actuarial valuation method. The cost of providing benefits for those employees that choose to transfer their plan to independent external funds are considered as defined contributions and are accrued as the employees render the related service. The defined benefit liability represents the present value of the Group's defined benefit obligation.

During the first half of 2007, Italian law and subsequent decrees and regulations were issued requiring the Group to remeasure its December 31, 2006 defined benefit liability in accordance with the new law both retrospectively and prospectively and to record any adjustment during the first half of 2007. The Group completed the actuarial remeasurement and recorded the adjustment in the third quarter of 2007. The adjustment was not material to the Group's results.

The following table summarizes the components of net benefit expense recognized during the year for the staff severance fund, which is included in personnel in our consolidated income statement.

(thousands of euros)	December 31, 2008	2007
Current service cost	3,355	3,210
Net actuarial loss (gain) recognized in the year	103	(883)
Net benefit expense	3,458	2,327

Changes in the present value of the defined benefit obligation are as follows:

(thousands of euros)	December 31, 2008	2007
Balance at January 1	7,838	8,829
Current service cost	3,355	3,210
Actuarial (gains) losses	103	(883)
Benefits paid	(3,541)	(3,318)
Balance at December 31	7,755	7,838

The present value of the defined benefit obligation for the years ended 2006, 2005, and 2004 was €8.8 million, €7.6 million, and €6.8 million, respectively.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Employee benefits (continued)

The principal assumptions used in determining the defined benefit obligation are shown below:

	December 31, 2008		December 31, 2007	
	Managers	Other employees	Managers	Other employees
Assumed inflation rate	2.20%	2.20%	2.00%	2.00%
Discount rate	4.80%	4.80%	4.60%	4.60%
Future salary increases:				
Up to age 40	2.95%	2.70%	2.75%	2.50%
Age between 40 and 55	2.70%	2.45%	2.50%	2.25%
Age greater than 55	2.45%	2.20%	2.25%	2.00%

Termination Benefits
Termination benefits expense, primarily related to salary continuation, continued medical benefits coverage and expense related to accelerated share based payment awards for employees who were terminated during the year was €4.7 million and €12.7 million in 2008 and 2007, respectively. See Note 30 for termination benefits provided to key management personnel.

30. Related party disclosures

	December 31,	
(thousands of euros)	2008	2007
Accounts receivable		
Supreme Ventures Limited	1,668	2,426
De Agostini Group	658	8,647
Lottery Technology Enterprises	277	315
Taiwan Sports Lottery Corporation	86	-
Uthingo Management Proprietary Limited	27	36
Allowances for doubtful accounts	(27)	(95)
	2,689	11,329
Accounts payable		
De Agostini Group	24,903	14,653

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Related party disclosures (continued)

(thousands of euros)	For the year ended December 31, 2008	2007
Service revenue and product sales		
Supreme Ventures Limited	11,577	12,880
Lottery Technology Enterprises	2,149	2,844
Taiwan Sports Lottery Corporation	2,069	-
Uthingo Management Proprietary Limited	-	2,302
Lottery Technology Services Corporation	-	1,296
	15,795	19,322
Raw materials, services and other costs		
De Agostini Editore S.p.A. - service fees	633	479
De Agostini S.p.A.- management fees	254	190
	887	669

Supreme Ventures Limited
GTECH has a 0.6% interest in Supreme Ventures Limited ("SVL") which is accounted for using the cost method of accounting. SVL holds a 15-year license (which expires in January 2016) with the Betting, Gaming and Lotteries Commission to operate certain online games in Jamaica.

De Agostini Group
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. Outstanding accounts receivable balances at December 31, 2008 and December 31, 2007 are non-interest bearing.

Lottery Technology Enterprises
GTECH has a 1% interest in Lottery Technology Enterprises ("LTE") which is accounted for using the cost method of accounting. LTE holds a 10-year contract (which expires in November 2009) with the District of Columbia Lottery and Charitable Games Control Board.

Taiwan Sports Lottery Corporation
GTECH has a 24.5% interest in Taiwan Sports Lottery Corporation ("TSLC") which is accounted for using the equity method of accounting. TSLC is the agency commissioned by Taipei Fubon Bank (the sports lottery license holder through December 2013) to be Taiwan's sport betting solutions and services provider.

Uthingo Management Proprietary Limited
GTECH has a 10% interest in Uthingo Management Proprietary Limited ("Uthingo") which is accounted for using the equity method of accounting. Uthingo held the license to operate the South African National Lottery through April 2007. The South African Minister of Trade & Industry entered into a lottery contract with another consortium.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Related party disclosures (continued)

Lottery Technology Services Corporation
GTECH had a 44% interest in Lottery Technology Services Corporation ("LTSC"), which was accounted for using the equity method of accounting. LTSC provided equipment and services (which GTECH supplied to LTSC), to the Taipei Fubon Bank. The Taipei Fubon Bank held the license to operate the Taiwan Public Welfare Lottery. Our contract to provide equipment and services to LTSC expired on December 31, 2006. Effective October 24, 2007, GTECH transferred its 44% interest in LTSC to a third party equity holder and consequently no longer has any ownership interest in LTSC.

Compensation of Key Management Personnel

(thousands of euros)	For the year ended December 31, 2008	2007
Short-term employee benefits	6,799	8,453
Share-based payments	4,477	5,102
Post-employment benefits	146	242
Termination benefits	-	5,682
Other long-term benefits	-	-
	11,422	19,479

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Related party disclosures (continued)

Remuneration paid to Lottomatica S.p.A. board members, Statutory Auditors and managers with strategic responsibilities are as follows (amounts in euros):

Name and Surname	Position	Period in the position	Duration	Emoluments	Non monetary benefits	Bonus	Other
Lorenzo Pellicioli	Chairman	4/12/06-12/31/08	12/31/10	50,000			
	General Manager - CEO						
	Executive Committee - Chairman	4/12/06-12/31/08	12/31/10	42,500			
Robert Dewey	Vice Chairman	8/29/06-12/31/08	12/31/10	50,000			
	Remuneration Committee - Member	4/12/08-12/3108		42,500			
Marco Sala	Managing Director and General Manager	4/12/06-12/31/08	12/31/10	50,000			
	Executive Committee - Member	4/15/08-12/31/08	12/31/10	50,000	36,092	727,220	1,084,648
Pietro Boroli	Board Member	4/12/05-12/31/08	12/31/10	50,000			
	Executive Committee - Member	4/15/08-12/31/08	12/31/10	36,250			
Paolo Ceretti	Board Member	5/1304-12/31/08	12/31/10	50,000			
	Executive Committee - Member	4/15/08-12/31/08	12/31/10	40,000			
Marco Drago	Board Member	9/24/02-12/31/08	12/31/10	50,000			
	Executive Committee - Member	4/15/08-12/31/08	12/31/10	27,500			
Jeremy Hanley	Board Member	4/15/08-12/31/08	12/31/10	50,000			
	Audit Committee - Member	4/15/08-12/31/08		24,967			
James McCann	Board Member	8/29/06-12/31/08	12/31/10	50,000			
	Remuneration Committee - Member	4/12/08-12/31/08		42,500			
Jaymin Patel	Board Member	12/11/07-12/31/08	12/31/10	50,000			
	Executive Committee - Member	4/15/08-12/31/08	12/31/10	42,500	7,489	428,237	509,718
Anthony Ruys	Board Member	8/29/06-12/31/08	12/31/10	50,000			
	Audit Committee - Member	4/15/08-12/31/08	12/31/10	32,275			

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Related party disclosures (continued)

Name and Surname	Position	Period in the position	Duration	Emoluments	Non monetary benefits	Bonus	Other
Severino Salvemini	Board Member	3/14/03-12/31/08	12/31/10	50,000			
	Audit Committee - Member	4/15/08-12/31/08		56,673			
	Vigilance Committee	5/6/08-12/31/08		25,000			
Bruce Turner	Board Member	8/29/06-12/31/08	12/31/10	72,500			
Giammario Tondato Da Ruos	Board Member	8/29/06-12/31/08	12/31/10	50,000			
	Remuneration Committee - Member	4/12/08-12/31/08		47,500			
Rosario Bifulco	Board Member	4/12/06-4/15/08	04/15/08	14,560			
Sergio Duca	Board of Statutory Auditors - Chairman	04/15/08-12/31/08	12/31/10	62,420			
Paolo Andrea Colombo	Board of Statutory Auditors - Chairman	12/16/05 - 04/15/08	04/15/08	39,107			
Fancesco Martinelli	Board of Statutory Auditors - Regular Member	12/16/05-12/31/08	12/31/10	97,687			
Angelo Gaviani	Board of Statutory Auditors - Regular Member	12/16/05-12/31/08	12/31/10	75,000			
	Vigilance Committee	5/6/08-12/31/08		10,000			
Totals				1,481,439	43,581	1,155,457	2,244,220

Stock options assigned to Lottomatica S.p.A. board members, statutory auditors and managers with strategic responsibilities are as follows:

	As of December 31, 2007		During 2008				As of December 31, 2008	
	Options Outstanding		Options Granted		Options		Options Outstanding	
Stock Option Plan	Number of Options	Exercise Price	Number of Options	Exercise Price	Expired or Forfeited	Options Exercised	Number of Options	Exercise Price
2005-2010	95,336	€ 23.17	-	-	-	-	95,336	€ 23.17
2006-2014	134,500	€ 29.45	-	-	-	-	134,500	€ 29.45
2007-2015	320,000	€ 30.40	-	-	-	-	320,000	€ 30.40
2008-2016	-	-	412,812	€ 20.29	-	-	412,812	€ 20.29
	549,836		412,812		-	-	962,648	

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. 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.

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 Lottomatica, 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 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 Lottomatica are of the opinion that the challenge initiated by Stanley is groundless.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Litigation (continued)

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.

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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Litigation (continued)

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.

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).

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Litigation (continued)

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.

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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Litigation (continued)

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.

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

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Litigation (continued)

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.

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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Litigation (continued)

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.

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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Litigation (continued)

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.

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 denie
d LIS 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Litigation (continued)

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.

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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Litigation (continued)

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 Videlot 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.

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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Litigation (continued)

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.

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 has been 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Litigation (continued)

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.

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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Litigation (continued)

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 incompletion 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 incompletion 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.

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 filled 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).

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Litigation (continued)

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.

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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Litigation (continued)

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.

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 Sbordoni 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 requested 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 Sbordoni 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Litigation (continued)

GTECH's Business

1. CEF Contract Proceedings

Background.

In January 1997, 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. 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 €465.69 million at currency exchange rates in effect as of December 31, 2008). 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 €372.55 million and €434.64 million at currency exchange rates in effect as of December 31, 2008) 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. 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 €124.18 million at currency exchange rates in effect as of December 31, 2008).

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 wagering 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 currently pays. 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 €5.5 million at currency exchange rates in effect at December 31, 2008) 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. 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 (€19.4 million at the December 31, 2008 exchange rate) would be paid.

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. The public cash offer resulted in GEMed acquiring approximately 94% of the outstanding shares of Boss Media. Pursuant to Swedish law, on March 10, 2008, GGSC and Medströms AB commenced a process to compel the sale of the untendered shares, which was completed on September 8, 2008 for a total cost of €9.7 million.

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 approximately 82% of 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.

On April 1, 2008, Boss Media acquired 100% of Dynamite Idea, 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 (€4.2 million at the December 31, 2008 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 (€6.6 million at the December 31, 2008 exchange rate) would be paid during the second half of 2009.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Commitments and contingencies (continued)

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 December 31, 2008, the outstanding commitment was US$5.4 million (€3.9 million at the December 31, 2008 exchange rate). The investment in CLS-GTECH has been accounted for under proportionate consolidation in the Group's financial statements.

Instant Ticket Printing Press

During 2007, the Group made a €16.0 million commitment to acquire a new instant ticket printing press (the "press"). The purchase price is payable in six installments with the last payment expected to be made during the second quarter of 2009. At December 31, 2008, the outstanding commitment was €1.6 million. The €14.4 million paid in advance of delivery of the press was recorded in construction in progress within property, plant and equipment, net in the consolidated balance sheet.

Guarantees and indemnifications

Performance and other bonds

In connection with certain contracts and procurements, we have been required to deliver performance bonds for the benefit of our customers and bid and litigation bonds for the benefit of potential customers, respectively. These bonds give the beneficiary the right to obtain payment and/or performance from the issuer of the bond if certain specified events occur. In the case of performance bonds, which generally have a term of one year, such events include our failure to perform our obligations under the applicable contract. To obtain these bonds, we are required to indemnify the issuers against the costs they incur if a beneficiary exercises its rights under a bond and we do not currently anticipate they will do so. The following table provides information related to potential commitments for bonds outstanding at December 31, 2008 (in thousands of euros):

	Total bonds
Performance bonds	185,527
Litigation bonds	12,754
All other bonds	3,606
	201,887

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").

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Commitments and contingencies (continued)

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 December 31, 2008 are as follows:

	Principal Amount in Loans		Performance Bonds from Trade Finance Facilities	
(in millions)	Baht	€	Baht	€
Maximum amounts guaranteed by GTECH	1,925.0	39.8	455.0	9.4
Amounts outstanding at December 31, 2008	1,212.4	25.1	375.0	7.8

At December 31, 2008, 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Commitments and contingencies (continued)

Leases

Operating Leases

The Group leases certain facilities and equipment under operating leases that expire at various dates through 2023. Certain of these leases have escalation clauses and renewal options. We are generally required to pay all maintenance costs, taxes and insurance premiums relating to our leased assets. There are no restrictions placed upon us by entering into these leases.

Future minimum lease payments for operating leases are as follows:

	December 31,	
(thousands of euros)	2008	2007
Within one year	20,238	16,917
After one year but not more than five years	44,926	43,847
More than five years	2,156	3,791
	67,320	64,555

Rental expense for operating leases was €25.6 million and €22.9 million in 2008 and 2007, respectively.

Finance Leases

The Group leases the GTECH world headquarters facility in Providence, Rhode Island, USA (the "World Headquarters") under a finance lease. Under GTECH's Master Contract with the State of Rhode Island, GTECH was required to invest (or cause to be invested) at least US$100 million in the State of Rhode Island, in the aggregate, by December 31, 2008. This investment commitment included the development of the new World Headquarters by December 31, 2006. GTECH entered into (i) a development agreement with US Real Estate Limited Partnership (the "Developer"), whereby the Developer developed and owns the World Headquarters; and (ii) an office lease with the developer, whereby GTECH leases a portion of the World Headquarters from the Developer for 20 years. GTECH occupied the World Headquarters in November 2006, but only began paying rent on March 1, 2007. GTECH has the right to cancel the lease after June 30, 2023 if the Master Contract with the State of Rhode Island is not renewed, in exchange for a termination fee equal to six months of base rent plus operating expenses. The lease includes two ten year extension options. GTECH has the unilateral right to extend the lease under the two extension options under the same terms as in the base term. The lease contains a restriction which does not allow GTECH to assign the lease or sublease their portion of the building without the lessor's approval, which is not to be unreasonably withheld. As of December 31, 2008, GTECH had no sublease arrangements.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Commitments and contingencies (continued)

Future minimum lease payments under the finance lease together with the present value of the minimum lease payments are as follows:

	December 31, 2008		December 31, 2007	
(thousands of euros)	Minimum Payments	Present Value of Payments	Minimum Payments	Present Value of Payments
Within one year	2,066	454	1,917	363
After one year but not more than five years	8,664	2,661	8,038	2,181
More than five years	25,768	17,221	26,467	17,044
Non-current	34,432	19,882	34,505	19,225
Total minimum lease payments	36,498	20,336	36,422	19,588
Less amounts representing finance charges	(16,162)	-	(16,834)	-
Present value of minimum lease payments	20,336	20,336	19,588	19,588

At December 31, 2008 and 2007, the net carrying amount of the World Headquarters finance lease asset is €17.9 million and €18.0 million, respectively, and is recorded in property, plant and equipment, net in the consolidated balance sheets as follows:

	December 31,	
(thousands of euros)	2008	2007
Non-current financial liabilities	19,882	19,225
Current financial liabilities	454	363
Present value of minimum lease payments	20,336	19,588

Sale and Leaseback Transactions

GTECH relocated to and occupied its new World Headquarters in November 2006. In anticipation of the relocation, a master plan was created to optimize the value of the former headquarters, the technology center, the child day care center and the undeveloped land in West Greenwich, Rhode Island, USA. Collectively, this property is referred to as the West Greenwich Campus (the "WG Campus"). In December 2006, GTECH sold substantially all of the WG Campus for a gross sales price of US$43 million and entered into two sales-lease back agreements with the new owners.

GTECH leased the former world headquarters facility for approximately three months, the lead time required to relocate its technology operations into the technology center and the data center. GTECH also leased the existing technology center. The technology center lease has a base term of ten years with four consecutive three-year extension options. The lease payments under the option period are equal to 102% of the previous years rent. The lease contains an option for GTECH to cancel the lease after seven years in exchange for a termination fee equal to nine months of base rent, taxes, and operating expenses. The technology center facility lease is accounted for as an operating lease and future minimum lease payments are included in the operating leases section above.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Financial risk management objectives and policies

Our principal financial instruments, other than derivatives, are comprised of debt and cash and cash equivalents. The main purpose of these financial instruments is to fund the capital needs of the Group's operations. We have various other financial assets and liabilities, such as trade receivables and trade payables, which arise directly from operations.

The primary risk inherent in our financial instruments is the market risk arising from adverse changes in interest rates and foreign currency exchange rates. We enter into derivative transactions, including principally interest rate swaps and forward currency contracts, for the purpose of managing interest rate and currency risks arising from our operations and its sources of financing. It is, and has been throughout the year under review, our policy not to engage in currency or interest rate speculation. Our accounting policies regarding derivatives are set out in Note 2.4.

Credit risk

The Group's primary credit risk is derived from cash and trade accounts receivable balances. We maintain cash deposits and trade with only recognized, creditworthy third parties. We evaluate the collectibility of trade accounts and sales-type lease receivables on a customer-by-customer basis and we believe our reserves are adequate. A majority of our trade accounts receivable are from government lottery entities from which we have historically experienced insignificant write-offs. Trade accounts receivable are reported net of allowances for doubtful accounts and liquidated damages. Allowances for doubtful accounts are generally recorded when there is objective evidence we will not be able to collect the receivable. Bad debts are written off when identified.

With respect to credit risk arising from the other financial assets which comprise cash, available-for-sale financial assets, and certain derivative instruments, our exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments (see Note 11). We manage our exposure to counterparty credit risk by entering into financial instruments with major, financially sound counterparties with high-grade credit ratings, and by limiting exposure to any one counterparty.

At December 31, 2008 and 2007, approximately 80% and 84%, respectively, of total trade and other receivables are from Italy. Approximately 57% and 69% of receivables from Italy relate to our lottery instant ticket business at December 31, 2008 and 2007, respectively.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Financial risk management objectives and policies (continued)

Past due financial assets

The following is an analysis of the Group's past due financial assets which are comprised entirely of trade and other receivables and net of related allowance for doubtful accounts.

	December 31, 2008		December 31, 2007	
(thousands of euros)	€	%	€	%
Current	624,926	80.8%	636,165	91.5%
Past due:				
1-30 days	116,646	15.1%	41,310	5.9%
31-60 days	14,464	1.9%	9,197	1.3%
61-90 days	6,525	0.8%	4,431	0.6%
Over 90 days	11,034	1.4%	4,119	0.6%
	148,669	19.2%	59,057	8.5%
Total trade and other receivables	773,595	100.0%	695,222	100.0%

Allowance for doubtful accounts

	December 31,	
(thousands of euros)	2008	2007
Balance at beginning of year	(19,636)	(17,266)
Provisions	(28,315)	(10,274)
Utilization	7,923	6,400
Acquisitions	(4,524)	(83)
Translation	228	593
Other	292	994
Balance at end of year	(44,032)	(19,636)

Liquidity risk

The Group's primary liquidity risk is derived from required debt service on our debt and on-going working capital needs. The Group's objective in managing this risk 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, therefore, we do not believe the Group is exposed to a significant concentration of liquidity risk.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Financial risk management objectives and policies (continued)

The following tables set out the contractual maturities of the Group's financial liabilities based on contractual undiscounted payments:

Year ended December 31, 2008

(thousands of euros)	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Total
Fixed rate						
Capital Securities	46,491	-	-	-	750,000	796,491
World Headquarters finance lease obligations	2,066	2,105	2,145	2,186	27,996	36,498
	48,557	2,105	2,145	2,186	777,996	832,989
Floating rate						
GTECH Senior Credit Facilities	2,565	30,610	150,895	1,189,193	-	1,373,263
LTO Term Loan Facility	601	-	132,000	132,000	96,000	360,601
LTO Revolving Credit Facility	95	-	-	50,000	-	50,095
Acquisition related liabilities	6,769	23,101	-	6,211	-	36,081
Other	69,327	53,064	1,004	1,164	14,661	139,220
	79,357	106,775	283,899	1,378,568	110,661	1,959,260
	127,914	108,880	286,044	1,380,754	888,657	2,792,249

Year ended December 31, 2007

(thousands of euros)	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Total
Fixed rate						
Capital Securities	46,618	-	-	-	750,000	796,618
4.80% Bonds	360,473	-	-	-	-	360,473
World Headquarters finance lease obligations	1,917	1,953	1,990	2,029	28,533	36,422
Other	226	135	497	12	-	870
	409,234	2,088	2,487	2,041	778,533	1,194,383
Floating rate						
GTECH Senior Credit Facilities	81,516	122,274	142,653	142,653	1,005,366	1,494,462
Other	7,106	-	-	-	-	7,106
	88,622	122,274	142,653	142,653	1,005,366	1,501,568
	497,856	124,362	145,140	144,694	1,783,899	2,695,951

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Financial risk management objectives and policies (continued)

Market risk

Interest rate market risk
Our exposure to changes in market interest rates relates primarily to our net debt obligations with floating interest rates. Our definition of net debt is variable rate debt less variable rate cash investments. Our policy is to manage interest cost using a mix of fixed and variable rate debt. We use various techniques to mitigate the risks associated with future changes in interest rates, including entering into interest rate swap and treasury rate lock agreements. As of December 31, 2008 there were US$1.5 billion (notional value) in interest rate swaps outstanding (US$2.1 billion at December 31, 2007) and approximately 30% and 2% of our net debt portfolio was exposed to interest rate fluctuations at the end of 2008 and 2007, respectively. The interest rate swaps outstanding at the end of 2008 begin to expire in June 2009, as further described in the interest rate swap section that follows.

Taking into consideration interest rate swaps outstanding at December 31, 2008, the following demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax expense and equity associated with our floating rate debt over the next year:

	Increase (decrease) in basis points	Effect on income before income tax expense (€000s)	Effect on equity (€000s)
2008	10	(725)	3,130
	(10)	725	(3,225)
2007	10	(500)	1,500
	(10)	500	(1,500)

Foreign currency exchange rate risk
As a result of significant operations world wide, our consolidated balance sheet can be affected significantly by movements in exchange rates due to the translation of foreign currency balance sheet accounts into euro balance sheet accounts. We also have transactional currency exposures arising from current and anticipated transactions denominated in currencies other than our functional currency, which is the euro. Translation amounts in other reserves (Note 17) in our consolidated balance sheets are derived primarily from our US dollar functional currency subsidiaries.

We seek to manage our foreign exchange risk by securing payment from our customers in euros, by sharing risk with our customers, by utilizing foreign currency borrowings, by leading and lagging receipts and payments, and by entering into foreign currency exchange and option contracts. In addition, a significant portion of the costs attributable to our foreign currency revenues are payable in the local currencies. In limited circumstances, but whenever possible, we negotiate clauses into our contracts that allow for price adjustments should a material change in foreign exchange rates occur.

From time to time, we enter into foreign currency exchange and option contracts to reduce the exposure associated with certain firm commitments, variable service revenues, and certain assets and liabilities denominated in foreign currencies, but we do not engage in foreign currency speculation. These contracts generally have maturities of 12 months or less and are regularly renewed to provide continuing coverage throughout the year. It is our policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Financial risk management objectives and policies (continued)

As of December 31, 2008, we had contracts for the sale of approximately US$58.4 million of foreign currency (primarily British pounds, Danish krona, Czech koruna, and Swiss francs) and the purchase of approximately US$192.7 million of foreign currency (primarily euro, Polish zlotys, British pounds, and Canadian dollars). As of December 31, 2007, we had contracts for the sale of approximately US$165.6 million of foreign currency (primarily British pounds, Czech koruna, euro, and Danish krona) and the purchase of approximately US$77.0 million of foreign currency (primarily Canadian dollars, euro, Polish zlotys, and Colombian pesos).

The following demonstrates the sensitivity to a reasonably possible change in the euro to US dollar exchange rate, with all other variables held constant, of the Group's income before income tax expense and equity associated with our foreign currency denominated receivables and payables and foreign currency forward contracts over the next year:

	Increase (decrease) in exchange rate	Effect on income before income tax expense (€000s)	Effect on equity (€000s)
2008	10%	13,900	204,000
	(10%)	(13,900)	(232,000)
2007	10%	11,000	198,000
	(10%)	(11,000)	(228,000)

Commodity price risk
Our exposure to commodity price changes is not considered material and is managed through our procurement and sales practices.

Hedging activities and derivatives

Derivatives not designated as hedging instruments

The Group uses forward foreign currency contracts to manage some of its transaction exposures and future foreign currency net cash flows that the Group expects to generate through its operations. These forward foreign currency contracts are not designated as cash flow, fair value, or net investment hedges and are typically matched with current transactions or forecasted foreign currency transactions to be derived from operations. The aggregate fair value of the contracts at December 31, 2008 and 2007 was €2.4 million and (€4.1) million, respectively.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Financial risk management objectives and policies (continued)

Cash flow hedges

Foreign exchange contracts

At December 31, 2008 and 2007, the Group held forward currency contracts designated as hedges of future foreign currency net cash flows that the Group expects to generate through its operations. The terms of the currency contracts are typically matched with the forecasted foreign currency transactions to be derived from operations up to a period of 12 months. At December 31, 2008, the aggregate fair value of the contracts was €0.3 million and an unrealized gain of €0.1 million, net of €0.2 million of income tax expense, was included in equity that related to forward currency cash flow hedges that were assessed to be highly effective. At December 31, 2007, the aggregate fair value of the contracts was €0.5 million and an unrealized gain of €0.3 million, net of €0.2 million of income tax expense, was included in equity that related to forward currency cash flow hedges that were assessed to be highly effective. During 2008 and 2007, €0.9 million of gains and €1.6 million of losses were removed from equity and included in service revenue in our consolidated income statements, respectively.

Interest rate swaps

At December 31, 2008, the Group held US$1.5 billion notional amount of interest rate swaps ("swaps"), with an aggregate fair value of (€73.4) million (US$102.1) million at the December 31, 2008 exchange rate), which were designated as hedges of floating interest rates on the GTECH Senior Credit Facilities. These swaps effectively convert US$1.5 billion of the GTECH Senior Credit Facilities' variable interest rate debt to fixed rate debt. Under the terms of these swaps, the Group is required to make fixed interest payments based on rates ranging between 2.89% and 5.02% and receives variable interest payments from its counterparties based on three-month Libor with settlement occurring quarterly. During 2008, we recorded an unrealized loss to equity of €39.9 million, net of €22.7 million of income tax benefit, principally associated with these swaps.

The contractual maturities of the notional amount of these swaps are as follows (US dollars in thousands):

Maturity Date	Notional Amount
June 30, 2009	44,348
December 31, 2009	44,348
June 30, 2010	51,740
December 31, 2010	51,740
June 30, 2011	51,740
December 31, 2011	51,740
June 30, 2012	1,174,284
	1,469,940

At December 31, 2007, the Group held US$1.1 billion notional amount of interest rate swaps ("swaps"), with an aggregate fair value of (€14.6) million, which were designated as hedges of floating interest rates on our Senior Credit Facility. These swaps effectively convert US$1.1 billion of our Senior Credit Facility's variable interest rate debt to fixed rate debt. Under the terms of these swaps, the Group is required to make fixed interest payments based on rates ranging between 3.95% and 5.02% and receives variable interest payments from its counterparties based on either one-month or three-month Libor with settlement primarily occurring quarterly. At December 31, 2007, we recorded an unrealized loss to equity of €9.2 million, net of €5.4 million of tax benefits, associated with these swaps.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Financial risk management objectives and policies (continued)

The contractual maturities of the notional amount of these swaps are as follows (US dollars in thousands):

Maturity Date	Notional Amount
June 30, 2008	24,111
September 30, 2008	200,000
December 31, 2008	24,111
June 30, 2009	36,167
December 31, 2009	36,167
June 30, 2010	42,194
December 31, 2010	42,194
June 30, 2011	42,194
December 31, 2011	42,194
June 30, 2012	594,739
	1,084,071

At December 31, 2007, the Group also held US$1.0 billion notional amount of interest rate swaps with an aggregate fair value of (€0.1) million, that expired throughout the first quarter of 2008, which were not designated as hedges of floating interest rates on our Senior Credit Facility. We recorded an unrealized loss of €0.1 million to interest expense associated with these interest rate swaps.

Fair value hedges
The Group did not have any fair value hedges as of December 31, 2008 and 2007.

Hedges of a net investment in a foreign operation
At December 31, 2008, the Group held €100.0 million of foreign currency forward contracts, with an aggregate fair value of €1.3 million, designated as a hedge against the net investment in Boss Media. At December 31, 2008, an unrealized gain of €0.8 million, net of €0.5 million of income tax expense, was included in equity that related to forward contracts that were assessed to be highly effective.

The Group did not have any hedges of a net investment in a foreign operation as of December 31, 2007.

Capital management
The primary goal of the Group's capital management strategy is to ensure strong credit ratings and healthy financial ratios in order to support its business while maximizing corporate value and reducing the Group's financial risks. We consider all equity and debt to be managed capital of the Group.

The Group manages its capital structure and makes adjustments based on long term strategy decisions in light of changes in economic conditions. Additionally, the Group seeks to preserve an optimal weighted average cost of capital and maintain sufficient financial flexibility to pursue growth opportunities. There were no changes in the objectives, policies, or processes during the years ended December 31, 2008 and 2007.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. Supplemental cash flow information

Non-cash investing and financing activities are excluded from the consolidated statement of cash flows. Non-cash activities are summarized as follows:

	December 31,	
(thousands of euros)	2008	2007
Non-cash purchase price costs related to acquisition activity	86,229	24,455
	86,229	24,455

See Note 3 for detailed information on 2008 and 2007 acquisition activity.

DOCUMENT REDACTED BY TLC - 12-4-10

AUDIT FIRM FEES

(thousands of euros)	2008 fees provided to:	
Service description	**Audit Firm of the Parent Company**	**Audit Firm's network of the Parent Company**
Audit services	400	2,031
Tax consulting fees	-	538
Other services:		
- Agreed upon procedures	163	153
- Accounting consultations	-	309
Total	**563**	**3,031**

DOCUMENT REDACTED BY TLC - 12-4-10

Lottomatica S.p.A. 's Subsidiaries

	Summary Schedule of Essential Data of Consolidated Companies pursuant to Article 2429 of Italian Civil Code					
	EURO in thousands			Percentage		
Name	Revenue	Net Income	Assets	Revenue	Net Income	Assets
Lottomatica Italia Servizi S.p.A.	49,547	11,702	257,961	6.7%	5.3%	5.3%
Cartalis Imel S.p.A.	703	(2,092)	14,718	0.1%	-0.9%	0.3%
Totobit Informatica Software E Sistemi S.p.A.	30,493	10,542	109,821	4.1%	4.7%	2.3%
TTS S.r.l.	2,561	84	1,597	0.3%	0.0%	0.0%
Lis Finanziaria S.p.A.	14,787	2,541	107,780	2.0%	1.1%	2.2%
SED Multitel S.r.l.	8,719	3,048	17,690	1.2%	1.4%	0.4%
Lottomatica Sistemi S.p.A.	21,710	620	36,257	2.9%	0.3%	0.7%
PCC Giochi e Servizi S.p.A.	9,903	420	26,373	1.3%	0.2%	0.5%
Consorzio Lottomatica Giochi Sportivi	77	-	471	0.0%	0.0%	0.0%
Consorzio Lotterie Nazionali	323,401	117,731	504,617	43.6%	52.9%	10.3%
Lottomatica Videolot Gestione S.p.A.	687	(1,101)	5,099	0.1%	-0.5%	0.1%
Lottomatica Videolot Rete S.p.A.	88,524	3,713	188,718	11.9%	1.7%	3.9%
Lottomatica Bingo S.r.l.	-	-	1,650	0.0%	0.0%	0.0%
Lottomatica Scommesse S.r.l.	135,319	5,839	164,431	18.2%	2.6%	3.4%
Toto Carovigno S.p.A.	28,778	(1,027)	19,260	3.9%	-0.5%	0.4%
Royal Gold S.r.l.	3,776	54	6,173	0.5%	0.0%	0.1%
Lottomatica International S.r.l.	2	209	627,194	0.0%	0.1%	12.9%
Lottomatica International Hungary	-	55,030	845,417	0.0%	24.7%	17.3%
Invest Games S.A.	25	91	354,969	0.0%	0.0%	7.3%
Edrin Ltd.	-	-	19	0.0%	0.0%	0.0%
GTECH Holdings Corporation	22,868	15,074	1,587,693	3.1%	6.8%	32.5%

DOCUMENT REDACTED BY TLC - 12-4-10

GTECH Holdings Corporation Subsidiaries

	Summary Schedule of Essential Data of Consolidated Companies pursuant to Article 2429 of Italian Civil Code					
	EURO in thousands			Percentage		
Name	Revenue	Net Income	Assets	Revenue	Net Income	Assets
GTECH Corporation	703,468	(13,830)	1,802,901	46.3%	-18.6%	41.5%
Aitken Spence GTECH (Private) Limited	652	300	30	0.0%	0.4%	0.0%
Anguilla Lottery and Gaming Company, Ltd.	263	(24)	122	0.0%	0.0%	0.0%
Antigua Lottery Company, Ltd.	514	90	290	0.0%	0.1%	0.0%
Atronic Americas, LLC	32,216	(30,410)	18,306	2.1%	-40.9%	0.4%
Atronic Argentina, S.R.L.	586	44	617	0.0%	0.1%	0.0%
Atronic Asia Limited	-	-	-	0.0%	0.0%	0.0%
Atronic Australia Pty. Ltd.	2,024	26	65	0.1%	0.0%	0.0%
Atronic Australien GmbH	-	(184)	2	0.0%	-0.2%	0.0%
Atronic Austria GmbH	54,917	2,265	21,833	3.6%	3.0%	0.5%
Atronic Austria Holding AG	-	(6)	8,637	0.0%	0.0%	0.2%
Atronic International GmbH	54,028	(25,415)	90,107	3.6%	-34.2%	2.1%
Atronic Nevada, LLC	3,331	993	3,693	0.2%	1.3%	0.1%
Atronic Peru S.A.	1,467	(191)	1,655	0.1%	-0.3%	0.0%
Atronic Russia o.o.o.	715	(2,020)	3,128	0.0%	-2.7%	0.1%
Atronic Systems B.V.	284	(658)	19,511	0.0%	-0.9%	0.4%
Atronic Systems GmbH	14,775	(2,076)	5,771	1.0%	-2.8%	0.1%
Atronic Systems, Inc.	-	(8)	79	0.0%	0.0%	0.0%
Atronic Systems S.A.M.	6,009	212	2,599	0.4%	0.3%	0.1%
Beijing GTECH Computer Technology Company Ltd.	578	33	32	0.0%	0.0%	0.0%
BillBird S.A.	15,256	1,612	14,620	1.0%	2.2%	0.3%
Boss Casinos N.V.	4,122	(619)	4,375	0.3%	-0.8%	0.1%
Boss Holdings Ltd.	-	(3)	206	0.0%	0.0%	0.0%
Boss Media AB	20,935	3,811	29,308	1.4%	5.1%	0.7%
Boss Media Antigua Ltd.	100	35	8	0.0%	0.0%	0.0%
Boss Media Investments AB	-	-	77	0.0%	0.0%	0.0%
Boss Media Malta Casino Ltd.	1,994	(76)	5,132	0.1%	-0.1%	0.1%
Boss Media Malta Poker Ltd.	4,555	146	8,330	0.3%	0.2%	0.2%
CAM Galaxy Group Ltd.	-	5	151	0.0%	0.0%	0.0%
Caribbean Lottery Services, Inc.	1,902	(165)	812	0.1%	-0.2%	0.0%

DOCUMENT REDACTED BY TLC - 12-4-10

GTECH Holdings Corporation Subsidiaries

	Summary Schedule of Essential Data of Consolidated Companies pursuant to Article 2429 of Italian Civil Code					
	EURO in thousands			Percentage		
Name	Revenue	Net Income	Assets	Revenue	Net Income	Assets
CLS-GTECH Company Limited	-	-	-	0.0%	0.0%	0.0%
CLS-GTECH Australia Pty Ltd.	-	-	-	0.0%	0.0%	0.0%
CLS-GTECH Technology (Beijing) Co., Ltd.	-	-	-	0.0%	0.0%	0.0%
Curacao Lottery Company, N.V.	-	-	-	0.0%	0.0%	0.0%
D&D Electronic and Software GmbH	-	-	-	0.0%	0.0%	0.0%
Data Transfer Systems, Inc.	-	(81)	2	0.0%	-0.1%	0.0%
DataTrans Sp. z.o.o.	1,273	402	198	0.1%	0.5%	0.0%
Dreamport do Brasil Ltda.	-	-	212	0.0%	0.0%	0.0%
Dreamport Suffolk Corporation	-	-	2,223	0.0%	0.0%	0.1%
Dreamport, Inc.	-	-	5,788	0.0%	0.0%	0.1%
Dynamite Design & Marketing Limited	1,737	779	3,126	0.1%	1.0%	0.1%
East Luck Investments Limited	-	-	-	0.0%	0.0%	0.0%
Europrint (Games) Ltd.	3,173	272	587	0.2%	0.4%	0.0%
Europrint Holdings Ltd.	-	252	2,498	0.0%	0.3%	0.1%
Europrint Promotions Ltd.	355	26	134	0.0%	0.0%	0.0%
Finsoft Limited	13,758	2,290	8,003	0.9%	3.1%	0.2%
Gana de Mexico de C.V.	11	28	-	0.0%	0.0%	0.0%
GEMed AB	123	(1,617)	152,770	0.0%	-2.2%	3.5%
Grips Management GmbH	6	1	921	0.0%	0.0%	0.0%
Grips RSA	-	-	-	0.0%	0.0%	0.0%
GTECH Asia Corporation	-	(7)	9,666	0.0%	0.0%	0.2%
GTECH Australasia Corporation	2,623	764	4,095	0.2%	1.0%	0.1%
GTECH Avrasya Teknik Hizmetler Ve Musavirlik A.S.	4,104	39	619	0.3%	0.1%	0.0%
GTECH Brasil Ltda.	228	(2,264)	21,587	0.0%	-3.0%	0.5%
GTECH Colombia Ltda.	11,578	5,151	12,884	0.8%	6.9%	0.3%
GTECH Computer Systems Sdn Bhd	-	-	34	0.0%	0.0%	0.0%
GTECH Comunicaciones Colombia Ltd.	1,080	(139)	603	0.1%	-0.2%	0.0%
GTECH Corporation (Utah)	-	-	-	0.0%	0.0%	0.0%
GTECH Cote d'Ivoire	-	-	2	0.0%	0.0%	0.0%
GTECH Czech Republic, LLC	5,082	556	4,693	0.3%	0.7%	0.1%

DOCUMENT REDACTED BY TLC - 12-4-10

GTECH Holdings Corporation Subsidiaries

	Summary Schedule of Essential Data of Consolidated Companies pursuant to Article 2429 of Italian Civil Code					
	EURO in thousands			Percentage		
Name	Revenue	Net Income	Assets	Revenue	Net Income	Assets
GTECH Czech Services s.r.o.	28	2	45	0.0%	0.0%	0.0%
GTECH Espana Corporation	2,092	289	556	0.1%	0.4%	0.0%
GTECH Europe	109	127	427	0.0%	0.2%	0.0%
GTECH Far East Pte Ltd	3,358	1,085	3,680	0.2%	1.5%	0.1%
GTECH Foreign Holdings Corporation	32,766	594	52,795	2.2%	0.8%	1.2%
GTECH France SARL	461	25	439	0.0%	0.0%	0.0%
GTECH German Holdings Corporation Gmbh	-	(11,125)	17,500	0.0%	-15.0%	0.4%
GTECH Global Lottery S.L.	4,860	57	683	0.3%	0.1%	0.0%
GTECH Global Services Corporation Limited	209,313	44,016	616,288	13.8%	59.2%	14.2%
GTECH GmbH	2,278	111	2,646	0.1%	0.1%	0.1%
GTECH Ireland Operations Limited	14,883	5,943	14,052	1.0%	8.0%	0.3%
GTECH Italia Srl	12	(605)	-	0.0%	-0.8%	0.0%
GTECH Lanka (Private) Ltd.	-	706	1,074	0.0%	0.9%	0.0%
GTECH Latin America Corporation	10,287	4,795	5,082	0.7%	6.4%	0.1%
GTECH Management P.I. Corporation	-	-	93	0.0%	0.0%	0.0%
GTECH Mexico S.A. de C.V.	368	(179)	2,862	0.0%	-0.2%	0.1%
GTECH Northern Europe Corporation	4,598	449	1,685	0.3%	0.6%	0.0%
GTECH Polska Sp z.o.o.	64,828	17,886	100,324	4.3%	24.0%	2.3%
GTECH Printing Corporation	9,602	(1,631)	28,867	0.6%	-2.2%	0.7%
GTECH Reinsurance Company	2,000	575	-	0.1%	0.8%	0.0%
GTECH Rhode Island Corporation	82,535	70,837	896,090	5.4%	95.2%	20.6%
GTECH Slovakia Corporation	5,202	413	493	0.3%	0.6%	0.0%
GTECH Southern Africa (Pty) Ltd.	59	(27)	1,232	0.0%	0.0%	0.0%
GTECH Sports Betting Solutions Limited	-	(2,989)	67,119	0.0%	-4.0%	1.5%
GTECH Sweden AB	1,836	4	350	0.1%	0.0%	0.0%
GTECH U.K. Limited	12,392	819	2,849	0.8%	1.1%	0.1%
GTECH Ukraine	213	287	137	0.0%	0.4%	0.0%
GTECH WaterPlace Park Company, LLC	-	-	-	0.0%	0.0%	0.0%
GTECH West Greenwich Technology Associates GP, LLC	-	-	1,016	0.0%	0.0%	0.0%
GTECH Worldwide Services Corporation	344	(411)	-	0.0%	-0.6%	0.0%

DOCUMENT REDACTED BY TLC - 12-4-10

GTECH Holdings Corporation Subsidiaries

	Summary Schedule of Essential Data of Consolidated Companies pursuant to Article 2429 of Italian Civil Code					
	EURO in thousands			Percentage		
Name	Revenue	Net Income	Assets	Revenue	Net Income	Assets
GTECHNOVA Holdings Limited	-	-	-	0.0%	0.0%	0.0%
Innoka Oy	409	38	518	0.0%	0.1%	0.0%
Interactive Games International Ltd.	1,092	94	159	0.1%	0.1%	0.0%
International Poker Network Ltd.	1,013	592	990	0.1%	0.8%	0.0%
JSJ Ltd.	-	11	319	0.0%	0.0%	0.0%
Leeward Islands Lottery Holding Company, Inc.	1,269	33	20,690	0.1%	0.0%	0.5%
Lottery Equipment Company	-	(1)	344	0.0%	0.0%	0.0%
Loxley GTECH Technology Co., Ltd.	-	-	-	0.0%	0.0%	0.0%
MIS International France SAS	-	-	-	0.0%	0.0%	0.0%
On-Line Lottery License and Lease B.V.	1,518	166	671	0.1%	0.2%	0.0%
Online Transaction Technologies SARL a Associe Unique	9,456	962	6,925	0.6%	1.3%	0.2%
Oy GTECH Finland Ab	8,229	703	2,146	0.5%	0.9%	0.0%
Prodigal Lottery Services, N.V.	729	167	399	0.0%	0.2%	0.0%
Retail Display and Service Handlers, LLC	-	-	14	0.0%	0.0%	0.0%
SB Industria e Comercio Ltda.	-	(882)	1,131	0.0%	-1.2%	0.0%
Siam GTECH Company Limited	223	19	91	0.0%	0.0%	0.0%
Spielo Manufacturing ULC	38,798	(710)	172,463	2.6%	-1.0%	4.0%
Spielo USA Incorporated	7,088	(1,795)	8,617	0.5%	-2.4%	0.2%
Springboard Technologies Private Limited	626	11	125	0.0%	0.0%	0.0%
St. Enodoc Holdings Limited	-	-	3,329	0.0%	0.0%	0.1%
St. Kitts and Nevis Lottery Company, Ltd.	563	122	356	0.0%	0.2%	0.0%
St. Minver (UK) Limited	1,000	(97)	186	0.1%	-0.1%	0.0%
St. Minver Limited	13,123	2,036	7,430	0.9%	2.7%	0.2%
Technology Risk Management Services, Inc.	-	184	3,918	0.0%	0.2%	0.1%
Tranco Investment Limited	-	-	-	0.0%	0.0%	0.0%
Turks and Caicos Lottery Company Ltd.	2	(6)	2	0.0%	0.0%	0.0%
WebDollar AB	1,339	681	14,595	0.1%	0.9%	0.3%
West Greenwich Technology Associates, L.P.	-	(331)	11,577	0.0%	-0.4%	0.3%

DOCUMENT REDACTED BY TLC - 12-4-10

Additional Disclosures Pursuant to Specific Italian Requirements

DOCUMENT REDACTED BY TLC - 12-4-10

STATEMENT REQUIRED BY SECTION 2.6.2, SUBSECTIONS 12 AND 13 OF THE ITALIAN STOCK EXCHANGE REGULATION ABOUT COMPLIANCE WITH CONDITIONS SET FORTH IN SECTIONS 36 AND 37 OF CONSOB RESOLUTION NO. 16191 OF OCTOBER 29, 2007 (SO-CALLED "MARKET REGULATIONS")

Lottomatica meets the conditions for the listing of companies with subsidiaries incorporated pursuant to and governed by the laws of non-EU countries, as provided for by Section 36 of the Market Regulations, and the conditions for the listing of companies subject to management and coordination by other companies, as provided for by Section 37 of the Market Regulations.

DOCUMENT REDACTED BY TLC - 12-4-10

COMPLIANCE MODEL UNDER LEGISLATIVE DECREE NO. 231/01

Lottomatica first enacted the Compliance Model in November of 2004, pursuant to Legislative Decree No. 231 of June 8, 2001 as subsequently amended and integrated. The Decree introduced "administrative" legal liability in Italy, comparable in many respects to criminal liability, arising from specific crimes committed in the interest or to the advantage of entities (including Lottomatica).

The Model conforms to the guidelines set out by qualified associations and with best practices. It represents an additional step of transparency and is aimed at inspiring a sense of responsibility in internal and external relations, and therefore simultaneously offers to the shareholders an adequate guarantee of the management's efficiency and strength for legality.

The Model has been periodically amended to reflect the new corporate structure and to comply with the new provisions of law. The Model has been adopted also by Lottomatica's Italian subsidiaries in October 2007.

In March 2008, the Board of Directors of Lottomatica adopted a new Group Code of Conduct.

A training program on the new Code of Conduct and on the updated Model, addressed to managers and to all employees, was launched in June 2008 and completed in December 2008.

DOCUMENT REDACTED BY TLC - 12-4-10

REGULATORY FRAMEWORK REFERENCE

The following is a list of certain material Italian regulations to which the Lottomatica Group is subject issued and published on Gazzetta Ufficiale from October until December 2008.

Ministerial Decree of October 20, 2008	Technical conditions for carrying out the online Scratch and Win lottery: the "Sfida al croupier mobile".
Ministerial Decree of October 20, 2008	Technical conditions for carrying out the online Scratch and Win lottery: the "Sette e mezzo mobile".
Ministerial Decree of October 20, 2008	Technical conditions for carrying out the online Scratch and Win lottery: the "Miliardario mobile".
Ministerial Decree of October 20, 2008	Technical conditions for carrying out the online Scratch and Win lottery: the "Scala reale mobile".
Ministerial Decree of October 20, 2008	Technical conditions for carrying out the online Scratch and Win lottery: the "Black Jack on line".
Ministerial Decree of August 14, 2008	Rules concerning technical conditions for carrying out the lottery: "Lotteria Italia 2008".
Ministerial Decree of October 28, 2008	Technical conditions for carrying out the Scratch and Win lottery: the "L'Albero dei premi".
Ministerial Decree of November 11, 2008	Technical conditions for carrying out the online Scratch and Win lottery: the "L'Albero dei premi online".
Law of November 19, 2008 n. 184	Implementation of European Union rules concerning Public Games.
Ministerial Decree of November 26, 2008	Termination of the Scratch and Win lotteries: the "Super poker", "Medaglia d'Oro", "Tutti al mare" and "Spider-man 3".
Ministerial Decree of December 4, 2008	Rules concerning a new way of participation to Lotto Game.
Ministerial Decree of December 9, 2008	Rules concerning special carats for the sport pool games "Totocalcio", "il 9" and "+Gol".
Ministerial Decree of December 11, 2008	Termination of the Scratch and Win online lottery: the "Indiana Jones online".

DOCUMENT REDACTED BY TLC - 12-4-10

Law of December 22, 2008 n. 203	Budget Law 2009 Article 1 – paragraph 49: - Rules concerning the operation of horse and sports betting; - Modification of the percentage of PREU coming from AWPs (from 12.7% to 13.4%).

FURTHER REGULATORY FRAMEWORK REFERENCE

Government Gaming Regulation	Through its subsidiaries Atronic Americas, LLC, Atronic International GmbH, Atronic Nevada LLC and Spielo Manufacturing ULC, Lottomatica S.p.A. ("Lottomatica") operates in many legal casino gaming jurisdictions worldwide. The manufacture and distribution of gaming equipment, systems and services and the operation of gaming equipment are subject to regulation by a variety of local, state, tribal and federal agencies, with the majority of oversight conducted by individual state gaming control boards, commissions and similar agencies. While the regulatory requirements vary from jurisdiction to jurisdiction, most require: (i) licenses and/or permits; (ii) findings of suitability of the manufacturer or distributor and individual officers, directors, major equity owners and key employees; (iii) documentation of qualification, including evidence of financial stability; and (iv) specific approvals for gaming equipment manufacturers and distributors.
Nevada Gaming Regulation	Lottomatica is registered with the Nevada Gaming Commission (the "Commission") as a publicly traded corporation (a "Registered Corporation") and has been found suitable to directly or indirectly own the stock of three subsidiaries, two that have been licensed as a manufacturer and distributor (Atronic Americas, LLC and Atronic International GmbH), and one that has been licensed as a manufacturer, distributor and operator of slot machines and inter-casino linked wide area progressive slot machine system (Atronic Nevada LLC). The manufacture, sale and distribution of gaming devices in Nevada or for use outside Nevada are subject to extensive state and local laws, regulations and ordinances of the Commission, the Nevada State Gaming Control Board ("GCB"), and various county and municipal regulatory authorities (collectively referred to as the "Nevada Gaming Authorities"). These laws, regulations and ordinances primarily cover the responsibility, financial stability and character of gaming equipment manufacturers, distributors and operators, as well as persons financially interested or involved in gaming operations.

DOCUMENT REDACTED BY TLC - 12-4-10

In particular, the Commission may require any beneficial holder of Lottomatica's voting securities, regardless of the number of shares owned, to file an application, be investigated, and be found suitable, in which case the applicant would be required to pay the costs and fees of the GCB investigation. If the beneficial holder of voting securities who must be found suitable is a corporation, partnership, or trust, it must submit detailed business and financial information including a list of beneficial owners. Any person who acquires more than five percent (5%) of Lottomatica's voting securities must report this to the Commission within ten (10) days of such acquisition. Any person who becomes a beneficial owner of more than ten percent (10%) of Lottomatica's voting securities must apply for a finding of suitability within 30 days after the Chairman of the GCB mails the written notice requiring this finding of suitability. This obligation remains for so long as the person retains an interest in the securities.

Under certain circumstances, an "institutional investor," as defined in the Nevada Act, which acquires the beneficial ownership of more than ten percent (10%), but not more than 15%, of a Registered Corporation's voting securities may apply to the Commission for a waiver of such finding of suitability if such institutional investor holds the voting securities for investment purposes only. The applicant is required to pay all costs of investigation incurred by the Nevada Gaming Authorities.

Any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so by the Commission or the Chairman of the GCB may be found unsuitable. The same restrictions apply to a record owner who fails to identify the beneficial owner, if requested to do so. Any stockholder found unsuitable and who holds, directly or indirectly, any beneficial ownership of Lottomatica's common stock beyond such period of time as may be prescribed by the Commission may be guilty of a criminal offense. Lottomatica is subject to disciplinary action and possible loss of its approvals if, after it receives notice that a person is unsuitable to be a stockholder or to have any other relationship with Lottomatica or any of Lottomatica's licensed gaming subsidiaries, Lottomatica:

(i) pays that person any dividend or interest upon its voting securities,

(ii) allows that person to exercise, directly or indirectly, any voting right conferred through securities held by that person,

(iii) gives remuneration in any form to that person, for services

DOCUMENT REDACTED BY TLC - 12-4-10

rendered or otherwise, or

(iv) fails to pursue all lawful efforts to require such unsuitable person to relinquish his voting securities for cash at fair market value.

The Commission may, in its discretion, require the holder of Lottomatica's debt securities to file an application, be investigated and be found suitable to own any of Lottomatica's debt securities. If the Commission determines that a person is unsuitable to own any of these securities, Lottomatica will be subject to the same sanctions, as described above, including the loss of its approvals.

Changes in control of Lottomatica through merger, consolidation, acquisition of assets or stock, management or consulting agreements or any form of takeover cannot occur without the prior investigation of the GCB and approval of the Commission. Entities seeking to acquire control of Lottomatica must satisfy the GCB and the Commission in a variety of stringent standards prior to assuming control.

The Commission may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction.

DOCUMENT REDACTED BY TLC - 12-4-10

PROCESSING OF PERSONAL DATA

Article 34 of Legislative Decree No. 196 of June 30, 2003, requires certain security measures to be taken in the event of the electronic processing of personal data, according to the procedures set forth in the technical specifications under Annex B to the law. Among these requirements is the one specified in letter (g) for "an updated Security Policy Statement" (DPS, Documento Programmatico sulla Sicurezza).

DPS, in compliance with the law, specifies the technical and organizational security measures adopted on the basis of risk analysis as well as task and responsibility distribution within the data processing structure in order to protect personal data regarding their correct storage and handling.

Lottomatica S.p.A. regularly reviews and updates the DPS which it did most recently on March 31, 2008 in accordance with Legislative Decree No. 196/03.

RECEIPTS AND PAYMENTS (PRESIDENTIAL DECREE NO. 560 OF 09/16/1996)

The administration of receipts and payments of Lotto accounts solely related to Lottomatica under the powers granted by Presidential Decree No. 560, of €113.6 million as of December 31, 2008, are provided below. Such amounts are included in the consolidated accounts of Lottomatica Group.

Receivables

Total receivables for the management credit towards collectors for the sums to be paid, net fees and expenses in this regard were €50.6 million.

Cash and Cash Equivalents

Cash and cash equivalents were €63.0 million and reflect the administered receipts held on bank and postal accounts:

- €51.0 million on a specific current account held with Banca Intesa S.p.A.
- €12.0 million on a specific postal account.

Payables

Payables were €113.6 million and were made up of:

- €72.7 million in profits due to the Tax Authorities as of December 31, 2008;
- €18.4 million due to the Ministry of Finance's pension fund;
- €9.3 million for the premium on the last four drawings made over the period under consideration to be paid out to the licensee;
- €12.8 million in winnings not paid as of December 31, 2008.
- €0.4 million for accrued interest.

DOCUMENT REDACTED BY TLC - 12-4-10

EXHIBIT 3C-*ter*

Certification of the first half, annual and annual stand alone financial statements, pursuant to Article 81-*ter* of the Consob Regulations no. 11971 of May 14, 1999 with any following amendments

1. The undersigned, Lorenzo Pellicioli and Stefano Bortoli, of Lottomatica, S.p.A., taking into account Article 154-*bis*, Section 3 and 4 of the Legislative Decree no. 58 of February 24, 1998, certify:

- the adequacy – with respect to the characteristic of Lottomatica, and;
- the effective application,

of the administrative and accounting procedures relating to the preparation of the annual and annual stand alone financial statements throughout the year ended December 31, 2008.

2. We therefore certify that the annual and annual stand alone financial statements:

a. correspond to the accounting books and entries;
b. are prepared in accordance to International Financial Reporting Standards, and to the best of our knowledge, are suitable to offer truthful and accurate representations of the assets, financial position and result of operations of the issuer, for both stand alone and in consolidation.

Date: March ____, 2009

Signatures of the delegated members of the Administrative Body

.....
Lorenzo Pellicioli

Signature of the Manager in charge of drawing up corporate reports and financial documents

.....
Stefano Bortoli

DOCUMENT REDACTED BY TLC - 12-4-10

Lottomatica Group and Subsidiaries

DOCUMENT REDACTED BY TLC - 12-4-10

List of Lottomatica S.p.A. subsidiaries				
Name	**Jurisdiction**	**Share Capital****	**Ownership %**	**Shareholder**
Consorzio Lotterie Nazionali	Italy	16,000	63	Lottomatica
Lottomatica Italia Servizi S.p.A.	Italy	2,582	100	Lottomatica
Lottomatica Scommesse S.r.l.	Italy	20,000	100	Lottomatica
Lottomatica Videolot Rete S.p.A.	Italy	3,226	100	Lottomatica
SED Multitel S.r.l. (1)	Italy	800	100	Lottomatica
Lottomatica Videolot Gestione S.p.A.	Italy	120	100	Lottomatica
Lottomatica Sistemi S.p.A.	Italy	5,165	100	Lottomatica
Lottomatica International S.r.l.	Italy	100	100	Lottomatica
Totobit Informatica Software e Sistemi S.p.A.	Italy	3,043	100	Lottomatica Italia Servizi S.p.A.
CartaLIS IMEL S.p.A.	Italy	10,000	85	Lottomatica Italia Servizi S.p.A.
Toto Carovigno S.p.A. (2)	Italy	500	100	Lottomatica Scommesse S.r.l.
Lottomatica Bingo S.r.l. (3)	Italy	50	100	Lottomatica Scommesse S.r.l.
L.S. Alpha S.r.l. (4)	Italy	4,210	95	Lottomatica Scommesse S.r.l.
Royal Gold S.r.l. (5)	Italy	99	100	Lottomatica Videolot Rete S.p.A.
PCC Giochi e Servizi S.p.A.	Italy	21,000	100	Lottomatica Sistemi S.p.A.
LIS Finanziaria S.p.A.	Italy	1,000	100	Totobit Informatica S.p.A.
TTS S.r.l.	Italy	100	100	Totobit Informatica S.p.A.
Consorzio Lottomatica Giochi Sportivi	Italy	100	90	Lottomatica (85%); Totobit Informatica S.p.A. (5%)
Lottomatica International Hungary *Korlátolt Felelősségű Társaság*	Hungary	1,250	100	Lottomatica International S.r.l. (80.49%); Lottomatica (19.51%
Edrin Ltd. (6)	UK	19	100	Lottomatica Scommesse S.r.l.
Invest Games S.A.	Lux	31,000	100	Lottomatica.
GTECH Holdings Corporation	Delaware, USA	1,133,545.651	100	Lottomatica (77.8712%); Invest Games S.A. (22.1288%)

DOCUMENT REDACTED BY TLC - 12-4-10

NOTES:

Unless otherwise notes, the consolidation method for all subsidiaries listed above is on a line-by-line basis.

** All Share Capital amounts are stated in local currency amounts and in thousands.

(1) On June 9, 2008, SED Multitel S.p.A. became SED Multitel S.r.l. Subsequently, Lottomatica acquired Totobit S.p.A.'s interest participation (80%) and became the sole shareholder with 100% interest participation.

(2) On August 29, 2008, Lottomatica Scommesse S.r.l. acquired 100% of Toto Carovigno S.p.A.'s interest participation.

(3) On July 7, 2008, Lottomatica Scommesse S.r.l. created the new company Lottomatica Bingo S.r.l.

(4) On December 3, 2008, Lottomatica Scommesse S.r.l. acquired 95% of L.S. Alpha S.r.l.'s interest participation.

(5) On December 5, 2008, Lottomatica Videolot Rete S.p.A. acquired 100% of Royal Gold S.r.l.'s interest participation.

(6) On November 11, 2008, Lottomatica Scommesse S.r.l. acquired Edrin Ltd.'s interest participation.

DOCUMENT REDACTED BY TLC - 12-4-10

List of GTECH Holdings Corporation Subsidiaries				
Name	**Jurisdiction**	**Share Capital****	**Ownership %**	**Shareholder**
GTECH Corporation	Delaware, USA	*	100	GTECH Holdings Corporation
Aitken Spence GTECH (Private) Limited	Sri Lanka	33,660	50	GTECH Global Services Corporation Limited
Anguilla Lottery and Gaming Company, Ltd.	Anguilla	10	100	Leeward Islands Lottery Holding Company, Inc.
Antigua Lottery Company, Ltd.	Antigua	*	100	Leeward Islands Lottery Holding Company, Inc.
Atronic Americas, LLC	Nevada, USA	13,300	100	GTECH Corporation
Atronic Argentina, S.R.L.	Argentina	30	80	Atronic International GmbH
Atronic Asia Limited (1)	Hong Kong	10	100	Atronic Austria Holding AG
Atronic Australien GmbH	Germany	1,120	100	GTECH Global Services Corporation Limited
Atronic Australia Pty. Ltd.	Australia	2,000	100	Atronic Australien GmbH
Atronic Austria GmbH	Austria	300	100	Atronic Austria Holding AG
Atronic Austria Holding AG	Austria	300	100	Atronic International GmbH
Atronic International GmbH	Germany	302	100	GTECH German Holdings Corporation GmbH
Atronic Nevada, LLC	Nevada, USA	10	100	Atronic Americas, LLC
Atronic Peru S.A.	Peru	*	98	Atronic International GmbH
Atronic Russia o.o.o.	Russia	3,018.2	50	Atronic Austria Holding AG
Atronic Systems B.V.	The Netherlands	18	100	Atronic International GmbH
Atronic Systems, Inc.	Nevada, USA	*	100	Atronic Systems B.V.
Atronic Systems GmbH	Austria	36.4	100	Grips Management GmbH
Atronic Systems S.A.M.	Monaco	150	100	Atronic Systems B.V.
Beijing GTECH Computer Technology Company Ltd.	China (PRC)	150	100	GTECH Foreign Holdings Corporation
BillBird S.A.	Poland	4,490.368	100	GTECH Global Services Corporation Limited
Boss Casinos N.V.	Curacao	67	100	Boss Media AB
Boss Media AB	Sweden	1,141.3	100	GEMed AB

DOCUMENT REDACTED BY TLC - 12-4-10

List of GTECH Holdings Corporation Subsidiaries

Name	Jurisdiction	Share Capital**	Ownership %	Shareholder
Boss Media Antigua Ltd.	Antigua & Barbuda	77	100	Boss Media AB
Boss Holdings Ltd.	Malta	15	99.99	Boss Media AB
Boss Media Investments AB	Sweden	100	100	Boss Media AB
Boss Media Malta Casino Ltd.	Malta	80	99.99	Boss Holdings Ltd.
Boss Media Malta Poker Ltd.	Malta	40	99.99	Boss Holdings Ltd.
CLS-GTECH Australia Pty Ltd. (2)	Australia	*	100	Tranco Investment Limited
CLS-GTECH Company Limited (2)	British Virgin Islands	15,000	50	GTECH Global Services Corporation Limited
CLS-GTECH Technology (Beijing) Co., Ltd. (2)	China (PRC)	2,700	100	CLS-GTECH Company Limited
Cam Galaxy Group Ltd.	United Kingdom	100	100	GTECH Corporation
Caribbean Lottery ervices, Inc.	U.S. Virgin Islands	*	100	Leeward Islands Lottery Holding Company, Inc.
uracao Lottery Company, N.V.	Netherlands Antilles	200	100	Leeward Islands Lottery Holding Company, Inc.
D & D Electronic and Software GmbH	Austria	26	50	Atronic International GmbH
DataTrans Sp. z o.o.	Poland	50	100	GTECH Corporation (80%); GTECH Polska Sp. z o.o. (20%)
Data Transfer Systems, Inc.	Delaware, USA	*	100	GTECH Corporation
Dreamport, Inc.	Delaware, USA	*	100	GTECH Corporation
Dreamport do Brasil Ltda.	Brazil	3,434.133	100	Dreamport, Inc. (99.75%); GTECH Foreign Holdings Corporation (0.25%)
Dreamport Suffolk Corporation	Delaware, USA	*	100	GTECH Corporation
Dynamite Design & Marketing Limited	United Kingdom	*	100	Boss Media AB
East Luck Investments Limited (2)	British Virgin Islands	*	100	CLS-GTECH Company Limited
Europrint (Games) Ltd.	United Kingdom	20	100	Europrint Holdings Ltd.
Europrint Holdings Ltd.	United Kingdom	90.908	100	Cam Galaxy Group (40%); JSJ Ltd. (60%)
Europrint Promotions Ltd.	United Kingdom	*	100	Europrint Holdings Ltd.
nsoft Limited	United Kingdom	1.172	100	GTECH Sports Betting Solutions Limited

DOCUMENT REDACTED BY TLC - 12-4-10

List of GTECH Holdings Corporation Subsidiaries

Name	Jurisdiction	Share Capital**	Ownership %	Shareholder
Gana de Mexico de C.V. (3)	Mexico	50	100	GTECH Foreign Holdings Corporation (99.998%); GTECH Latin America Corporation (0.002%)
GEMed AB	Sweden	100	87.45	GTECH Global Services Corporation Limited
Grips Management GmbH	Austria	83.1	100	Atronic Systems B.V.
Grips RSA	South Africa	*	100	Grips Management GmbH
GTECH Asia Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Australasia Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Avrasya Teknik Hizmetler Ve Musavirlik A.S.	Turkey	280,000,000	99.6	On-Line Lottery License and Lease B.V.
GTECH Brasil Ltda.	Brazil	96,582.428	100	GTECH Corporation (99.75%); GTECH Foreign Holdings Corporation (0.25%)
GTECH Colombia Ltda.	Colombia	6,884,400	100	GTECH Global Services Corporation Limited (99.998%); GTECH Comunicaciones Colombia Ltda. (.007%); Alvaro Gomez Munoz (.007%) (Nominee share)
GTECH Comunicaciones Colombia Ltda.	Colombia	10,000	100	GTECH Foreign Holdings Corporation (99.99%); Alvaro Rivas (.01%) (Nominee share)
GTECH Computer Systems Sdn Bhd	Malaysia	*	100	GTECH Corporation
GTECH Corporation	Utah, USA	*	100	GTECH Corporation
GTECH Cote d'Ivoire	Ivory Coast	1,000	100	GTECH Foreign Holdings Corporation
GTECH Czech Services s.r.o.	Czech Republic	1,000	100	GTECH Global Services Corporation Limited (98%); GTECH Ireland Operations Limited (2%)
GTECH Czech Republic, LLC	Delaware, USA	13,000	25	GTECH Corporation (25%)
GTECH Espana Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Europe	Belgium	1,250	100	GTECH Corporation (99.9%); GTECH Foreign Holdings Corporation (.1%)
GTECH Far East Pte Ltd	Singapore	25	100	GTECH Global Services Corporation Limited

DOCUMENT REDACTED BY TLC - 12-4-10

List of GTECH Holdings Corporation Subsidiaries

Name	Jurisdiction	Share Capital**	Ownership %	Shareholder
GTECH Foreign Holdings Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH France SARL	France	50	100	GTECH Foreign Holdings Corporation
GTECH GmbH	Germany	500	100	GTECH Global Services Corporation Limited
GTECH German Holdings Corporation GmbH	Germany	25	100	GTECH Corporation
GTECH Global Lottery S.L.	Spain	31	100	GTECH Global Services Corporation Limited
GTECH Global Services Corporation Limited	Cyprus	340,545.074	100	GTECH Corporation
GTECH Ireland Operations Limited	Ireland	100	100	GTECH Global Services Corporation Limited
GTECH Italia Srl (3)	Italy	10	100	GTECH Global Services Corporation Limited
GTECH Lanka (Private) Ltd.	Sri Lanka	1,000,000	100	GTECH Global Services Corporation Limited (99.9%); GTECH Corporation (.1%)
TECH Latin America orporation	Delaware, USA	*	100	GTECH Corporation
GTECH Management P.I. Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Mexico S.A. de C.V	Mexico	50,000	100	GTECH Corporation (99.656696%); GTECH Foreign Holdings Corporation (0.343297%); GTECH Latin America Corporation (0.000007%)
GTECH Northern Europe Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Polska Sp.z o.o.	Poland	47,445	100	GTECH Global Services Corporation Limited
GTECH Printing Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Reinsurance Company (3)	Vermont, USA	*	100	GTECH Holdings Corporation
GTECH Rhode Island Corporation	Rhode Island, USA	*	100	GTECH Corporation
GTECH Slovakia Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Southern Africa (Pty) Ltd.	South Africa	*	100	GTECH Corporation
GTECH Sports Betting Solutions Limited	United Kingdom	*	100	GTECH Global Services Corporation Limited
TECH Sweden AB	Sweden	*	100	GTECH Global Services Corporation

DOCUMENT REDACTED BY TLC - 12-4-10

List of GTECH Holdings Corporation Subsidiaries

Name	Jurisdiction	Share Capital**	Ownership %	Shareholder
GTECH U.K. Limited	United Kingdom	200	100	GTECH Corporation
GTECH Ukraine	Ukraine	19,066.264	100	GTECH Asia Corporation (99%); GTECH Management P.I . Corporation (1%)
GTECH WaterPlace Park Company, LLC	Delaware, USA	*	100	GTECH Corporation
GTECH West Greenwich Technology Associates GP, LLC	Delaware, USA	*	100	GTECH Corporation
GTECH Worldwide Services Corporation	Delaware, USA	*	100	GTECH Corporation
GTECHNOVA Holdings Limited	Cyprus	*	100	GTECH Global Services Corporation Limited
Innoka Oy	Finland	20	81	GTECH Global Services Corporation Limited
Interactive Games International Ltd.	United Kingdom	*	100	Europrint Holdings Ltd.
International Poker Network Ltd.	Malta	40	99.99	Boss Holdings Ltd.
JSJ Ltd.	United Kingdom	690	100	GTECH Corporation
Leeward Islands Lottery Holding Company, Inc.	St. Kitts & Nevis	13,600.637	100	GTECH Global Services Corporation Limited
Lottery Equipment Company	Ukraine	87,747.8	100	GTECH Asia Corporation (99.994%); GTECH Management P.I . Corporation (.006%)
Loxley GTECH Technology Co., Ltd. (2)	Thailand	100,000	49	GTECH Global Services Corporation Limited (39%); GTECH Corporation (10%)
MIS International France SAS	France	40	100	Atronic Systems B.V.
On-Line Lottery License and Lease B.V.	Netherlands	90	100	GTECH Corporation
Online Transaction Technologies SARL à Associé Unique	Morocco	33,500	100	GTECH Foreign Holdings Corporation
Oy GTECH Finland Ab	Finland	8	100	GTECH Corporation
Prodigal Lottery Services, N.V.	Netherlands Antilles	10	100	Leeward Islands Lottery Holding Company, Inc.
Retail Display and Service Handlers, LLC	Delaware, USA	*	100	GTECH Corporation
SB Indústria e Comércio Ltda.	Brazil	4,138.646	100	GTECH Corporation (99.99%); GTECH Foreign Holdings Corporation (0.01%)

DOCUMENT REDACTED BY TLC - 12-4-10

List of GTECH Holdings Corporation Subsidiaries

Name	Jurisdiction	Share Capital**	Ownership %	Shareholder
Siam GTECH Company Limited	Thailand	2,000	99.97	GTECH Corporation
Spielo Manufacturing ULC	Nova Scotia	278,498	100	GTECH Global Services Corporation Limited
Spielo USA Incorporated	Delaware, USA	*	100	GTECH Corporation
Springboard Technologies Private Limited	India	*	90	GTECH Global Services Corporation Limited
St. Enodoc Holdings Limited	Gibraltar	14.13	90	GTECH Global Services Corporation Limited
St. Endellion Limited (4)	Gibraltar	2	30	GTECH Global Services Corporation Limited
St. Kitts and Nevis Lottery Company, Ltd.	St. Kitts & Nevis	*	100	Leeward Islands Lottery Holding Company, Inc.
St. Minver Limited	Gibraltar	*	100	St. Enodoc Holdings Limited
St. Minver (UK) Limited	United Kingdom	*	100	St. Enodoc Holdings Limited
Taiwan Sport Lottery orporation (4)	Republic of China	500,000	24.5	GTECH Global Services Corporation Limited
Technology Risk Management Services, Inc.	Delaware, USA	*	100	GTECH Corporation
Tranco Investment Limited (2)	Hong Kong	*	100	East Luck Investments Limited
Turks and Caicos Lottery Company Ltd.	Turks & Caicos	50	100	Leeward Islands Lottery Holding Company, Inc.
WebDollar AB	Sweden	100	100	Boss Media AB
West Greenwich Technology Associates, L.P.	Rhode Island, USA	*	100	GTECH Corporation (50%); GTECH West Greenwich Technology Associates GP, LLC (50%)

DOCUMENT REDACTED BY TLC - 12-4-10

NOTES

Unless otherwise noted, the consolidation method for all subsidiaries listed above is line by line basis.

* Share Capital is less than €1,000.
** All Share Capital amounts are stated in local currency amounts and in thousands.

(1) Atronic Asia Limited was formed October 14, 2008 in Hong Kong.
(2) The Consolidation method is proportionate consolidation.
(3) Gana de Mexico de C.V. was liquidated as of December 3, 2008; GTECH Italia Srl was liquidated as of December 30, 2008; and GTECH Reinsurance Company was liquidated as of December 31, 2008.
(4) Accounted for by the equity method of accounting.

DOCUMENT REDACTED BY TLC - 12-4-10

2007 Lottomatica Annual Report

DOCUMENT REDACTED BY TLC - 12-4-10

GRUPPO LOTTOMATICA giochi e servizi

2007 ANNUAL REPORT

DOCUMENT REDACTED BY TLC - 12-4-10

TABLE OF CONTENTS

Page

Group Profile....4

Lottomatica....6

Business Overview

- Lottomatica's Italian Lottery Business....8
- Lottomatica's Other Businesses....9
- GTECH's Business....11

Operating and Financial Review

- Overview....17
- Significant Developments....34

Predictable Developments....39

Lottomatica Stock Information....40

Tables of Customer Contracts....42

Long Term Incentive Plans....54

Consolidated Financial Statements and Footnotes- December 31, 2007

- Balance Sheets....58
- Income Statements....59
- Cash Flow Statements....60
- Statements of Changes in Equity....61
- Notes to Financial Statements....62

Audit Firm Fees....157

Summary Schedule of Essential Data of Consolidated Companies Pursuant to Article 2429 of Italian Civil Code....158

Government Gaming Regulation....163

DOCUMENT REDACTED BY TLC - 12-4-10

Additional Disclosures Pursuant to Specific Italian Requirements.....165

Compliance Model Under Legislative Decree No. 231/01.....166

Compliance Model Under Law 262/05.....167

Regulatory Framework Reference.....168

Processing of Personal Data.....170

Receipts and Payments (Presidential Decree No. 560 of 9/16/1996).....170

Certification Pursuant to Law 262.....171

List of Subsidiaries.....172

Lottomatica S.p.A. – Financial Statements 2007.....180

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA S.p.A. Group Profile

Company Name	Lottomatica - Società per Azioni
Fiscal Code	08028081001
Share Capital	As of December 31, 2007: € 156,805,233 authorized ordinary shares, €1.00 par value per share; no. 151,899,196 shares paid and subscribed
Registered Office	Roma - Viale del Campo Boario 56/d
Board of Directors	
Chairman *Managing Director- C.E.O.*	Mr. Lorenzo PELLICIOLI
Vice Chairman	Mr. Robert DEWEY Jr. *
Managing Director - General Manager	Mr. Marco SALA
Board Members (1)	Mr. Rosario BIFULCO Mr. Pietro BOROLI Mr. Paolo CERETTI Mr. Marco DRAGO Mr. James MCCANN * Mr. Jaymin PATEL Mr. Anthony RUYS * Mr. Severino SALVEMINI * Mr. Gianmario TONDATO DA RUOS * Mr. William Bruce TURNER (2) Mr. Paolo AINIO (3)

* *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.

(1) The term of the members of the Board of Directors will expire on the date of the shareholders' general meeting to approve the 2007 financial statements, at which time a new Board of Directors will be elected.
(2) Mr. Turner was Chief Executive Officer and Managing Director of Lottomatica from January 1, 2007 through December 31, 2007.
(3) Mr. Ainio resigned from the Board of Directors on October 4, 2007.

DOCUMENT REDACTED BY TLC - 12-4-10

Members of the Executive Committee	Mr. Lorenzo PELLICIOLI (Chairman) Mr. Pietro BOROLI Mr. Paolo CERETTI Mr. Marco DRAGO Mr. Marco SALA
Members of the Audit Committee	Mr. Severino SALVEMINI (Chairman) Mr. Paolo CERETTI Mr. Anthony RUYS (4) Mr. Paolo AINIO (4)
Members of the Renumeration Committee	Mr. Gianmario TONDATO DA RUOS (Chairman) Mr. Robert DEWEY Jr. Mr. James MCCANN

(4) Mr. Ruys was appointed to the Audit Committee on November 9, 2007 to replace Mr. Ainio, who resigned from the Board of Directors and the Audit Committee on October 4, 2007.

DOCUMENT REDACTED BY TLC - 12-4-10

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***" 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***".

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

Lottomatica has built an extensive distribution network in Italy, with approximately 180,000 terminals in 90,000 points of sale (including approximately 33,000 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. In 2003, Lottomatica began operating sports pools and other pari-mutuel betting through its extensive retail network of 5,000 points of sale. Since 2004, Lottomatica has operated instant and traditional lottery games, which in recent years has been a high growth area for the Company. Also in 2004, Lottomatica received the authorization to operate gaming machines and at present the Company operates on its networks approximately 32,000 amusement with prize machines. In 2006, Lottomatica received authorization to distribute online instant lottery games. In 2007, Lottomatica began operating fixed odds sports betting through a retail network of 1,145 points of sale.

The Company's GTECH group is the world's leading operator of highly-secure online lottery transaction processing systems, doing business in 43 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, 27 of the 43 online lottery authorities in the United States, and 53 non-U.S. online lottery authorities.

Additionally, the Company operates in the gaming machine market segment 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. GTECH completed its acquisition of a 50% controlling equity interest in the Atronic group of companies ("*Atronic*") in January 2008, after the close of 2007. 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. 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.

DOCUMENT REDACTED BY TLC - 12-4-10

The Company currently operates in three segments:

- 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, fixed odds sports betting, and pari-mutuel betting and sports pools;
- 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; and
- its Commercial Services segment, where the Company 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.

As previously reported, Lottomatica acquired GTECH on August 29, 2006 and financed the acquisition through a Rights Offering, Capital Securities with a 60 year term, and a Senior Credit Facility denominated in US dollars (as further described in the Operating and Financial Review section that follows). Also, as part of the financing arrangements, an intragroup loan was made from Lottomatica to GTECH.

Since 2007 is the first full year of operations for the combined Company, comparisons that follow reflect only four months of operations for GTECH for the year ended December 31, 2006.

Lottomatica's key operating performance indicators for the years ended December 31, 2007 and December 31, 2006 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):

	Year ended December 31,	
(thousands of euros)	2007	2006
Operating and Cash Flow Data		
Revenue	1,661,391	938,880
Operating income	394,923	219,290
EBITDA	701,528	361,340
EBIT	377,319	101,040
Net income	105,964	822
Net cash flows from operating activities	503,759	208,291
Other Data (at end of period)		
Net financial position	2,229,206	2,484,181

The Company has operations in 43 countries worldwide on six continents and has approximately 5,900 employees.

For additional information on the Company, please go to its website at: www.gruppolottomatica.it/eng/aboutus/index.htm.

DOCUMENT REDACTED BY TLC - 12-4-10

BUSINESS OVERVIEW

The Group operates worldwide in the gaming market, proposing its range of products and know-how according to the specific needs of each individual customer. The following is a description of the Company's products and brands by market/geography.

LOTTOMATICA'S ITALIAN LOTTERY BUSINESSES

Since 1993, Lottomatica has been the sole concessionaire for the Italian Lotto game, a traditional game that was played off-line for centuries. Lottomatica has gained substantial experience in managing all the activities along the lottery value chain, such as collecting wagers through its network, paying out prizes, managing all accounting and other back office functions, running advertising and promotion, operating data transmission networks and processing centers, training staff, providing retailers with assistance and supplying materials for the game.

Lottomatica operates both online lotteries and games, which are conducted through computerized systems in which lottery or gaming terminals are connected to a central computer system and which are generally games where players select their own numbers, such as Lotto, and off-line lotteries, which are games involving preprinted paper tickets and are not computerized (except for ticket distribution and validation purposes).

A list of Lottomatica's concessions in Italy is set forth on ***Table 1*** of this report.

Online Lottery

Lotto is a traditional game that was played off-line for centuries and that originated roughly 500 years ago in Genoa. In July 2006, Lottomatica introduced Lotto Istantaneo, a game that allows players an option to participate in an instant draw game using the same numbers selected for the Lotto game.

As compensation for its management of Lotto, Lottomatica receives a fee equal to a percentage of the amount wagered.

Lottomatica is required to provide a performance bond in an amount equal to 0.3% of total wagers to the Amministrazione Autonoma dei Monopoli di Stato ("*AAMS*") to guarantee performance of Lottomatica's obligations pursuant to the Lotto concession.

Upon termination of the Lotto concession, Lottomatica is required to transfer, free of charge, to the AAMS upon its request, ownership of the entire automated systems which relate to the operation of the Lotto game. A similar requirement exists with respect to the termination of the other concessions as well.

DOCUMENT REDACTED BY TLC - 12-4-10

Instant and Traditional Lotteries

In October 2003, the Ministry of Economy and Finances granted to Consorzio Lotterie Nazionali, a consortium 63% owned by Lottomatica, the exclusive concession to operate Instant and Traditional Lotteries, which prior to that time had been operated by the AAMS. The remaining quotas of the consortium are held by Scientific Games International, Inc. (20%), Arianna 2001 S.p.A. (15%) and others. The concession expires in March, 2010, with respect to Traditional lotteries, and in May, 2010, with respect to Instant Lotteries, unless such terms are extended at the discretion of the AAMS. Instant and Traditional lotteries are available at over 45,000 points of sale (of which approximately 29,200 are also Lotto points of sale), mainly consisting of tobacconists but also at bars, motorway restaurants and newspaper stands. The Lotto, Sports Pools and Other Pari-Mutuel Betting and Services networks and terminals also support the Instant and Traditional Lotteries, for which Lottomatica provides a dedicated data processing center.

As compensation for its management of the Instant and Traditional Lotteries, Lottomatica receives a fee, equal to a percentage of the amount wagered.

Fixed Odds Sports Betting

Following a competitive tender completed in the last quarter of 2006, Lottomatica has been awarded a non-exclusive concession by the AAMS to operate fixed odds sports betting at 1,145 points of sale, and the right to operate sports betting over the Internet. The Company has extended their presence in Italy to almost all products of the gaming business, reinforcing its leadership position in the Italian market.

This new opportunity, in one of the fastest growing segments of the worldwide gaming industry, is anticipated to contribute significantly to revenues through the expiration of the license in 2016.

The Company has also been granted rights to operate horse betting at 500 corner points of sale.

LOTTOMATICA'S OTHER BUSINESSES

Gaming Solutions

Lottomatica, through its subsidiary Lottomatica Videolot Rete, was granted, in July 2004, a license by the AAMS to activate and operate a network in Italy that links amusement and entertainment machines installed in outlets consisting of bars, licenced betting halls, tobacconists and hotels to a central system. Lottomatica Videolot Rete has agreements with approximately 460 operators who have connected approximately 32,000 machines located in about 14,800 points of sale to Lottomatica's central system. For the year ended December 31, 2007, revenues from Lottomatica Videolot Rete in Italy were €27.1 million.

Commercial Services

Leveraging its distribution network and transaction processing experience, Lottomatica offers 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.

DOCUMENT REDACTED BY TLC - 12-4-10

Commercial Services. The Company distributes services for commercial operators including electronic top-up services distributed by Lottomatica for prepaid mobile and fixed-line telephone accounts, ticketing for sporting and musical events and collects payments from end-users for which it retains a fee.

Payment Services. Through its LIS Finanziaria S.p.A. subsidiary, the Company provides collection and payment services in Italy for the payment of utility bills, local fines and duties and also collects payments due on behalf of the creditor.

Processing Services. Lottomatica provides a processing and network service on behalf of third parties, without collecting amounts due. The most important of these services are telephone top-ups and Digital Terrestrial TV cards, payment of car road taxes, fidelity card services and, starting from 2005, stamp duties services.

In Italy, Lottomatica's services network comprises over 90,000 points of sale (including approximately 33,000 points of sale where Lottomatica provides only Processing Services for third-parties and 22,000 which overlap with Lotto points of sale) divided among tobacconists, bars, petrol stations, newspaper stands and motorway restaurants. Lottomatica has over 180,000 POS terminals installed at these locations and about 30,000 Lis Printers installed at tobacconists. The Lis Printer is a proprietary dedicated terminal for printing stamp duties. All services are provided through Lottomatica's own separate services network (other than car road tax processing, which continues to be handled through the Lotto terminals). Not all points of sale with a POS terminal offer all services provided by Lottomatica in Italy.

In addition, through CartaLis IMEL S.p.A., Lottomatica has launched on a trial basis at the end of 2006, stored value services, issuing and acquiring services related to prepaid

DOCUMENT REDACTED BY TLC - 12-4-10

GTECH'S BUSINESS

GTECH delivers value added services and technology solutions to its customers worldwide. As a global leader in the world's online lottery business, GTECH is a full service technology partner catering to all of the systems and support needs of online lottery operators worldwide. GTECH also operates several lotteries in the Caribbean through its LIHLCo subsidiary. In 2007, GTECH entered into the instant ticket printing segment through an acquisition and continues to grow that business organically. GTECH provides complete gaming systems technology to government-sponsored machine gaming programs as well as commercial and Native American gaming venues. Additionally, GTECH has leveraged its technology competence to provide commercial and financial services by delivering reliable, secure, high volume transaction processing solutions to financial institutions and retailers.

Contract Award Process

In the United States, lottery authorities generally commence the contract award process by issuing a request for proposals from various lottery vendors. The request for proposals usually indicates certain requirements specific to the jurisdiction, such as the number of terminals and breadth of services desired, the particular games which will be required, particular pricing mechanisms, the experience required of the vendor and the amount of any performance bonds that must be furnished. After the bids have been evaluated and a particular vendor's bid has been accepted, the lottery authority and the vendor generally negotiate a contract in more detailed terms. Once the contract has been finalized, the vendor begins to install the lottery system.

GTECH's marketing efforts for its lottery products and services frequently involve senior management in addition to its professional marketing staff. These efforts consist primarily of marketing presentations to the lottery authorities of jurisdictions in which requests for proposals have been issued.

Marketing of GTECH's lottery products and services to lottery authorities outside of the United States is often performed in conjunction with licensees and consultants with whom GTECH contracts for representation in specific market areas. Although generally neither a condition of their contracts with GTECH nor a condition of their contracts with lottery authorities, such licensees and consultants often agree with GTECH to provide on-site services after installation of the online lottery system.

After the expiration of the initial or extended contract term, a lottery authority in the United States generally may either seek to negotiate further extensions or commence a new competitive bidding process. Internationally, lottery authorities do not typically utilize as formal a bidding process, but rather negotiate proposals with one or more potential vendors.

From time to time, there are challenges or other proceedings relating to the awarding of the lottery contracts.

Online Products And Services

A significant portion of GTECH's revenues and cash flow is derived from its portfolio of long-term online lottery service contracts, each of which in the ordinary course of its business periodically is the subject of competitive procurement or renegotiation. GTECH's lottery operations are dependent upon its continued ability to retain and extend its existing contracts and win new contracts.

DOCUMENT REDACTED BY TLC - 12-4-10

GTECH's lottery systems consist of lottery terminals, central computer systems, communications and game software, and communications equipment which connect the terminals and the central computer systems. The systems' terminals are typically located in high-traffic retail outlets, such as newsstands, convenience stores, food stores, tobacco shops and liquor stores.

Terminals. GTECH designs, manufactures and provides the point-of-sale terminals used in its online lottery systems. GTECH's first model terminals were introduced in 1985. Since then, GTECH has developed an entire product suite of points-of-sale devices and technology.

Software. GTECH designs and provides, or licenses from third parties, all applications solutions for its lottery systems. GTECH's highly sophisticated and specialized software is designed to provide the following system characteristics: rapid processing, storage and retrieval of transaction data in high volumes and in multiple applications, the ability to down-line load (i.e., to reprogram the lottery terminals from the central computer installation via the communications system to add new games); a high degree of security and redundancy to guard against unauthorized access and tampering and to ensure continued operations without data loss; and a comprehensive management information and control system. GTECH's latest generation solution, the Enterprise Series, has an open architecture that it believes sets a new industry standard for the development, deployment, integration and support of next-generation online lottery solutions, including those which permit sales of lottery products via secure infrastructure over the Internet, without compromising the integrity of the games. The open system architecture of the Enterprise Series allows lotteries to upgrade their systems, and integrate a broad spectrum of third-party hardware and software solutions to achieve greater performance.

Central Computers. Each of GTECH's lottery systems contains one or more central computer sites to which the lottery terminals are connected. GTECH's central computer systems are manufactured by Hewlett-Packard Company, Stratus Computer, Inc. and IBM Corporation. The specifications for the configuration of its central computer installations are designed to provide continuous availability, a high throughput rate and maximum security. Central computer installations typically include: redundant mainframe computers, various peripheral devices (such as magnetic storage devices, management terminals and hard copy printers), and various safety, environmental control and security subsystems (including back-up power suppliers), which are all manufactured by third parties, and a microcomputer-based communication and switching subsystem. In addition, GTECH supplies management information systems that provide lottery personnel access to important financial and operational data without compromising the security of the online system. Based upon the development of its Enterprise Series, GTECH is able to integrate qualified third party software applications.

Communications. GTECH's lottery terminals are typically connected to the central computer installations by dedicated communications channels owned or leased by the jurisdiction in which the system is located. Due to the varying nature of telecommunications services available in lottery jurisdictions, GTECH has developed the capability to utilize and interface with a wide range of communications technologies to provide a data communications pathway between the lottery terminals and the central computers, including UHF Radio capability (narrow-band and Spread Spectrum), GSAT/VSAT, Microwave, Integrated Services Digital Networking (ISDN), Data Over Voice (DOV), fiber optic and cellular telephone. According to industry sources that GTECH regards as reliable, GTECH is the largest global provider of wireless point-of-sale devices.

DOCUMENT REDACTED BY TLC - 12-4-10

Games. An important factor in maintaining and increasing public interest in lottery games is the development of innovative and compelling new game content. In conjunction with lottery authorities, GTECH utilizes principles of demographics, sociology, psychology, mathematics and computer technology to design customized lottery games which are intended to appeal to the populations served by its lottery systems. The principal characteristics of game design include: frequency of drawing, size of pool, cost per play and setting of appropriate odds. GTECH believes that its expertise in game design has enhanced the marketing of its lottery systems and has contributed to increases in the revenues of many of its customers. GTECH currently has a substantial number of variations of lottery games in its software library and new games under development. GTECH believes that this game library and the "know how" and experience accumulated by its professionals since its inception make it possible for GTECH to meet the requirements of its customers for specifically tailored games on a timely and comprehensive basis.

Marketing. In United States jurisdictions in which GTECH has been awarded a lottery contract, GTECH is frequently asked to assist the lottery authority in the marketing of lottery games to the public. Such assistance generally includes advice with respect to game design, and promotion and development and distribution of terminals and advertising programs. As part of such assistance, GTECH developed "GMark," a computerized marketing analysis system used to determine favorable locations for new lottery terminals.

GTECH'S LOTTERY CONTRACTS

GTECH serves online government sponsored lotteries under facilities management or product sales contractual arrangements which are described in more detail below.

Facilities Management Contracts

GTECH's Facilities Management Contracts typically require GTECH to construct, install and operate the lottery system for an initial term, which is typically at least five to seven years, and usually contain options permitting the lottery authority to extend the contract under the same terms and conditions for one or more additional periods, generally ranging from one to five years. In addition, GTECH's customers occasionally renegotiate extensions on different terms and conditions.

GTECH's revenues under Facilities Management Contracts are generally a variable amount of monthly or weekly service fees which are paid to GTECH directly from the lottery authority based on a percentage of such lottery's gross online and instant ticket sales. The level of lottery ticket sales within a given jurisdiction is determined by many factors, including population density, the types of games played and the games' design, the number of terminals, the size and frequency of prizes, the nature of the lottery's marketing efforts and the length of time the online lottery system has been in operation.

Under GTECH's Facilities Management Contracts, GTECH typically retains title to the lottery system and provides its customers with the services necessary to operate and manage the lottery system. GTECH installs and commences operations of a lottery system after being awarded a Facilities Management Contract and, following the start-up of the lottery system, GTECH is responsible for all aspects of the system's operations. GTECH typically operates lottery systems in each jurisdiction on a stand-alone basis through the installation of two or more dedicated central computer systems, although in a few instances several jurisdictions share the same central system. In addition, in most jurisdictions GTECH employs a work force consisting of a site director, marketing personnel, computer operators, communications specialists and customer service representatives who service and maintain most aspects of the system.

DOCUMENT REDACTED BY TLC - 12-4-10

Under certain of GTECH's Facilities Management Contracts the lottery authority has the right to purchase GTECH's lottery system (including the central system, terminals, software and communications network) during the contract term at a predetermined price, which is calculated so that it exceeds the net book value of the lottery system at the time the right is exercisable. In addition, some of GTECH's lottery contracts permit the lottery authority to acquire title to GTECH's system-related equipment and software during the term of the contract or upon the expiration or earlier termination of the contract, in some cases (i.e., were GTECH to materially breach or be unable to perform under certain circumstances) without paying GTECH any compensation related to the transfer of that equipment and software to the lottery authority. GTECH's role, if any, with respect to the continued operation of a lottery system in the event of the exercise of such a purchase option generally is not specified in such contracts and thus would be subject to negotiation. Under many of GTECH's Facilities Management Contracts, the lottery authority also has the option to require GTECH to install additional terminals and/or add new lottery games. Such installations may require significant expenditures by GTECH. However, since GTECH's revenues under such contracts generally depend on the level of lottery ticket sales, such expenditures have generally been recovered through the revenues generated by the additional equipment or games and revenues from existing equipment.

Under a number of GTECH's lottery contracts, in addition to constructing, installing and operating the lottery systems in these jurisdictions, GTECH is providing a wide range of support services and equipment for the lottery's instant-ticket games, such as marketing, distribution and automation of validation, inventory and accounting systems, for which GTECH receives fees based upon a percentage of the sales of the instant-ticket games.

A list of GTECH's Facilities Management Contracts is set forth on **Table 2** of this report.

Product Sales Contracts

Under Product Sales Contracts, GTECH constructs, sells, delivers and installs turnkey lottery systems or lottery equipment and licenses the computer software for a fixed price, and the lottery authority subsequently operates the lottery system. GTECH also sells additional terminals and central computers to expand existing systems and/or replace existing equipment under Product Sales Contracts.

In connection with GTECH's Product Sales Contracts, GTECH generally designs the lottery system, trains the lottery authority's personnel and provides other services required to make and keep the system operational. GTECH also generally licenses its software to its customers for a fixed additional fee.

Historically, product sales revenues have been derived from the installation of new online lottery systems, installation of new software and the sales of lottery terminals and equipment in connection with the expansion of existing lottery systems. The size and timing of these transactions at times have resulted in variability in product sales revenues from quarter to quarter.

A list of GTECH's direct or indirect customers that since January 2005 have purchased (or have agreed to purchase) from GTECH new online lottery systems, software and/or terminals and equipment in connection with the expansion or replacement of existing lottery systems is set forth on **Table 3** of this report.

DOCUMENT REDACTED BY TLC - 12-4-10

Instant Ticket Vending Machine Business

In 2003, GTECH acquired Interlott, a leading provider of instant ticket vending machines (ITVMs) for the lottery industry worldwide. Similar to GTECH's online business, GTECH's ITVM business is generally conducted under the same type of contractual arrangements as online contracts, Facilities Management Contracts and Product Sales Contracts.

Under a typical ITVM Facilities Management Contract with a lottery authority, GTECH builds to specification, installs, and services ITVMs for an initial term which is typically four years. These contracts usually contain options permitting the relevant lottery authority to extend the contract under the same terms and conditions for additional periods, generally ranging from one to three years. In addition, GTECH's ITVM customers occasionally renegotiate extensions on different terms and conditions.

GTECH's ITVM Facilities Management Contracts feature a compensation structure based upon a negotiated percentage of the ITVM instant ticket sales revenues. Under GTECH's ITVM Facilities Management Contracts, GTECH retains title to the ITVMs, while providing its customers with necessary support services. In most of GTECH's ITVM jurisdictions GTECH employs a dedicated work force, consisting of a Regional Service Manager, marketing personnel, and customer service representatives who help service and maintain most aspects of the ITVM program.

Under a typical ITVM Product Sales Contract, for a fixed price GTECH constructs, sells, delivers and installs a turnkey ITVM system that the lottery jurisdiction subsequently operates.

A list GTECH's ITVM Contracts is set forth on **Table 4** of this report.

Instant Ticket Printing Business

In February 2007, GTECH, through its subsidiary GTECH Printing Corporation ("*GTECH Printing*"), purchased substantially all of the assets of Creative Games International, Inc., a provider of instant lottery tickets for the global lottery industry. GTECH Printing has established itself as a highly-regarded instant ticket printer with contracts throughout North America and the Caribbean. Headquartered in Plant City, Florida, GTECH Printing has a total production capacity of more than three billion instant tickets annually.

In fiscal year 2006, the instant ticket market worldwide revenues were approximately $50 billion including pull tab ticket printing. Tickets are sold at numerous types of retail outlets but most successfully in grocery and convenience stores. New methods of distribution and game play including Internet-based promotions and games promise to provide additional growth opportunities.

Government sponsored lotteries grant printing contracts on both an exclusive and non-exclusive basis where there is typically one primary vendor and one or more secondary vendors. A primary contract permits the vendor to supply the majority of the lottery's ticket printing needs and includes the complete production process from concept development through production and shipment. It also typically includes marketing and research support. A primary printing contract can also include any or all of the following services: warehouseing, distribution, telemarketing, and sales/field support. A secondary printing contract includes providing back up printing services and alternate product sources. It may or may not include a guarantee of a minimum or maximum number of games.

Instant ticket contracts are priced based on a percent of instant ticket sales or on a price per unit basis and generally range from 2-5 years with extension opportunities.

DOCUMENT REDACTED BY TLC - 12-4-10

GTECH GAMING SOLUTIONS

GTECH provides complete gaming systems technology primarily to government-sponsored programs as well as commercial and Native American gaming venues. GTECH is the world's leading provider of central systems for government sponsored machine gaming programs and is a single source provider for online central systems, system design, terminals, and games. GTECH is typically compensated on a "participation" basis whereby GTECH retains title to the equipment and receives a percentage of sales or "net win" per machine or on a product sales basis whereby GTECH receives a purchase price for the equipment. Set forth on **Tables 5 and 6** are lists of GTECH's Gaming Solutions participation and product sales customer contracts, respectively.

During 2004, GTECH entered into an agreement with the owners of the privately-held Gauselmann Group ("*Gauselmann*") to acquire a 50 percent controlling equity interest in the Atronic group of companies owned by Gauselmann. 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. The closing of GTECH's acquisition of a controlling equity interest in Atronic was conditioned upon first obtaining required regulatory and gaming license approvals and the satisfaction of other closing conditions. On December 28, 2007, GTECH and the Gauselmanns signed a new agreement providing for the acquisition of Atronic in two parts. GTECH closed this acquisition in January 2008, after the close of 2007, acquiring a 50% controlling interest. The combination of GTECH, Spielo, and Atronic creates an organization that is well-positioned to become a leading end-to-end solutions provider for the global gaming industry.

GTECH COMMERCIAL SERVICES

Prior to 2007, GTECH offered high-volume transaction processing of non-lottery commercial transactions such as prepaid cellular telephone recharges, credit and charge card transactions, bill payments, electronic tax payments, utility payments, and retail-based programs. These services were provided principally through its subsidiary PolCard S.A., the leading debit and credit card merchant transaction acquirer and processor in Poland, which GTECH had acquired in 2003.

In 2007, GTECH sold its controlling equity position in PolCard.

DOCUMENT REDACTED BY TLC - 12-4-10

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.

As previously mentioned, Lottomatica acquired GTECH on August 29, 2006. Accordingly, revenue for the year ended December 31, 2007 includes revenue from Lottomatica's Italian operations and GTECH's operations, whereas amounts for the year ended December 31, 2006 include revenue for Lottomatica's Italian operations and four months of GTECH's operations.

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

CONSOLIDATED REVENUE

	Year ended December 31,		Change	
(thousands of euros)	2007	2006	€	%
By Segment				
Lottery	1,463,079	822,086	640,993	78.0
Gaming Solutions	101,415	29,273	72,142	246.4
Commercial Services	96,897	87,521	9,376	10.7
Total revenue	1,661,391	938,880	722,511	77.0
By Legal Entity				
GTECH	839,750	289,253	550,497	190.3
Lottomatica	821,641	649,627	172,014	26.5
Total revenue	1,661,391	938,880	722,511	77.0

Lottomatica's revenue from Italian operations is primarily derived from concessions awarded through competitive bids by the government. Under these concessions, or 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. Lotto revenue from Italian operations is based on a decreasing scale. Revenue is based on a percentage of wagers, which decreases as the total wagers increase during an annual period. Therefore, higher revenue and operating profits are expected in the first half of the year than in the second half of the year.

DOCUMENT REDACTED BY TLC - 12-4-10

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.

As a result of the acquisition of GTECH, substantial portions of the Company's assets consist of equipment used to operate online lottery systems for customers outside of Italy.

OPERATIONS REVIEW

	Year ended December 31,		Percentage of revenues	
(thousands of euros)	2007	2006	2007	2006
Operating and Cash Flow Data				
Revenue	1,661,391	938,880	-	-
Operating income	394,923	219,290	24%	23%
EBITDA	701,528	361,340	42%	38%
EBIT	377,319	101,040	23%	11%
Net income	105,964	822	6%	-
Net cash flows from operating activities	503,759	208,291	30%	22%

EBIT and net income for the year ended December 31, 2007 and 2006 include approximately €31.8 million and €17.7 million, respectively, of unrealized non-cash foreign exchange losses principally associated with intragroup loans from Lottomatica to GTECH, which were put in place as part of the acquisition financing.

DOCUMENT REDACTED BY TLC - 12-4-10

Excluding these unrealized non-cash foreign exchange losses, EBIT and net income would have been as follows:

	Year ended December 31,	
(thousands of euros)	2007	2006
EBIT	409,157	118,702
Net income	127,150	12,656

EBITDA and EBIT are computed as follows:

	Year ended December 31,		Change	
(thousands of euros)	2007	2006	€	%
Operating income	394,923	219,290	175,633	80.1
Depreciation, amortization and write-downs	281,845	136,473	145,372	106.5
Other non-cash items	24,760	5,577	19,183	344.0
EBITDA	701,528	361,340	340,188	94.1
Operating income	394,923	219,290	175,633	80.1
Equity income (loss)	753	(412)	1,165	282.8
Other income	18,705	4,399	14,306	325.2
Other expense	(3,357)	(1,624)	(1,733)	(106.7)
Foreign exchange loss, net	(33,705)	(120,613)	86,908	72.1
EBIT	377,319	101,040	276,279	273.4

On October 23, 2007, GTECH's subsidiary in Brazil, GTECH Brasil Ltda. received a ruling to release 40 million Brazilian reals held in escrow in a Brazilian court account in connection with the injunction brought by the Brazilian Federal Attorneys in 2004 as described further in Note 30 to the consolidated financial statements. Therefore, included in other non-cash items of €24.8 million in 2007 is approximately €16.0 million (40 million Brazilian reals) of funds held in Brazil in escrow at December 31, 2007, which was received by GTECH Brasil Ltda. on February 22, 2008 (after the close of 2007).

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, provides 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.

DOCUMENT REDACTED BY TLC - 12-4-10

FOREIGN EXCHANGE RATE EXPOSURE AND HEDGING STRATEGY

Foreign exchange loss, net is comprised of the following:

	Year ended			
	December 31,		Change	
(thousands of euros)	2007	2006	€	%
Realized hedging premiums	-	(69,690)	69,690	100.0
Realized foreign exchange losses	(1,867)	(33,261)	31,394	94.4
Subtotal realized losses	(1,867)	(102,951)	101,084	98.2
Unrealized foreign exchange losses	(31,838)	(17,662)	(14,176)	(80.3)
	(33,705)	(120,613)	86,908	72.1

When completing the financing of the acquisition of GTECH, the Company built a natural hedge against the risk of devaluation of the US dollar against the euro by raising US dollar denominated debt (US$2.2 billion outstanding at December 31, 2007). Although the Company derives a significant portion of its service revenue from US dollar denominated contracts (which represents approximately 26% of total revenue), the Company is further protected against currency devaluation risk because GTECH operating costs are also primarily US dollar denominated. When combining the two, net cash flows are therefore not materially impacted by the fluctuation of the US dollar against the euro, taking into consideration the foreign exchange effect on interest expense and debt.

Unrealized foreign exchange losses
In anticipation of the Group's acquisition of GTECH on August 29, 2006, Lottomatica issued €750 million of Capital Securities in May 2006. A portion of the proceeds from the Capital Securities were used to fund a US$762.3 million intragroup loan to GTECH on August 29, 2006. GTECH used these funds to purchase a portion of its own stock in connection with the acquisition.

The intragroup loan was converted on July 13, 2007 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.

Unrealized foreign exchange losses incurred during 2007 and 2006 are principally comprised of non-cash losses associated with the intragroup loan prior to September 7, 2007. From September 7, 2007 to December 31, 2007, translation losses are recorded to equity and totaled €27.9 million, net of €16.2 million of tax benefits.

DOCUMENT REDACTED BY TLC - 12-4-10

OTHER MATTERS

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 transaction date). In addition, if certain performance targets are met, contingent consideration of up to £11.5 million (€15.5 million at the December 31, 2007 exchange rate) and £18.5 million (€24.9 million at the December 31, 2007 exchange rate) may be paid during 2008 and 2010, respectively. Approval of this transaction by our shareholders was not required.

Sale of POLCARD S.A.

POLCARD S.A. ("POLCARD") is the leading debit/credit card merchant transaction acquirer, bank-card issuer and ATM management company in Poland. At December 31, 2006, POLCARD's outstanding equity was owned 74.43% by GTECH, 25.24% by Innova Capital Sp. z o.o. ("Innova"), a Warsaw-based private equity investment advisor, and 0.33% by the Polish Bank Association.

On August 1, 2007, GTECH and Innova sold their respective equity interests in POLCARD to First Data International for US$325 million (€237.8 million at the August 1, 2007 exchange rate) on a debt-free, cash-free basis. No gain or loss was recorded on the sale of POLCARD as the carrying value of POLCARD's assets and liabilities were adjusted to fair value in connection with the acquisition of GTECH on August 29, 2006. POLCARD represented a substantial portion of the Company's Commercial Services business segment.

Workforce Reduction

As part of the continuous improvement process that encompasses all areas of the global business, GTECH took a series of actions in October 2007 to streamline internal processes. These measures resulted in a worldwide workforce reduction of approximately 125 employees with a cost in the fourth quarter of approximately €13 million, which is expected to contribute to improving the Company's competitiveness in the evolving market environment.

DOCUMENT REDACTED BY TLC - 12-4-10

COMPARISON OF 2007 WITH 2006

Consolidated revenue for 2007 increased 77.0% over 2006. Revenue from Italian operations and GTECH operations increased 26.5% and 190.3%, respectively.

Italian Operations

Revenue from Italian operations is comprised of the following:

	Year ended December 31,		Change	
(thousands of euros)	2007	2006	€	%
Lotto	398,122	411,263	(13,141)	(3.2)
Instant tickets	277,775	139,498	138,277	99.1
Pool games and betting	40,136	12,586	27,550	218.9
Other	2,093	2,914	(821)	(28.2)
Lottery	718,126	566,261	151,865	26.8
Commercial Services	74,908	74,879	29	-
Gaming Solutions	28,607	8,487	20,120	237.1
Total revenue	821,641	649,627	172,014	26.5

Lotto

Lotto revenue declined 3.2% primarily due to a corresponding decline in Lotto wagers as detailed in the table below. The decline in wagers for late numbers was principally due to a record number of wagers in 2006 related to Cagliari 34.

	Year ended December 31,		Change	
(millions of euros)	2007	2006	Wagers	%
Lotto wagers				
Core wagers	5,234.9	5,415.8	(180.9)	(3.3)
Wagers for late numbers	942.4	1,172.0	(229.6)	(19.6)
	6,177.3	6,587.8	(410.5)	(6.2)

DOCUMENT REDACTED BY TLC - 12-4-10

Instant tickets
Throughout 2007, the strong performance in instant ticket sales continued. Instant ticket revenue increased 99.1% over 2006, primarily due to higher sales of Scratch and Win tickets as detailed in the table below. The €3.9 billion increase in instant ticket sales was driven principally by the introduction of the €10 lottery ticket which generated new sales of €2.3 billion during 2007.

	Year ended December 31,			
	2007	2006	Change	% Change
Scratch & Win tickets				
Total tickets sold (in millions)	2,300.5	1,631.0	669.5	41.0
Total sales (in millions)	€ 7,818.6	€ 3,880.0	€ 3,938.6	101.5
Average price point	€ 3.4	€ 2.4	€ 1.0	42.9

Pool games and betting
Pool games and betting revenue increased by 218.9% due to the commencement of fixed odds sports-betting operations on August 19, 2007 which generated €32.5 million of revenue from €126.2 million of wagers (11% market share) as detailed in the table below. As of December 31, 2007, 1,084 fixed odds sports-betting point of sales locations were operational, out of the 1,145 contracts secured. We record revenue for fixed odds sports-betting equal to gross wagers net of prize payouts.

	Year ended December 31,		Change	
(millions of euros)	2007	2006	Wagers	%
Pool games and betting wagers				
Fixed odds sports betting wagers	126.2	-	126.2	-
Sports pool wagers	194.5	206.9	(12.4)	(6.0)
	320.7	206.9	113.8	55.0

Commercial Services
Revenue from Commercial Services was in line with last year despite the price compression resulting from the Bersani Decree that eliminated telecommunications fees charged to end users for traditional mobile top up services.

Gaming Solutions
Revenue from Gaming Solutions improved by 237.1% over last year, driven primarily by the increased placement of amusement with prize machines (AWP machines), from approximately 10,000 installed at the end of December 2006 to approximately 32,000 installed at the end of December 2007.

DOCUMENT REDACTED BY TLC - 12-4-10

GTECH Operations

Consolidated revenue for the year ended December 31, 2007 and 2006 includes the following amounts for GTECH:

	Twelve months ended December 31, 2007		
(thousands of euros)	Service Revenue	Product Sales	Total Revenue
United States	436,008	6,376	442,384
International	265,507	37,062	302,569
Lottery	701,515	43,438	744,953
Gaming Solutions	35,200	37,608	72,808
Commercial Services	21,989	-	21,989
	758,704	81,046	839,750

	Four months ended December 31, 2006		
(thousands of euros)	Service Revenue	Product Sales	Total Revenue
United States	151,454	466	151,920
International	94,294	9,612	103,906
Lottery	245,748	10,078	255,826
Gaming Solutions	10,131	10,654	20,785
Commercial Services	12,642	-	12,642
	268,521	20,732	289,253

Commercial Services in 2007 reflects only seven months of revenue from POLCARD, as POLCARD was sold on August 1, 2007, as further described later in this section.

DOCUMENT REDACTED BY TLC - 12-4-10

CONSOLIDATED OPERATIONS

Operating costs

(thousands of euros)	Year ended December 31, 2007	2006	Change €	%
Raw materials, services and other costs	693,459	422,341	271,118	64.2
Personnel	369,295	194,902	174,393	89.5
Depreciation, amortization and write-downs	281,845	136,473	145,372	106.5
Capitalization of internal construction costs - labor and overhead	(78,131)	(34,126)	(44,005)	(128.9)
Total operating costs	1,266,468	719,590	546,878	76.0
Percentage of total revenue	76.2%	76.6%		

As already stated, twelve months of GTECH operating costs are included in consolidated operating costs in 2007 compared to four months in 2006.

The €271.1 million increase in Raw materials, services and other costs resulted from €228.1 million of costs incurred by GTECH along with €43.0 million of higher costs incurred by Lottomatica principally related to €26.2 million of variable costs associated with higher service revenue from Italian operations; €10.8 million of concession fees related to the placement of 22,000 additional AWP machines during 2007; €4.1 million of higher advertising and promotion costs; and trade accounts receivable write-downs, primarily in the Gaming Solutions segment. These higher costs were partially offset by €12.3 million of lower telecommunications network costs.

The €174.4 million increase in Personnel was principally due to €158.7 million of costs incurred by GTECH, along with €15.7 million of higher costs incurred by Lottomatica principally comprised of €8.2 million of higher share-based payment expense (including related taxes) and €7.5 million of costs related to higher service revenue from Italian operations.

The €145.4 million increase in Depreciation, amortization and write-downs was principally due to costs incurred by GTECH, including €85.2 million of depreciation and amortization expense resulting from the purchase accounting related to the acquisition of GTECH.

The €44.0 million increase in 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 Virginia, New York, United Kingdom, Missouri and California, along with the placement of additional video lottery terminals in Rhode Island and other participation markets.

DOCUMENT REDACTED BY TLC - 12-4-10

Interest income

	Year ended December 31,		Change	
(thousands of euros)	2007	2006	€	%
Interest income	12,913	30,310	(17,397)	(57.4)

Interest income decreased by €17.4 million primarily due to higher interest earned by Lottomatica during 2006 on the temporary investment of proceeds from capital that was raised in 2006 in connection with the GTECH acquisition.

Other income

	Year ended December 31,		Change	
(thousands of euros)	2007	2006	€	%
Other income	18,705	4,399	14,306	325.2

Other income increased by €14.3 million primarily due to approximately €16.2 million (40 million Brazilian reals) of funds held in Brazil in escrow at December 31, 2007 (approximately €15.3 million plus interest of approximately €0.9 million at currency-exchange rates in effect as of December 31, 2007), which was received by GTECH Brasil Ltda. on February 22, 2008 (after the close of 2007).

Foreign exchange loss, net

	Year ended December 31,		Change	
(thousands of euros)	2007	2006	€	%
Realized hedging premiums	-	(69,690)	69,690	100.0
Realized foreign exchange losses	(1,867)	(33,261)	31,394	94.4
Subtotal realized losses	(1,867)	(102,951)	101,084	98.2
Unrealized foreign exchange losses	(31,838)	(17,662)	(14,176)	(80.3)
	(33,705)	(120,613)	86,908	72.1

Realized hedging premiums
Prior to the acquisition of GTECH on August 29, 2006, we entered into foreign exchange contracts to mitigate our exposure to foreign exchange rates resulting from our commitment to acquire GTECH for US$35 per share. The euro equivalent of these foreign exchange contracts was approximately €2.1 billion. During 2006, we incurred €69.7 million in premiums to the various financial institutions that were counterparties to the foreign exchange contracts.

DOCUMENT REDACTED BY TLC - 12-4-10

Realized foreign exchange losses
Realized foreign exchange losses incurred during 2006 include approximately €16.6 million related to cash losses on €2.1 billion of foreign exchange contracts and the balance of approximately €16.7 million related principally to foreign exchange losses on €849 million of cash balances that we converted to US dollars prior to the acquisition of GTECH on August 29, 2006.

Unrealized foreign exchange losses
In anticipation of the Group's acquisition of GTECH on August 29, 2006, Lottomatica issued €750 million of Capital Securities in May 2006. A portion of the proceeds from the Capital Securities were used to fund a US$762.3 million intragroup loan to GTECH on August 29, 2006. GTECH used these funds to purchase a portion of its own stock in connection with the acquisition.

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.

Unrealized foreign exchange losses incurred during 2007 and 2006 are principally comprised of non-cash losses associated with the intragroup loan prior to September 7, 2007. From September 7, 2007 to December 31, 2007, translation losses are recorded to equity and totaled €27.9 million, net of €16.2 million of tax benefits.

Interest expense

	Year ended December 31,		Change	
(thousands of euros)	2007	2006	€	%
Senior Credit Facility	(104,295)	(35,842)	(68,453)	(191.0)
Capital Securities	(64,530)	(40,421)	(24,109)	(59.6)
4.8% Bonds	(17,811)	(17,812)	1	-
Other	(7,180)	(3,521)	(3,659)	(103.9)
	(193,816)	(97,596)	(96,220)	(98.6)

Interest expense increased €96.2 million primarily due to interest expense incurred on the Senior Credit Facility which was outstanding for all of 2007 but only four months during 2006 and interest expense incurred on the Capital Securities which was outstanding for all of 2007 but only seven and one-half months during 2006.

Weighted Average Diluted Shares
Weighted average diluted shares during 2007 increased by 26.0 million shares to 151.1 million shares. The increase was attributable to the issuance of 57.4 million shares in connection with the June 2006 Rights Offering, which were outstanding for all of 2007 but only outstanding for approximately six months in 2006.

Income Taxes
The Company's effective income tax rate during 2007 was 46.1% compared to 97.6% during 2006. The 2006 rate was negatively impacted by non-deductible acquisition expenses (primarily for Italian local tax in Italy), non-deductible compensation accruals and excess foreign tax credits.

DOCUMENT REDACTED BY TLC - 12-4-10

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

	For the year ended December 31,	
(thousands of euros)	2007	2006
Net cash flows from operating activities	503,759	208,291
Purchases of systems, equipment and other assets related to contracts	(178,332)	(87,507)
Purchases of intangible assets	(60,377)	(7,251)
Acquisition of Finsoft, net of cash acquired	(45,090)	-
Net cash proceeds from the sale of POLCARD	166,727	-
Acquisition of GTECH, net of cash acquired	-	(3,262,631)
Realized foreign exchange losses related to acquisition of GTECH	-	(102,951)
Other investing activities, net	(12,591)	42,789
Net cash flows used in investing activities	(129,663)	(3,417,551)
Interest paid	(180,188)	(61,334)
Dividends paid	(119,695)	(119,416)
Principal payments on long-term debt	(40,924)	(437,094)
Debt issuance costs	-	(42,717)
Stock issuance costs	-	(28,569)
Proceeds from exercise of stock options	3,892	49,759
Proceeds from shares issued to employees at a discount	15,301	19,685
Proceeds from issuance of capital securities	-	750,000
Proceeds from issuance of long-term debt	-	1,769,168
Proceeds from issuance of stock	-	1,459,977
Other financing activities	(10,689)	5,697
Net cash flows from (used in) financing activities	(332,303)	3,365,156
Net cash flow	41,793	155,896

DOCUMENT REDACTED BY TLC - 12-4-10

Analysis of Cash Flows

During 2007, we generated €503.8 million of net cash flows from operating activities. Net cash flows used in investing activities were €129.7 million, principally associated with capital additions of €178.3 million for systems, equipment and other assets (principally related to spending in Rhode Island, Virginia, New York, United Kingdom, Missouri and California); the payment of €55.1 million for 1,145 sports betting rights, 500 horse racing betting rights, and a sports betting internet license; and €45.1 million for the acquisition of Finsoft. These uses of cash were partially offset by €166.7 million of net cash proceeds from the sale of POLCARD. Net cash flows used in financing activities of €332.3 million were principally comprised of interest paid on the Capital Securities and Senior Credit Facility, principal paid on the Senior Credit Facility in December 2007 and dividends paid to shareholders in May 2007. At December 31, 2007, we had €434.1 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, along with cash we generate from operations and borrowings under our Senior Credit Facility. The Senior Credit Facility provides for an unsecured revolving facility of US$250 million and a Guarantee Facility of US$250 million and matures in August 2012. At December 31, 2007, there were no borrowings under the revolving facility and there was €8.7 million (US$12.8 million) of letters of credit issued and outstanding under the Guarantee Facility. The Senior 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. None of these covenants are expected to impact the Company's liquidity or capital resources. At December 31, 2007, we were in compliance with all applicable covenants.

We currently expect that our excess cash flow from operations, existing cash, available borrowings under our Senior Credit Facility 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 substantial principal payments 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.

DOCUMENT REDACTED BY TLC - 12-4-10

FINANCIAL POSITION

Summary Consolidated Balance Sheet

(thousands of euros)	December 31, 2007	December 31, 2006	Change €	Change %
Systems, equipment and other assets related to contracts, net	740,260	845,890	(105,630)	(12.5)
Goodwill	2,793,186	2,972,496	(179,310)	(6.0)
Intangible assets, net	740,613	856,764	(116,151)	(13.6)
Other non-current assets	268,861	310,716	(41,855)	(13.5)
Total non-current assets	4,542,920	4,985,866	(442,946)	(8.9)
Trade and other receivables	695,222	588,162	107,060	18.2
Cash and cash equivalents	434,065	396,617	37,448	9.4
Other current assets	178,489	142,959	35,530	24.9
Assets held for sale	-	329,348	(329,348)	(100.0)
Total assets	5,850,696	6,442,952	(592,256)	(9.2)
Equity	1,733,191	1,873,616	(140,425)	(7.5)
Long-term debt, less current portion	2,143,722	2,741,585	(597,863)	(21.8)
Deferred income taxes	452,735	547,435	(94,700)	(17.3)
Other non-current liabilities	126,591	122,769	3,822	3.1
Total non-current liabilities	2,723,048	3,411,789	(688,741)	(20.2)
Accounts payable	602,556	623,312	(20,756)	(3.3)
Current portion of long-term debt	487,384	82,310	405,074	492.1
Other current liabilities	304,517	326,222	(21,705)	(6.7)
Liabilities associated with assets held for sale	-	125,703	(125,703)	(100.0)
Total equity and liabilities	5,850,696	6,442,952	(592,256)	(9.2)

The €105.6 million decrease in systems, equipment and other assets related to contracts, net was principally due to depreciation and write-downs of €203.6 million and €67.7 million of foreign currency translation, partially offset by capital additions of €177.3 million.

The €179.3 million decrease in goodwill was principally due to €246.9 million of foreign currency translation, partially offset by €47.0 million related to the acquisition of Finsoft.

The €116.2 million decrease in intangible assets, net was principally due to €81.7 million of foreign currency translation along with €68.5 million of amortization and write-downs, partially offset by €27.8 million of intangible assets principally associated with the Finsoft acquisition.

DOCUMENT REDACTED BY TLC - 12-4-10

The €107.1 million increase in trade and other receivables was principally due to Italian operations because of growth in the business, particularly in Scratch and Win as already mentioned. More specifically, trade receivables in the Italian Lottery segment increased approximately €66.5 million primarily due to higher sales of Scratch and Win tickets during 2007 and trade receivables in the Italian Gaming Solutions segment increased approximately €44.0 million primarily due to the placement of 22,000 additional AWP machines during 2007.

The €329.3 million decrease in assets held for sale and €125.7 million decrease in liabilities associated with assets held for sale resulted from the sale of POLCARD to First Data International for US$325 million (€237.8 million) on August 1, 2007.

The €140.4 million decrease in equity was primarily due to €152.4 million of foreign currency translation losses (including €27.9 million of unrealized foreign exchange losses incurred on the intergroup loan with GTECH), along with the payment of €119.7 million of dividends in May 2007, partially offset by net income of €106.0 million. The foreign currency translation losses principally relate to the strengthening of the euro against the US dollar (the US dollar to euro exchange rate was 1.317 at December 31, 2006 compared to 1.4721 at December 31, 2007).

The €597.9 million decrease in long-term debt, less current portion resulted from the reclassification of €360 million principal amount of 4.80% bonds due in December 2008 to current portion of long-term debt, along with €179.2 million of foreign currency translation and the December 2007 principal payment of US$60 million (€40.8 million) on US dollar denominated borrowings under our Senior Credit Facility (US$2.2 billion of loans outstanding at December 31, 2007).

The €94.7 million decrease in deferred income taxes was principally due to the sale of POLCARD to First Data International on August 1, 2007, along with the amortization of acquired intangible assets.

The €405.1 million increase in current portion of long-term debt was principally due to the reclassification of €360 million of 4.80% bonds from long-term debt as described above, along with the June and December 2008 scheduled principal payments totaling US$120 million (€81.5 million) on our Senior Credit Facility. Current portion of long-term debt at December 2006 included only one principal payment (US$60 million) which was due and paid in December 2007.

DOCUMENT REDACTED BY TLC - 12-4-10

Consolidated Net Financial Position

The Company's consolidated net financial position at December 31, 2007 improved approximately €255.0 million from its net financial position at December 31, 2006, principally due to higher cash balances, principal paid on the Senior Credit Facility in December 2007, and to the strengthening of the euro against the US dollar, as detailed below.

	December 31,		
(thousands of euros)	2007	2006	Change
Cash on hand	181	384	(203)
Cash at bank	433,884	396,233	37,651
Cash and cash equivalents	434,065	396,617	37,448
Current financial receivables	19,611	3,371	16,240
Current portion of long-term debt	487,384	82,310	405,074
Short-term borrowings	7,610	14,908	(7,298)
Other	4,544	2,883	1,661
Current financial debt	499,538	100,101	399,437
Net current financial debt (cash)	45,862	(299,887)	345,749
Senior Credit Facility	1,403,920	1,656,264	(252,344)
Capital Securities	727,869	725,214	2,655
4.8% Bonds	-	358,973	(358,973)
Other	51,555	43,617	7,938
Non current financial debt	2,183,344	2,784,068	(600,724)
Net financial position	2,229,206	2,484,181	(254,975)

Dividends

In May 2007 and April 2006, the Company paid dividends of €119.7 million (€0.79 per share) and €119.4 million (€1.30 per share) to its shareholders for calendar 2006 and 2005 results, respectively.

DOCUMENT REDACTED BY TLC - 12-4-10

Reconciliation of Company Equity

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

	Attributable to equity holders			
(thousands of euros)	Lottomatica S.p.A.	All other subsidiaries	Minority interests	Consolidated
Total equity at January 1, 2007	1,891,193	(35,064)	17,487	1,873,616
Fair value of interest rate swaps	-	(9,199)	-	(9,199)
Amortization of unrecognized gain on interest rate swap	(570)	-	-	(570)
Unrecognized net gain on derivative instruments	-	262	-	262
Foreign currency translation	-	(152,380)	-	(152,380)
Net income	69,002	5,047	31,915	105,964
Dividend distribution (€0.79 per share)	(119,695)	-	-	(119,695)
Share-based payment	21,346	-	-	21,346
Shares issued to employees at a discount in connection with the acquisition of GTECH	15,301	-	-	15,301
Shares issued upon exercise of stock options	3,892	-	-	3,892
Other movements in equity	-	(1,086)	(4,260)	(5,346)
Balance at December 31, 2007	1,880,469	(192,420)	45,142	1,733,191

DOCUMENT REDACTED BY TLC - 12-4-10

Part 2. Significant Developments of 2007

Since the start of fiscal 2007, GTECH received a number of contract awards and extensions from lottery authorities.

Contract Developments

Facilities Management

In March 2007, GTECH entered into a three-year contract extension under which it will provide online and instant ticket lottery goods and services to the New York lottery authority through February 2010. GTECH currently provides, and expects to provide to the New York lottery authority under the contract extension, equipment and a variety of services, including central system operations, system and terminal maintenance, field services, hotline management, and marketing support.

In March 2007, GTECH was chosen to provide the Missouri lottery authority with 550 Instant Ticket Vending Machines ("*ITVMs*") and related machine and maintenance services. The 24-bin Expandable Dispensing System-Quad™ (EDS-Q) ITVMs to be supplied under this agreement will replace machines presently in the field.

In April 2007, GTECH entered into a contract with the Missouri lottery authority to provide equipment and services for a new Internet Protocol wireless communications network. Award of this contract followed a competitive procurement. Under this agreement, which has a term of five years and provides for three one-year extension options exercisable by the Missouri lottery authority, GTECH will install and maintain a VSAT wireless communications system providing data connection between the Missouri lottery authority's host computer and the approximately 3,000 lottery retailers throughout the state of Missouri.

In May 2007, GTECH entered into a new ten-year contract to provide an online system, terminals, a wireless Internet-Protocol communications network, and ongoing services for the Kansas lottery authority. The award of this contract followed a competitive procurement.

In September 2007, Camelot Group plc ("*Camelot*") signed an agreement with the United Kingdom's National Lottery Commission for the next license to operate the U.K. National Lottery. The new 10-year license, which was awarded to Camelot following a competitive procurement, is expected to commence on February 1, 2009. GTECH is a major lottery technology and services supplier to Camelot, and will provide a wide array of the latest lottery technology, interactive systems and products to Camelot over the term of the new license. Prior to the start of the new license, GTECH will also convert the National Lottery's current online gaming and instant-ticket systems to GTECH's Enterprise Series platform. In addition, GTECH will upgrade Camelot's existing interactive system to GTECH's Enterprise Series Interactive, so as to permit the provision of a wider array of game offerings to players via channels such as the Internet, mobile and Internet-Protocol television. As part of this transaction, GTECH has licensed its Enterprise Series Multimedia technology, thereby enabling Camelot to manage a network of approximately 27,500 media screens able to display various promotional and informational content.

DOCUMENT REDACTED BY TLC - 12-4-10

In October 2007, GTECH entered into a contract with the Oregon State Lottery to provide and implement a new online and instant-ticket lottery system, terminals and ongoing services. This contract, which was awarded following a competitive procurement, has a term of seven years.

In October 2007, the Illinois lottery authority exercised its option to extend its online contract with GTECH through October 16, 2008.

Other

In April 2007, following a competitive procurement, GTECH was chosen to negotiate a contract to provide up to 3,050 ITVMs to the Massachusetts lottery authority over a three-year period commencing in July 2007.

In May 2007, GTECH entered into a contract with Svenska Spel, the Swedish lottery authority, to provide a new server-based gaming system, up to 2,650 interactive video terminals and game content. Award of this new contract followed a competitive procurement. The new system will be designed to give Svenska Spel the flexibility of offering traditional game configurations as well as server-based gaming allowing Svenska Spel to download new games to interactive video terminals from a central server. The new system will also provide other enhanced functionalities. Under the terms of this five-year contract, Spielo Manufacturing ULC ("*Spielo*"), GTECH's video lottery subsidiary, will develop and deliver a central system and terminals, and provide ongoing support and game development services to Svenska Spel.

In June 2007, following a competitive procurement, GTECH was selected to negotiate a contract to provide 600 terminals to the Loterie Nationale of Belgium, a state-owned company that administers and operates national lottery games in Belgium.

In June 2007, GTECH also announced that it had been selected to negotiate a contract with the Rhode Island lottery authority to provide instant ticket printing services. The award of this contract, which has a term of three-years and three one-year extension options, followed a competitive procurement. Under its terms, GTECH will receive twenty-percent (20%) of the Rhode Island lottery authority's total instant-ticket orders. GTECH and the Rhode Island lottery authority entered in a contract reflecting this award in July 2007.

In June 2007, GTECH entered into an agreement to provide new Altura® lottery terminals to the Western Canada Lottery Corporation. Under the terms of this product sale agreement, GTECH will furnish the Western Canada Lottery Corporation with approximately 4,750 Altura terminals, replacing existing terminals already in the field.

In July 2007, GTECH entered into an agreement to provide a new online lottery central system and other related services to Sächsische LOTTO – GmbH, the operator of lottery games in the German state of Saxony. Under the terms of this product sale agreement, GTECH will upgrade the Saxony lottery authority's central system to GTECH's Enterprise Series solution. GTECH's Enterprise Series central system features an Internet Protocol and standards-based open architecture that enables third-party product development and integration.

DOCUMENT REDACTED BY TLC - 12-4-10

In August 2007, GTECH Printing Corporation entered into a contract with the Connecticut lottery authority to provide instant-ticket printing services. The award of this contract, which has a three-year term and provides the Connecticut lottery authority with two one-year extension options, followed a competitive procurement.

In August 2007, GTECH entered into a product sale agreement to provide 3,900 Altura terminals to Danske Spil, the operator of the National Lottery in Denmark, following a competitive procurement. As part of this transaction, Danske Spil also extended GTECH's software license and technical services agreement for an additional three year period ending on August 31, 2010.

In October 2007, the Lotteries Commission of Western Australia extended its online contract with GTECH for an additional one-year period expiring in March 2009.

In October 2007, the Manitoba Lotteries Corporation selected GTECH to provide 650 new combination videoslot/electronic bingo gaming terminals for installation at the Manitoba Lotteries Corporation's two casinos. This award, which followed a competitive procurement, provides for GTECH's Spielo subsidiary to design and deliver the terminals and associated bingo systems and to provide the Manitoba Lotteries Corporation with refreshment of games over a five-year period commencing in 2009.

In December 2007, GTECH's wholly-owned subsidiary, GTECH Global Services Corporation Ltd., acquired for US $20 million 50% of Tabcorp International Hong Kong Limited (which was renamed CLS – GTECH Company Limited) ("*TIHK*"), as a vehicle to provide KENO systems to welfare lotteries throughout China. China LotSynergy Limited, a premier lottery technology service provider in China, owns the remaining 50% of TIHK.

In December 2007, Taiwan Sports Lottery Company, a joint venture in which GTECH will become a 24.5 percent equity member, entered into a contract with Taipei Fubon Bank to be the sports betting solutions and services provider for the first legalized sports lottery in Taiwan. Following a competitive procurement, Taipei Fubon Bank was earlier awarded a license to operate a sports lottery in Taiwan commencing in April 2008 through December 2013. GTECH, as the system integrator and transaction engine vendor to the Taiwan Sports Lottery Company, will provide its Enterprise Series central system hardware and software and 1500 Altura retailer terminals, as well as network design, marketing and other services.

During 2007, GTECH received notice that the New Mexico lottery authority had selected another vendor to provide equipment and services for a new online lottery system, terminals, and IP-communications network upon the expiration of GTECH's current contract with the New Mexico lottery authority in November 2008.

DOCUMENT REDACTED BY TLC - 12-4-10

Events After the End of 2007

GTECH reported several important contract developments after the close of 2007.

In January 2008, GTECH entered into a four-year extension of its contract with Veikkaus Oy, the operator of the Finnish National Lottery, under which GTECH will continue to provide software licensing and additional software products and services.

In January 2008, GTECH also entered into a five-year integrated services contract with the West Virginia lottery authority. Under this contract, the award of which followed a competitive procurement, GTECH has agreed to provide to the West Virginia lottery authority a new online and instant ticket gaming system, terminals, telecommunications network, self-service lottery products and related ongoing services. The West Virginia Department of Administration has advised GTECH to cease any further action or work under the contract pending a protest by another bidder.

In January 2008, GTECH received notification that the Pennsylvania lottery authority intends to award GTECH a five-year integrated services contract to provide complete online and instant ticket systems, a minimum of 10,000 lottery terminals, a new telecommunications network and related services. In March 2008, the Pennsylvania lottery authority announced that it is seeking best and final offers after GTECH proposed its Altura terminal as an alternative to the Imagine terminal that was included in the original proposal. The formal market launch of the Imagine terminal has been delayed and will now enter into production in late 2008 which would not meet the implementation schedule of the Lottery.

Other Business Developments

Boss Media

On February 1, 2008, GTECH and Medströms AB announced a public cash offer to the shareholders of Boss Media AB to acquire all outstanding shares of Boss Media, a leading developer of innovative software and systems for digitally-distributed gaming entertainment. Medströms AB is the largest shareholder of Boss Media with a 12.5% stake. Under the terms of the offer, GTECH and Medströms AB, through a jointly-owned bid vehicle, will offer SEK 25.00 (€2.66) in cash per outstanding share. As of March 5, 2008, GTECH has acquired 46.3 million shares of Boss Media for SEK 1.2 billion (€124.0 million), representing an approximately 80% ownership in Boss Media.

Managerial Developments

In May 2007, Jaymin B. Patel, formerly the Senior Vice President and Chief Financial Officer of GTECH, was promoted to the newly-created position of President and Chief Operating Officer of GTECH. Lottomatica also named Stefano Bortoli, formerly Chief Financial Officer of Lottomatica's Italian operations, as Senior Vice President and Chief Financial Officer of Lottomatica.

In November 2007, W. Bruce Turner, formerly the Chief Executive Officer of Lottomatica and GTECH, tendered his resignation effective December 31, 2007. Effective upon Mr. Turner's departure, Lorenzo Pellicioli, Chairman of Lottomatica S.p.A., took on the additional duties of Chief Executive Officer of the

DOCUMENT REDACTED BY TLC - 12-4-10

Lottomatica Group and Jaymin B. Patel, having been promoted in May 2007 to the office of President and Chief Operating Officer of GTECH as noted above, became Chief Executive Officer of GTECH.

DOCUMENT REDACTED BY TLC - 12-4-10

PREDICTABLE DEVELOPMENTS

The overall economic scenario has been changing rapidly and significantly since August 2007. While financial markets have been volatile and subprime mortgage developments have affected global behaviors and expectations, Lottomatica's business is generally not affected by macro-economic trends and therefore the Company believes that its revenues, margins and cash flow generation will grow steadily as planned. In these challenging market conditions, the Company's strategic goal is to maintain its global leadership position in the public gaming markets and to pursue international and domestic value-accretive opportunities, while meeting deleverage commitments and maintaining its investment grade credit rating.

The Company's Lottery strategy is summarized as follows:

- continue to accelerate same-store sales growth;
- win new jurisdictions and bid for operator opportunities;
- develop/acquire new content;
- roll-out new distribution platforms focusing particularly on interactive channels; and
- expand presence across the instant tickets value chain.

The Company 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 Company will continue to develop the Italian sports betting/interactive market. The Company will also leverage GTECH's experience developing solutions in sports related wagering for lotteries in over 15 jurisdictions.

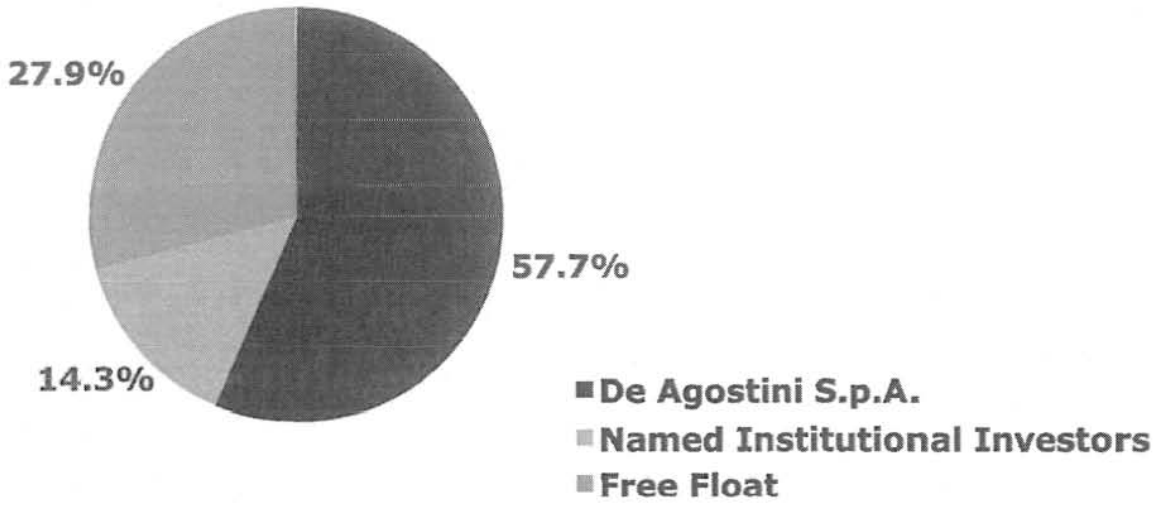
In the Gaming Solutions segment of the business, Lottomatica will leverage its core lottery and gaming solutions competencies to drive its video lottery business, and will expand its entry into the commercial gaming market through the acquisition of Atronic, a leading global provider of casino gaming equipment and services, producing entertaining games and products, including dynamic casino management and linked gaming solutions which are being operated in 91 countries worldwide. Atronic is a market leader in Europe, Russia, and Latin America with a solid presence in the United States, and growing foot-prints in Africa and Asia. Its headquarters are located in Luebbecke, Germany with other offices in Europe, Russia, the United States, Latin America, South Africa and Australia. Atronic employs approximately 784 people and holds approximately 225 worldwide gaming licenses including in the United States, where it is licensed to sell machines in 26 states (including Nevada and New Jersey) and to 163 Native American tribes.

Based upon the Company's existing lottery contract portfolio having an average term of approximately 7-10 years, the Company can look to the future with a relatively high degree of certainty. The Company is committed to deliver economic and financial performance, in line with previously disclosed guidance, increasing EBITDA and cash flow generation. This will allow the Company to maintain its competitive dividend distributions.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA STOCK INFORMATION

LOTTOMATICA S.P.A. SHAREHOLDING STRUCTURE



Shareholders as of February 21, 2008 (based on information furnished by CONSOB and internally updated)

Named Institutional Investors include Assicurazioni Generali 3.3%, Mediobanca S.p.A. 6.9%, UBI Pramerica 2.0%, and Deutsche Bank 2.1%

Updated Share Capital as of February 21, 2008: 151,919,296 Euro (composed of 151,919,296 ordinary shares with a par value of 1 euro)

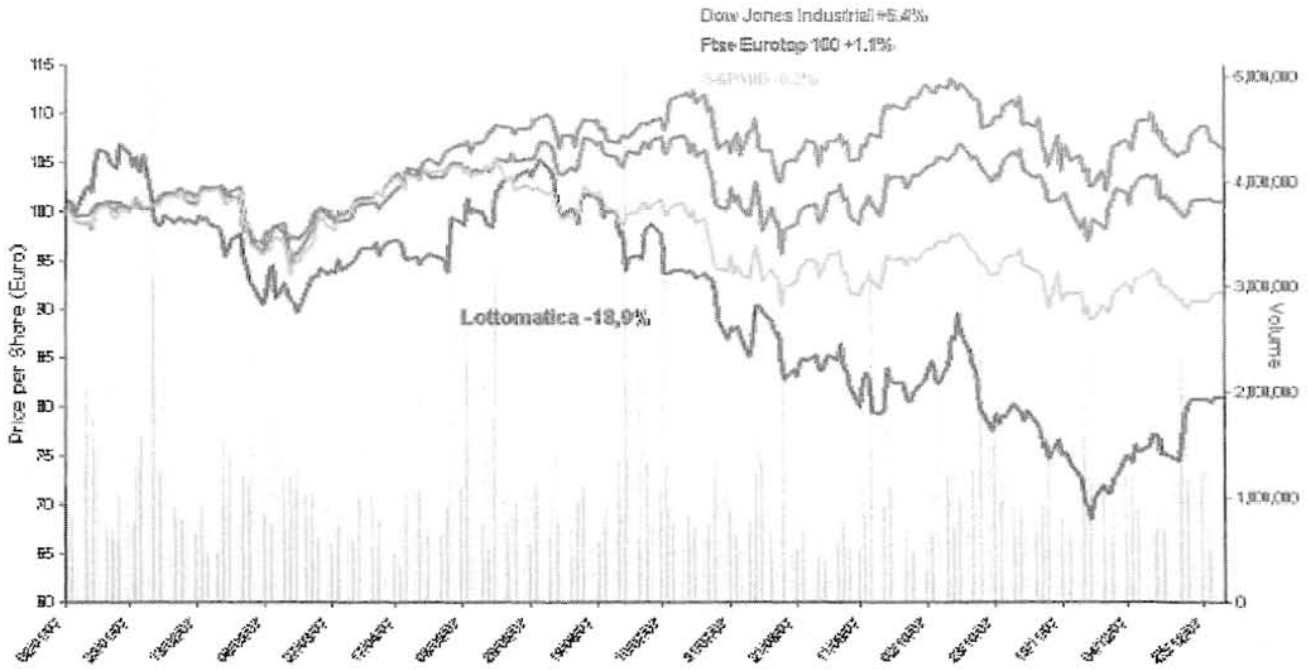
LOTTOMATICA STOCK FOR THE PERIOD ENDED DECEMBER 31, 2007

The average price of the stock for the year ended December 31, 2007 was € 28.35. Over 270 million shares were traded in the year of 2007, with a daily exchange of approximately 1,074,000 shares.

Lottomatica's capitalization was € 3.8 billion on December 31, 2007.

An ADR program was established following a resolution of the Board of Directors of September 13, 2007. It is a level 1 sponsored program. ADRs outstanding at the end of December 31, 2007 were more than 620,000, which represented 0.4% of Lottomatica share capital as of December 31, 2007.

DOCUMENT REDACTED BY TLC - 12-4-10



(Source: Bloomberg Borsa Italiana)
(Note: LTO Stock as rebased for €0.79 dividend.)

DOCUMENT REDACTED BY TLC - 12-4-10

Tables of Customer Contracts

DOCUMENT REDACTED BY TLC - 12-4-10

Table 1 Italian Concessions

The table below sets forth the Company's Italian Concessions as of December 31, 2007.

Holder	Purpose	Date of Commencement of Current Contract	Date of Expiration of Current Contract	Current Extension Options*
Lottomatica	Activation and operation of the network for the Lotto Game	March 1993	June 2016	Not renewable
Consorzio Lotterie Nazionali	Operation of the National Lotteries for instant and periodic drawings	October 2003	March 14, 2010 for lotteries with periodic drawings – May 30, 2010 for lotteries with instant drawings	Renewable
Consorzio Lottomatica Giochi Sportivi	Games of chance and sports gaming, and toto betting	June 2003	December 2007	Renewable (1)
Lottomatica Videolot Rete S.p.A.	Activation and operation of the network for the telematic operation of legalized amusement with price machine (Video Lotteries)	July 2004	October 2010	Not renewable
Lottomatica Scommesse S.r.l.	Activation and operation of the network for sports gaming, toto betting and sports betting, operated through interactive channels.	March 2007	June 2016	Not renewable

Activation and operation of the new horse gaming, toto betting and horse betting.	March 2007	June 2016	Not renewable

* Reflects extensions available to the governmental authority under the same terms as the current contract.

(1) The concession is renewable but with new concessions for horse racing and sports betting released at the end of 2006, the operation of Totacalcio will be substituted by these new concessions.

DOCUMENT REDACTED BY TLC - 12-4-10

Table 2 Facilities Management Contracts

Unless otherwise indicated, the table below sets forth the lottery authorities with which GTECH had Facilities Management Contracts and fully installed, operational lottery systems as of December 31, 2007, and as to which GTECH is the sole supplier of central computers and terminals and material services. The table also sets forth information regarding the term of each contract and, as of December 31, 2007, the approximate number of terminals installed in each jurisdiction.

Jurisdiction	Approximate Number of Lottery Terminals Installed (1)	Date of Commencement of Current Contract	Date of Expiration of Current Contract Term	Current Extension Options*
United States:				
Arizona	2,600	November 2005	August 2011	5 one-year
California	21,400	October 2003	October 2009	4 one-year
D.C. (2)	600	June 1999	November 2009	---
Florida	13,200	January 2005	March 2011	2 two-year
Georgia	8,500	September 2003	September 2010	---
Illinois	8,300	April 2000	October 2008	---
Kansas (3)	1,900	July 2002	June 2008	---
Kentucky	3,100	April 1997	June 2011	---
Louisiana	2,600	June 1997	June 2010	---
Michigan	11,300	January 1998	January 2009	---
Minnesota	3,200	June 2002	February 2013	---
Missouri	4,400	December 2004	June 2012	3 one-year and additional 5 years
New Jersey	6,200	June 1996	August 2009	
New Mexico	1,100	June 1996	November 2008	---
New York	16,700	November 2000	February 2010	---
North Carolina	5,800	January 2006	March 2013	---
Ohio	8,300	August 2000	June 2009	---
Oregon (4)	3,400	December 1996	June 2008	---
Rhode Island	1,200	January 1997	June 2023	---
Tennessee	4,700	January 2004	April 2011	---
Texas	17,300	October 2001	August 2011	---
Virginia	4,800	October 2007	October 2014	3 one-year or 1 three-year
Washington	4,600	July 2006	July 2012	4 years
Wisconsin	3,800	November 2003	June 2011	2 one-year
International:				
Anguilla -LILHCo	10	October 2007	October 2017	---

DOCUMENT REDACTED BY TLC - 12-4-10

Jurisdiction	Approximate Number of Lottery Terminals Installed (1)	Date of Commencement of Current Contract	Date of Expiration of Current Contract Term	Current Extension Options*
Antigua/ Barbuda -LILHCo	40	January 2000	September 2010	1 ten-year (5)
Argentina -Loteria National Sociedad del Estado (6)	850	November 1993	January 2009	---
-Boldt IPLC (6)	4,300	November 1999	November 2009	---
Barbados - LILHCo	210	June 2005	June 2023	---
Bermuda -LILHCo	1	---	---	Automatic annual renewal
China -Beijing Welfare Lottery	2,300	April 2004	December 2015	Automatic 3 one-year
-Shenzhen Welfare Lottery	100	July 2005	July 2013	---
Colombia -ETESA (7)	5,500	December 1999	January 2011	1 five-year
Czech Republic -SAZKA	7,000	October 1992	December 2017	---
Ireland -An Post Nat'l Lottery Company	3,600	June 2002	December 2008	(8)
Jamaica -Supreme Ventures Limited	900	November 2000	January 2016	1 ten-year
Luxembourg (9) -Loterie Nationale	600	June 2001	October 2012	---

DOCUMENT REDACTED BY TLC - 12-4-10

Jurisdiction	Approximate Number of Lottery Terminals Installed (1)	Date of Commencement of Current Contract	Date of Expiration of Current Contract Term	Current Extension Options*
Mexico -Pronosticos Para La Assistencia Publica	8,800	September 2005	September 2012	2 one-year
Morocco -La Societe de Gestion de la Loterie Nationale and La Marocaine des Jeux et Les Sports	1,300	August 1999	April 2009	Successive two year extension options
Poland -Totalizator Sportowy	10,700	May 2001	May 2011	1 six-month
Slovak Republic -TIPOS a.s.	2,100	March 1996	December 2011	---
St. Kitts/Nevis -LILHCo	40	April 1996	April 2016	---
St. Maarten/Saba/ St. Eustatius -LILHCo	40	January 1997	September 2017	
Thailand -Government Lottery Office (10)	0	August 2005	(10)	---
Trinidad & Tobago -National Lotteries Control Board	600	December 1993	September 2011	---
Turkey -Turkish National Lottery (11)	4,000	February 1996	(11)	(11)

DOCUMENT REDACTED BY TLC - 12-4-10

Jurisdiction	Approximate Number of Lottery Terminals Installed (1)	Date of Commencement of Current Contract	Date of Expiration of Current Contract Term	Current Extension Options*
United Kingdom -The National Lottery (12)	27,300	January 2002	January 2009	---
U.S. Virgin Islands -LILHCo	70	January 2002	January 2012	2 five-year

*Reflects extensions available to the lottery authority under the same terms as the current contract. Lottery authorities occasionally negotiate extensions on different terms and conditions.

(1) Total does not include instant-ticket validation terminals or instant ticket vending machines.
(2) Operated by Lottery Technology Enterprises, a joint venture in which GTECH has a 1% interest, and to which GTECH supplies lottery goods and services.
(3) In August 2007, GTECH entered into a 10-year contract with the Kansas Lottery. The agreement will commence on July 1, 2008 and GTECH is expected to install approximately 2,000 Altura terminals under the contract.
(4) On October 3, 2007, the Oregon State Lottery Commission and GTECH entered into a new seven-year contract to provide a new online lottery system, terminals and ongoing services.
(5) The extension options for these contracts are at GTECH's option, subject, in certain cases, to compliance by GTECH with the terms and conditions of the existing contract and/or review of certain financial terms.
(6) Under these contractual arrangements, the lottery authorities purchased the lottery system and related software license from GTECH at the commencement of the respective contracts.
(7) GTECH's contract with the Colombia lottery authority is not a true facilities management contract in that title to the equipment vests in the Colombia lottery authority at the end of the term.
(8) GTECH's contract with the Ireland lottery authority may be extended for any period mutually acceptable to GTECH and the Ireland lottery authority.
(9) The Luxembourg lottery authority can extend the software license granted by GTECH for up to 10 years after the end of the initial term and any extensions of the contract.
(10) In August 2005, Loxley GTECH Technology Co. Ltd., a joint venture in which GTECH owns a 49% equity interest, entered into a five-year facilities management contract with the Government Lottery Office of Thailand. Operations under the contract are currently expected to commence in 2009.
(11) The term of the contract with the Turkey lottery authority renews for successive one-year extension terms unless either party gives timely notice of non-renewal. In addition, the Turkey lottery authority has the option to assume responsibility for the provision of certain lottery services at any time after the second anniversary of system start-up.
(12) Operated by Camelot Group plc, a consortium, on a facilities management basis. In September 2007, the Company announced that Camelot had received a new 10-year license, expected to commence on February 1, 2009. GTECH will supply Camelot with over 27,500 lottery terminals.

DOCUMENT REDACTED BY TLC - 12-4-10

Table 3 Product Sales Contracts

The table below lists certain of GTECH's direct and indirect customers that since January 2005 have purchased (or have agreed to purchase) from GTECH new online systems, software and/or terminals and equipment in connection with the expansion or replacement of existing lottery systems.

Jurisdiction	Customer
Argentina	Boldt – Instituto Provincial de Loterias y Casinos de la Provincia de Buenos Aires
Australia	Lotteries Commission of New South Wales
	Lotterywest (f/k/a Western Australia Lotteries Commission)
Belgium	Loterie Nationale de Belgique
California	California State Lottery
Canada	
	British Columbia Lottery Corporation
	Western Canada Lottery Corporation
China	Beijing Welfare Lottery Center
Denmark	Danske Spil A/S
Finland	Veikkaus Oy
France	La Francaise des Jeux
Georgia	Scientific Games Inc.
Germany	WestLotto
	Sachsische Lotto – Gmbh
	Lotterie Treuhandgesellschaft mbH Thuringen
Israel	Mifal Hapayis
Luxembourg	Loterie Nationale
Massachusetts	Massachusetts State Lottery Commission
Minnesota	Minnesota State Lottery
Missouri	Missouri State Lottery
Netherlands	Stichting de Nationale Sport Totalisator
New York	New York State Lottery
New Zealand	New Zealand Lotteries Commission
Oregon	Oregon State Lottery
Pennsylvania	IGT OES Online Entertainment Systems, Inc.
Poland	Totalizator Sportowy Sp. Zo.o
Portugal	Santa Casa de Misericordia de Lisboa
Singapore	Singapore Pools (Pte) Ltd.
South Africa	Uthingo
Spain	Sistemas Tecnicos de Loterias del Estado
	Organizacion Nacional de Ciegos Espanoles
Sweden	AB Svenska Spel
Switzerland	Loterie de la Suisse Romande
Taiwan	Lottery Technology Services Corporation
Ukraine	Ukraine National Lottery
United Kingdom	Camelot Group plc
Virginia	Virginia Lottery
Washington	Washington State Lottery
Wisconsin	Wisconsin State Lottery

DOCUMENT REDACTED BY TLC - 12-4-10

Table 4 ITVM Contracts

The table below sets forth the lottery authorities with which GTECH has ITVM Facilities Management Contracts ("*FMCs*"). This table also provides (except where noted by footnote) historical information respecting the number of ITVMs that are currently in service, under various ITVM Product Sales Contracts ("*PSCs*"). Finally, the table below sets forth information regarding the term of each FMC, as well as the approximate number of ITVMs installed in each FMC jurisdiction, as of December 31, 2007.

Jurisdiction	FMC or PSC	Approximate Number of ITVMs In Service	Date of Commencement of Current FMC Contract	Date of Expiration of Current FMC Contract Term	Current Extension Options*
Arizona	FMC	420	July 2003	June 2008	--
California	PSC	4,200	--	--	--
Georgia	PSC	350	--	--	--
Illinois	FMC	3,400	July 2004	September 2010	1 three-year
Indiana	PSC	1,400			
Kentucky	PSC	1,300	--	--	--
Luxembourg	FMC	130	September 2005	October 2012	--
Maine	FMC	150	September 2004	August 2009	--
Maryland	PSC	1,000	--	June 2008	--
Massachusetts	PSC	2,200			--
Minnesota	(1)	110	--	--	--
Missouri	FMC	620	March 2007	June 2012	--
New Hampshire	FMC	250	June 2005	June 2008	1 two-year
New Jersey	(1)	180	--	--	--
New Mexico	FMC	160	May 1997	November 2008	1 two-year
New York	(2)	5,400	(2)	(2)	
North Carolina	FMC	500	January 2006	March 2013	
Ohio	FMC	1,600	July 2003	June 2009	
Oregon	PSC	500	--	--	--
Pennsylvania	PSC	3,450	--	--	--
Rhode Island	(1)	100	--	--	--
Texas	(1)	1,300	September 2003	August 2011	--
Virginia	(3)	1,700	June 2004	June 2011	--
Washington	FMC	1,000	November 2004	November 2010	--
Wisconsin	FMC	500	June 2004	June 2011	2 one-year

DOCUMENT REDACTED BY TLC - 12-4-10

*Reflects extensions available to the lottery authority under the same terms as the current contract. Lottery authorities occasionally negotiate extensions on different terms and conditions.

(1) Represents ITVMs installed under a lottery Facilities Management Contract. See Facilities Management Contracts table above for additional information.
(2) GTECH has entered into a contract to supply maintenance services for approximately 4,100 ITVMS which are owned by the New York lottery authority.
(3) The Virginia Lottery entered into a seven-year contract with Oberthur Gaming Technologies Corporation (OGT) under which GTECH has subcontracted to provide 1,500 ITVMs and management of warehousing and distribution of instant tickets. Additionally, 200 ITVMs have been provided by GTECH under the Facilities Management Contract which is described in Table 2.

DOCUMENT REDACTED BY TLC - 12-4-10

Table 5 Gaming Solutions Participation Contracts

The table below sets forth a list of jurisdictions where the Company has agreements to provide gaming machines and/or systems on a participation basis.

Jurisdiction	Equipment	Approximate Number of Gaming Machines	Date of Commencement of Current Contract	Date of Expiration of Current Contract	Current Extension Options
Rhode Island (1)	Gaming machines and system	5,843	July 2003	July 2023	-----
New York	Gaming machines	2,241	May 2003	December 2010	----
Delaware	Gaming machines	834	May 2002	June 2011	----
MUSL	System	212	May 2006	May 2010	3 two-year
Pennsylvania (1)	System	12,760	June 2006	June 2011	----

Notes:

(1) Includes Company and third party gaming machines.

DOCUMENT REDACTED BY TLC - 12-4-10

Table 6 Gaming Solutions Product Sale Contracts

The table below lists certain of GTECH's direct and indirect customers that since January 2005 have purchased (or have agreed to purchase) from GTECH video systems, software and/or gaming machines.

Jurisdiction	Customer
Arizona	2 Casinos
Canada	Alberta Gaming & Liquor Commission
	Atlantic Lottery Corporation
	British Columbia Lottery Corporation
	Manitoba Lotteries Corporation
	Nova Scotia (Metropolitan Entertainment Corporation)
	Quebec-Casiloc Inc
California	30 Casinos
Connecticut	2 Casinos
Florida	1 Casino
Great Lakes	Lieberman Companies, Inc. (distributor)
Iceland	Icelandic Gaming (Islandsspil)
Idaho	1 Casino
Iowa	13 Casinos
Jamaica	Supreme Ventures Limited
Louisiana	5 Casinos
	Harold L. Rosbottom, Jr. (distributor)
	Department of Public Safety & Corrections
Michigan	1 Casino
Minnesota	4 Casinos
Mississippi	3 Casinos
Montana	Various Operators
New Mexico	14 Casinos
New York	3 Casinos
Oklahoma	1 Casino
Oregon	8 Casinos
Oregon	Oregon State Lottery
South Dakota	Various Operators
Sweden	AB Svenska Spel
West Virginia	4 Racetracks

DOCUMENT REDACTED BY TLC - 12-4-10

LONG TERM INCENTIVE PLANS

Long term incentive plans adopted by the Company in favor of directors and/or employees of Lottomatica and/or its direct or indirect subsidiaries provide for stock option grants and restricted stock awards to its directors, executives and key employees. The principal purpose of granting long-term incentives is to assist the Company in attracting and retaining directors, officers and other key employees, to provide a market competitive total compensation package and to motivate recipients to increase shareholder value by enabling them to participate in the value which has been created. The plans are based upon three year performance measurements, generally based upon the Company's EBITDA. The total value delivered is allocated 65% stock options and 35% restricted stock, respectively. The following are summaries of the long term incentive plans in force as of December 31, 2007.

Stock Option Plans

2003 – 2008 Plans
The Extraordinary Shareholders' Meeting of Lottomatica held on September 21, 2005 resolved to set December 31, 2008, as the expiration date for subscriptions of a maximum of €2,439,110.00, for issuances of a maximum of 2,439,110 new ordinary shares, par value of €1.00 each, with ordinary rights, excluding the right of option under Article 2441, paragraph 5, of the Italian Civil Code. To date, 2,439,110 options have been issued, of which 156,400 remain exercisable.

The Extraordinary Shareholders' Meeting of Lottomatica held on September 21, 2005 also resolved to set December 31, 2008, as the expiration date for subscriptions of a maximum of €223,175.00, for issuances of a maximum of 223,175 new ordinary shares, par value of €1.00 each, with ordinary rights, excluding the right of option under Article 2441, paragraph 5, of the Italian Civil Code. To date 223,175 options have been issued, of which 76,000 remain exercisable.

2005 – 2010 Plans
The September 21, 2005 Extraordinary Shareholders' Meeting of Lottomatica also resolved to set December 31, 2010, as the expiration date for the following subscriptions:

- a maximum of €297,580.00, for a maximum of 297,580 new ordinary shares, par value of €1.00 each, with ordinary rights, excluding the right of option under Article 2441, paragraph 5, of the Italian Civil Code. To date 297,580 options have been issued and are not yet due, of which 73,040 have been voided;
- a maximum of €57,016.00, for a maximum of 57,016 new ordinary shares, par value of €1.00 each, with ordinary rights, excluding the right of option under Article 2441, paragraph 5, of the Italian Civil Code. To date none of the 57,016 options have been issued;
- a maximum of €219,812.00, for a maximum of 219,812 new ordinary shares, par value of €1.00 each, with ordinary rights, excluding the right of option under Article 2441, paragraph 5, of the Italian Civil Code. To date, 219,812 options have been issued and not yet due, of which 124,476 have been voided.

DOCUMENT REDACTED BY TLC - 12-4-10

2006 – 2014 Plan
The Board of Directors' Meeting of Lottomatica of October 18, 2006, resolved to increase the share capital by a maximum amount of €1,500,000 by issuing up to 1,500,000 new ordinary shares with a nominal value of €1.00 each, with ordinary rights, excluding the right of option under Article 2441, paragraph 4, of the Italian Civil Code to be subscribed by December 31, 2014, serving the exercise of 1,188,600 options assigned on the same date by the Board of Directors' Meeting and not yet due within the framework of the stock option plan 2006-2014 reserved for employees of Lottomatica and/or its subsidiaries, other than 127,700 options that may be exercised prior to the vesting period pursuant to the resolution of the Board of Directors of the Company of December 11, 2007.

2007 – 2015 Plan
The Board of Directors' Meeting of Lottomatica of May 3, 2007, resolved to increase the share capital against payments, in one or more tranches and in divisible form, by a maximum amount of €1,973,790.00 by issuing up to 1,973,790 new ordinary shares with a nominal value of €1.00 each, with ordinary rights, excluding the right of option under Article 2441, paragraph 4, second sentence of the Italian Civil Code, to be subscribed by December 31, 2015, serving the exercise of 1,973,790 options assigned on the same date by the Board of Directors' Meeting and not yet due within the framework of the stock option plan 2007-2015 reserved for employees of Lottomatica and/or its subsidiaries, other than 115,200 options that may be exercised prior to the vesting period pursuant to the resolution of the Board of Directors of the Company of December 11, 2007.

Restricted Stock

(a) Executive Purchase of Shares at the Rights Offering Price
The Board of Directors' Meeting of Lottomatica of August 29, 2006, resolved to increase the share capital against payment, in divisible form, by a maximum amount of €2,000,000.00 by issuing up to 2,000,000 new ordinary shares with a nominal value of €1.00 each, with ordinary rights, excluding the right of option under Article 2441 of the Italian Civil Code, to be assigned by December 15, 2007, to employees of Lottomatica and/or its subsidiaries. Of the 2,000,000 shares, 1,528,582 have been assigned and are vested but are restricted from sale for one to three years from August 29, 2006 (depending upon the employee's position at the Company), provided shares can be sold if an employee terminates from the Company before the restriction is lifted.

(b) Share allocation plans
- 2006-2009 Share Allocation Plan, Reserved For Employees of Lottomatica and/or its subsidiaries, approved by the Shareholders' Meeting of Lottomatica of October 18, 2006;
- 2006-2011 Share Allocation Time Based Plan, Reserved for Employees of Lottomatica and/or its subsidiaries, approved by the Shareholders' Meeting of Lottomatica of October 18, 2006.
- 2007-2010 Share Allocation Plan, Reserved for Employees of Lottomatica and/or its subsidiaries, approved by the Shareholders' Meeting of Lottomatica of April 23, 2007.

DOCUMENT REDACTED BY TLC - 12-4-10

The Board of Directors' Meeting of Lottomatica of October 18, 2006 resolved to assign up to 397,800 ordinary shares within the framework of the "performance" plan 2006-2009 and 745,175 of ordinary shares within the framework of the time-based plan 2006-2011, identified the beneficiaries and established the number of shares to be allocated to each one of them. The Board of Directors' Meeting of Lottomatica of May 3, 2007 resolved to assign up to 285,130 ordinary shares within the framework of the 2007-2010 Share allocation plan.

In connection with the above mentioned share allocation plans, as well as any other future plan the Extraordinary Shareholders' Meeting of Lottomatica of April 23, 2007 empowered the Board of Directors for five years to increase the share capital in one or more tranches by a maximum amount of €3,200,00.00 by issuing up to 3,200,000 new ordinary shares, with a nominal value of €1.00 each.

The Board of Directors' Meeting of Lottomatica, pursuant to the powers granted by the Shareholders' Meeting held on April 23, 2007:

- On May 3, 2007, resolved a free increase in share capital, for a nominal amount of €99,271.00 by issuing up to 99,271 new ordinary shares, with a nominal value of €1.00 each, with ordinary rights, that were all assigned, between August 29, 2007 and September 30, 2007, to the 2006-2011 Share Allocation Time-Based plan beneficiaries;

- On December 11, 2007, resolved a free increase in share capital, for a nominal amount of € 139,962.00 by issuing up to 139,962 new ordinary shares, with a nominal value of €1.00 each, with ordinary rights, that were all assigned to some of the beneficiaries of the above stock allocation plans, contextually to the early termination of the respective employment relationships.

DOCUMENT REDACTED BY TLC - 12-4-10

Consolidated Financial Statements and Footnotes

December 31, 2007

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(thousands of euros)	*Notes*	December 31, 2007	December 31, 2006
ASSETS			
Non-current assets			
Systems, equipment and other assets related to contracts, net	5	740,260	845,890
Property, plant and equipment, net	6	63,129	66,621
Goodwill	7	2,793,186	2,972,496
Intangible assets, net	8	740,613	856,764
Investments valued by the equity method		2,816	6,889
Other non-current assets	10	36,393	33,677
Non-current financial assets	11	5,765	25,629
Deferred income taxes	12	160,758	177,900
Total non-current assets		4,542,920	4,985,866
Current assets			
Inventories	13	106,982	76,122
Trade and other receivables	14	695,222	588,162
Other current assets	10	49,845	51,773
Current financial assets	11	19,611	3,371
Income taxes receivable		2,051	11,693
Cash and cash equivalents	15	434,065	396,617
		1,307,776	1,127,738
Assets of disposal group classified as held for sale	16	-	329,348
Total current assets		1,307,776	1,457,086
TOTAL ASSETS		5,850,696	6,442,952
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	17	151,899	150,750
Share premium		1,574,956	1,637,701
Retained earnings		75,471	35,196
Other reserves	17	(114,277)	32,482
		1,688,049	1,856,129
Minority interests		45,142	17,487
Total equity		1,733,191	1,873,616
Non-current liabilities			
Long-term debt, less current portion	18	2,143,722	2,741,585
Deferred income taxes	12	452,735	547,435
Long-term provisions	19	23,709	18,624
Other non-current liabilities	20	63,260	76,609
Non-current financial liabilities	11	39,622	27,536
Total non-current liabilities		2,723,048	3,411,789
Current liabilities			
Accounts payable		602,556	623,312
Short-term borrowings	18	7,610	14,908
Other current liabilities	20	230,548	262,682
Current financial liabilities	11	4,544	2,883
Current portion of long-term debt	18	487,384	82,310
Short-term provisions	19	538	728
Income taxes payable		61,277	45,021
		1,394,457	1,031,844
Liabilities directly associated with the assets classified as held for sale	16	-	125,703
Total current liabilities		1,394,457	1,157,547
TOTAL EQUITY AND LIABILITIES		5,850,696	6,442,952

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

(thousands of euros)	*Notes*	For the year ended December 31 2007	2006
Service revenue		1,580,345	918,148
Product sales		81,046	20,732
Total revenue	4	1,661,391	938,880
Raw materials, services and other costs		693,459	422,341
Personnel		369,295	194,902
Depreciation, amortization and write-downs		281,845	136,473
Capitalization of internal construction costs - labor and overhead		(78,131)	(34,126)
Total costs		1,266,468	719,590
Operating income	4	394,923	219,290
Interest income	21	12,913	30,310
Equity income (loss)		753	(412)
Other income	21	18,705	4,399
Other expense		(3,357)	(1,624)
Foreign exchange loss, net	22	(33,705)	(120,613)
Interest expense	23	(193,816)	(97,596)
		(198,507)	(185,536)
Income before income tax expense		196,416	33,754
Income tax expense	12	90,452	32,932
Net income		105,964	822
Attributable to:			
Equity holders of the parent		74,049	(6,588)
Minority interest		31,915	7,410
		105,964	822
Earnings per share/ADR			
Basic - net income (loss) attributable to equity holders of the parent	24	€ 0.49	€ (0.05)
Diluted - net income (loss) attributable to equity holders of the parent	24	€ 0.49	€ (0.05)

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS

(thousands of euros)	*Notes*	For the year ended December 31 2007	2006
Operating activities			
Income before income tax expense		196,416	33,754
Adjustments to reconcile income before income tax expense to net cash flows			
Depreciation and fixed asset write-downs		213,547	103,992
Intangibles amortization and write-downs	8	68,492	32,552
Other amortization		(194)	(71)
Interest income		(12,913)	(30,310)
Interest expense	23	193,816	97,596
Unrealized foreign exchange loss	22	31,838	17,662
Share-based payment expense	26	21,346	7,802
Other non-cash items		13,104	22,305
Realized foreign exchange losses related to acquisition of GTECH Holdings Corporation	3	-	102,951
Income tax paid		(58,252)	(81,414)
Cash flows before change in operating assets and liabilities		667,200	306,819
Change in operating assets and liabilities:			
Inventories		(31,911)	(22,294)
Trade and other receivables		(145,220)	(249,125)
Accounts payable		(16,778)	155,472
Advance payments from customers		28,663	6,766
Accrued expenses		(12,211)	(15,181)
Other assets and liabilities		14,016	25,834
Net cash flows from operating activities		503,759	208,291
Investing activities			
Purchases of systems, equipment and other assets related to contracts		(178,332)	(87,507)
Purchases of intangible assets		(60,377)	(7,251)
Acquisition of Finsoft Limited, net of cash acquired	3	(45,090)	-
Investment in Tabcorp International Hong Kong Limited	31	(13,904)	-
Purchases of property, plant and equipment		(13,835)	(13,486)
Acquisition of Creative Games International, Inc., net of cash acquired	3	(3,360)	-
Refundable performance deposit		6,176	-
Interest received		13,270	31,525
Net cash proceeds from the sale of POLCARD S.A.		166,727	-
Acquisition of GTECH Holdings Corporation, net of cash acquired	3	-	(3,262,631)
Realized foreign exchange losses related to acquisition of GTECH Holdings Corporation	3	-	(102,951)
Atronic escrow deposit	31	-	(20,000)
Purchases of minority interests		-	(14,158)
Proceeds from sale of financial assets		-	27,343
Proceeds from sale of West Greenwich campus		-	31,047
Other		(938)	518
Net cash flows used in investing activities		(129,663)	(3,417,551)
Financing activities			
Interest paid		(180,188)	(61,334)
Dividends paid	27	(119,695)	(119,416)
Principal payments on long-term debt		(40,924)	(437,094)
Repayment of short-term borrowings		(6,066)	-
Proceeds from exercise of stock options		3,892	49,759
Proceeds from shares issued to employees at a discount		15,301	19,685
Stock issuance costs		-	(28,569)
Debt issuance costs		-	(42,717)
Proceeds from short-term borrowings		-	12,335
Proceeds from issuance of capital securities		-	750,000
Proceeds from issuance of stock		-	1,459,977
Proceeds from issuance of long-term debt		-	1,769,168
Other		(4,623)	(6,638)
Net cash flows from (used in) financing activities		(332,303)	3,365,156
Net increase in cash and cash equivalents		41,793	155,896
Net (increase) decrease in cash associated with assets held for sale		4,117	(4,117)
Effect of exchange rate changes on cash		(8,462)	(1,325)
Cash and cash equivalents at the beginning of the year		396,617	246,163
Cash and cash equivalents at the end of the year	15	434,065	396,617

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2007 and 2006

	Attributable to equity holders of the parent						
(thousands of euros)	Issued Capital (Note 17)	Share Premium	Retained Earnings	Other Reserves (Note 17)	Total	Minority Interests	Total Equity
Balance at January 1, 2006	89,009	261,844	112,682	41,159	504,694	7,561	512,255
Unrecognized gain on interest rate swap	-	-	-	5,700	5,700	-	5,700
Amortization of unrecognized gain on interest rate swap	-	-	-	(380)	(380)	-	(380)
Foreign currency translation	-	-	-	(37,572)	(37,572)	-	(37,572)
Total income and expense recognized directly in equity	-	-	-	(32,252)	(32,252)	-	(32,252)
Net income (loss)	-	-	(6,588)	-	(6,588)	7,410	822
Total income and expense for the year	-	-	(6,588)	(32,252)	(38,840)	7,410	(31,430)
Dividend distribution (€1.30 per share) (Note 27)	-	(74,182)	(42,635)	(2,599)	(119,416)	-	(119,416)
Appropriation of 2005 income in accordance with Italian law	-	-	(18,372)	18,372	-	-	-
Shares issued in connection with public offering	57,423	1,402,554	-	-	1,459,977	-	1,459,977
Transaction costs associated with public offering, net of €10.9 million of tax benefits	-	(17,641)	-	-	(17,641)	-	(17,641)
Shares issued upon exercise of stock options	3,543	46,216	-	-	49,759	-	49,759
Shares issued to employees at a discount in connection with the acquisition of GTECH (Notes 17 and 26)	775	18,910	-	5,756	25,441	-	25,441
Share-based payment (Note 26)	-	-	-	2,046	2,046	-	2,046
Purchase of minority interests	-	-	(10,677)	-	(10,677)	(3,481)	(14,158)
Other movements in equity	-	-	786	-	786	5,997	6,783
Balance at December 31, 2006	150,750	1,637,701	35,196	32,482	1,856,129	17,487	1,873,616
Fair value of interest rate swaps, net of €5.4 million of tax benefits (Note 32)	-	-	-	(9,199)	(9,199)	-	(9,199)
Amortization of unrecognized gain on interest rate swap	-	-	-	(570)	(570)	-	(570)
Unrecognized net gain on derivative instruments, net of €0.2 million of tax	-	-	-	262	262	-	262
Foreign currency translation, net of €16.2 million of tax benefits	-	-	-	(152,380)	(152,380)	-	(152,380)
Total income and expense recognized directly in equity	-	-	-	(161,887)	(161,887)	-	(161,887)
Net income	-	-	74,049	-	74,049	31,915	105,964
Total income and expense for the year	-	-	74,049	(161,887)	(87,838)	31,915	(55,923)
Dividend distribution (€0.79 per share) (Note 27)	-	(69,214)	(30,343)	(20,138)	(119,695)	-	(119,695)
Appropriation of 2006 income in accordance with Italian law	-	(11,814)	(2,345)	14,159	-	-	-
Shares issued upon exercise of stock options	308	3,584	-	-	3,892	-	3,892
Shares issued to employees at a discount in connection with the acquisition of GTECH (Note 17)	602	14,699	-	-	15,301	-	15,301
Share-based payment (Note 26)	-	-	-	21,346	21,346	-	21,346
Shares issued under stock award plans	239	-	-	(239)	-	-	-
Other movements in equity	-	-	(1,086)	-	(1,086)	(4,260)	(5,346)
Balance at December 31, 2007	151,899	1,574,956	75,471	(114,277)	1,688,049	45,142	1,733,191

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Lottomatica S.p.A. is one of the largest lottery operators in the world, based on total wagers, and a leader in the Italian gaming industry. Lottomatica S.p.A. has leveraged its distribution and processing competence to expand its activities beyond lotteries and also provides commercial, payment and other process services through its extensive real-time distribution network. On August 29, 2006, Lottomatica S.p.A. acquired GTECH Holdings Corporation, the world's leading provider of highly-secure online lottery transaction processing systems. Lottomatica S.p.A. and GTECH Holdings Corporation together create a fully integrated lottery operator and gaming technology solutions provider.

In these notes, the term "Lottomatica" refers to Lottomatica S.p.A., the parent entity, the term "GTECH" refers to GTECH Holdings Corporation, one of Lottomatica's subsidiaries, and "Group, "we," "our," and "us" refer to Lottomatica and all subsidiaries included in the 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's principal activities are described in Note 4.

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" 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".

The consolidated financial statements for the year ended December 31, 2007 were authorized for issuance in accordance with a resolution of the Board of Directors on March 6, 2008. On this date, the Board of Directors also proposed to distribute a dividend of €0.825 per share.

2.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below. The 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. The Group presents its cash flows using the indirect method.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis of consolidation
The consolidated financial statements include the financial statements of Lottomatica and its subsidiaries as of December 31 each year. The financial statements of significant subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Subsidiaries are those entities in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has control, directly or indirectly, over the entities' operations so as to obtain benefits from the entities' activities. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of preparation (continued)

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions that are recognized in assets, are eliminated.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from the parent shareholders' equity.

Reclassifications
The Group changed the presentation and classification of certain items in the December 31, 2006 consolidated balance sheet to more appropriately reflect the POLCARD S.A. assets and liabilities held for sale (described in Note 16) as summarized below.

	December 31, 2006		
(thousands of euros)	As Adjusted	As Previously Reported	Reclassification
ASSETS			
Goodwill	2,972,496	2,932,672	39,824
Total non-current assets	2,972,496	2,932,672	39,824
Assets of disposal group classified as held for sale	329,348	369,172	(39,824)
Total current assets	329,348	369,172	(39,824)
LIABILITIES			
Deferred income taxes	547,435	507,611	39,824
Total non-current liabilities	547,435	507,611	39,824
Liabilities directly associated with the assets classified as held for sale	125,703	165,527	(39,824)
Total current liabilities	125,703	165,527	(39,824)

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of preparation (continued)

The Group changed the presentation and classification of certain items in the December 31, 2006 consolidated income statement to more appropriately reflect the classification of the underlying transactions, as summarized below.

	For the year ended December 31, 2006		
(thousands of euros)	As Adjusted	As Previously Reported	Reclassification
Interest income	30,310	31,835	(1,525)
Other income	4,399	3,230	1,169
Other expense	(1,624)	(3,419)	1,795
Foreign exchange loss, net	(120,613)	(120,949)	336
Interest expense	(97,596)	(95,821)	(1,775)
	(185,124)	(185,124)	-

The Group changed the presentation and classification of certain items in the consolidated cash flow for the year ended December 31, 2006 as summarized below.

	For the year ended December 31, 2006		
(thousands of euros)	As Adjusted	As Previously Reported	Reclassification
Net cash flows from operating activities	208,291	205,991	2,300
Net cash flows used in investing activities	(3,417,551)	(3,416,353)	(1,198)
Net cash flows from financing activities	3,365,156	3,365,298	(142)
Effect of exchange rate changes on cash	(1,325)	(365)	(960)

The consolidated cash flow reclassifications were primarily made to reflect the consolidated income statement changes described above.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.2 Changes in accounting policies

The Group's accounting policies are consistent with those of the previous financial year except the Group adopted new and amended IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations during the year as described below. Adoption of these Standards and Interpretations did not have a material effect on the financial position or performance of the Group; however, they gave rise to additional disclosures.

IFRS 7 Financial Instruments: Disclosure
The Group adopted IFRS 7 on January 1, 2007, which requires annual disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the footnotes and comparative information has been revised where needed.

IAS 1 Amendment– Presentation of Financial Statements: Capital Disclosures
The Group adopted the amendment to IAS 1 on January 1, 2007, which requires new annual disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are included in Note 32.

IFRIC 7 Applying the Restatement Approach under IAS 29 – Financial Reporting in Hyperinflationary Economies
The Group adopted IFRIC 7 on January 1, 2007, which provides guidance on how an entity would restate its financial statements, in accordance with the requirements of IAS 29, in the first year it identifies the existence of hyperinflation in the economy of its functional currency. As the Group did not identify the existence of any hyperinflationary economies during 2007, the interpretation had no impact on the financial position or performance of the Group.

IFRIC 9 Reassessment of Embedded Derivatives
The Group adopted IFRIC 9 on January 1, 2007, which states that the date to assess the existence of an embedded derivative is the date that an entity first becomes party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group had no embedded derivative requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the Group.

IFRIC 10 Interim Financial Reporting and Impairment
The Group adopted IFRIC 10 on January 1, 2007, which requires that an entity must not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Group had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Group.

DOCUMENT REDACTED BY TLC - 12-4-10

2.3 International Financial Reporting Standards to be adopted in 2008 and later

The International Accounting Standards Board and IFRIC issued additional standards and interpretations during the year which are effective for periods starting after the date of these financial statements and therefore have yet to be adopted by the Group as described below.

IFRS 8 Operating Segments
IFRS 8 requires disclosure of information about the Group's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The Group plans to adopt IFRS 8 on January 1, 2009, its effective date. The adoption of this standard will not have any impact on the financial position or performance of the Group, but will only require additional disclosures.

IAS 23 (Revised) Borrowing Costs
IAS 23 (Revised) requires capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. This standard is effective for financial years beginning on or after January 1, 2009. The Group is evaluating the impact the interpretation will have on the Group's consolidated financial statements when adopted on January 1, 2009.

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
IFRIC 11 requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled transaction, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. This interpretation is effective for annual periods beginning on or after March 1, 2007. As the Group has no treasury share transactions, the adoption of this standard will not have any impact on the financial position or performance of the Group when adopted on January 1, 2008.

IFRIC 12 Service Concession Arrangements
IFRIC 12 provides guidance on the accounting for the obligations undertaken and rights received in service concession arrangements. Service concession arrangements are arrangements whereby a government or other body grants contracts for the supply of public services, such as roads, prisons or hospitals, to private operators. This interpretation is effective for annual periods beginning on or after January 1, 2008. The Group is evaluating the impact the interpretation will have on the Group's consolidated financial statements when adopted on January 1, 2008.

IFRIC 13 Customer Loyalty Programmes
IFRIC 13 provides guidance on the accounting by an entity that grants loyalty award credits (such as "points" or travel miles) to customers who buy other goods or services. This interpretation is effective for annual periods beginning on or after July 1, 2008 but is not applicable to the Group.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit plan that can be recognized as an asset under IAS 19 Employee Benefits. It also explains how the pension's asset or liability may be affected when there is a statutory or contractual minimum funding requirement. This interpretation is effective for annual periods beginning on or after January 1, 2008. The Group is evaluating the impact the interpretation will have on the Group's consolidated financial statements when adopted on January 1, 2008.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 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 could 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 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 December 31, 2007 and December 31, 2006 was €740.3 million and €845.9 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 December 31, 2007 and December 31, 2006 was €2.8 billion and €3.0 billion, respectively. Further details are provided in Notes 7 and 9.

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 December 31, 2007 and December 31, 2006 was €740.6 million and €856.8 million, respectively. Further details are provided in Notes 8 and 9.

DOCUMENT REDACTED BY TLC - 12-4-10

2.4 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 at the date at which 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. The valuation model and assumptions used are disclosed in Note 26.

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 December 31, 2007 was €11.8 million and €10.7 million, respectively. The carrying value of recognized tax losses and unrecognized tax losses at December 31, 2006 was €30.3 million and €3.1 million, respectively. Further details are provided in Note 12.

2.5 Summary of significant accounting policies

Interest in a joint venture
A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The Group recognizes its interests in joint ventures using proportionate consolidation. The financial statements of the joint venture are prepared for the same reporting year as the parent company, using consistent accounting policies. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Interest in an associate
An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. This is generally evidenced by ownership of between 20% and 50% of the voting rights. Associates are accounted for by the equity method of accounting, from the date that significant influence commences, until the date that significant influence ceases.

Foreign currency translation
The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency. The functional currency for the majority of the Group's foreign subsidiaries is the applicable local currency and items included in the financial statements of each entity are measured using that functional currency. For those subsidiaries, we translate assets and liabilities at exchange rates in effect at the balance sheet date, and income and expense accounts at weighted average exchange rates. The resulting foreign currency translation adjustments are recorded in other reserves within the equity section of our consolidated balance sheets. The US dollar to euro exchange rate was 1.4721 at December 31, 2007 and 1.317 at December 31, 2006.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.5 Summary of significant accounting policies (continued)

Transactions in foreign currencies are initially recorded at the functional currency exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate in effect at the balance sheet date. The resulting foreign currency translation adjustments are recorded in our consolidated income statements with the exception of adjustments that arise on monetary items that, in substance, form part of the net investment in foreign operations (such as intragroup loans where settlement is neither planned nor likely to occur in the foreseeable future) in a separate component of shareholders equity.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the date of the initial transaction. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For those foreign subsidiaries of GTECH operating in a highly inflationary economy or whose functional currency is the United States dollar, nonmonetary assets and liabilities are translated at historical rates and monetary assets and liabilities are translated at current rates. The resulting foreign currency translation adjustments are recorded in our consolidated income statements.

Systems, equipment and other assets related to contracts, net
Systems, equipment and other assets related to contracts are stated on the basis of cost. The cost is depreciated over the estimated useful life of the assets using the straight-line method depending on the type of cost. Cost is comprised of two categories:

- hard costs (for example: terminals, mainframe computers and communications equipment) and;
- soft costs (for example: software development).

Hard costs are depreciated using the straight line method over the base term of the contract plus extension years provided for in the contract that are deemed probable, but not to exceed 10 years. Soft costs are depreciated using the straight line method over the base term of the contract, but not to exceed 10 years.

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.

Property, plant and equipment, net
Property, plant and equipment is stated on the basis of cost. The cost, excluding land, is depreciated over the estimated useful life of the assets using the straight-line method. The estimated useful lives are generally 10 to 40 years for buildings and five to 10 years for furniture and equipment.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Borrowing costs
Borrowing costs are recognized as an expense when incurred.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.5 Summary of significant accounting policies (continued)

Business combinations and Goodwill
Business combinations are accounted for using the purchase method. Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, as of December 31, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which goodwill is allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on either the Group's primary or secondary reporting format determined in accordance with IAS 14 Segment Reporting

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and any expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

Useful lives of intangible assets are assessed to be either definite or indefinite. Intangible assets with definite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a definite useful life are reviewed at least annually at year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization expense on intangible assets with definite lives is recorded in the expense category of depreciation, amortization and write-downs in our consolidated income statements.

Intangible assets with indefinite useful lives are tested for impairment annually, as of December 31, either individually or at the cash-generating unit level, as appropriate. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to definite is made on a prospective basis.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.5 Summary of significant accounting policies (continued)

Research and development
Research costs are expensed as incurred. An intangible asset arising from development expenditures on an individual project is recognized when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset, and the ability to measure reliably the expenditure during the development. Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future revenues from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the year.

Impairment of assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows take into account the risks specific to the asset and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recorded in the expense category of depreciation, amortization and write-downs in our consolidated income statements.

Investments and other financial assets
Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss; held-to-maturity investments; loans and receivables; or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Financial assets at fair value through profit or loss
Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss." Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognized in income.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

DOCUMENT REDACTED BY TLC - 12-4-10

2.5 Summary of significant accounting policies (continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-for-sale financial assets
Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Fair value
The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis; and option pricing models.

Inventories
Inventories are stated at the lower of cost (under the first in, first out method or specific cost basis as considered necessary in the specific circumstances) or net realizable value. Inventories include amounts we manufacture or assemble for our long-term service contracts, which are transferred to systems, equipment and other assets related to contracts, net upon shipment. Inventories also include amounts related to product sales contracts, including product sales under long-term contracts.

Trade receivables and other receivables
Trade accounts receivable, which generally have 30 day terms, are reported net of allowances for doubtful accounts and liquidated damages (penalties incurred due to a failure to meet specified deadlines or performance standards). Allowances for doubtful accounts are generally recorded when there is objective evidence that we will not be able to collect the related receivables. Bad debts are written off when identified. Allowances for liquidated damages are recorded when they are probable and estimable.

Cash and cash equivalents
Cash and cash equivalents in the consolidated balance sheets are comprised of cash at banks and on hand and short-term, highly liquid investments with an original maturity of three months or less at the date of purchase.

Debt
All debt is initially recorded at the fair value of the consideration received less directly attributable debt issuance costs. Following initial recognition, debt is subsequently measured at amortized cost using the effective interest method. Gains and losses are recorded in the consolidated income statement when the liabilities are extinguished as well as through the amortization process.

DOCUMENT REDACTED BY TLC - 12-4-10

2.5 Summary of significant accounting policies (continued)

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the income statement.

Financial guarantee liabilities
Financial guarantee liabilities issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized as a liability (with a corresponding asset) at fair value.

Derecognition of financial assets and liabilities

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Post employment benefits
The Group has a defined benefit plan (staff severance fund) to provide certain post employment benefits to Italian employees following termination from the Group. Italian employees may choose to participate in an unfunded plan within the Group or transfer their plan balance to independent external funds. These benefits are funded only to the extent paid to the external funds. The cost of providing benefits under the plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are immediately recognized in the consolidated income statement. The defined benefit liability represents the present value of the Group's defined benefit plan obligation.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.5 Summary of significant accounting policies (continued)

Share-based payment transactions
Employees of the Group may receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined using a binomial model, further details of which are provided in Note 26.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognized as of the beginning and end of that period. No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, at a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share, further details of which are provided in Note 24.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

1) There is a change in contractual terms, other than a renewal or extension of the arrangement;
2) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
3) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
4) There is a substantial change to the asset.

When a reassessment is made for scenarios 1, 3 or 4 above, lease accounting commences or ceases from the date when the change in circumstances gave rise to the reassessment. When a reassessment is made for scenario 2 above, lease accounting commences or ceases at the date of renewal or extension period.

For arrangements entered into prior to January 1, 2005, the date of inception is deemed to be January 1, 2005 in accordance with the transitional requirements of IFRIC 4.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.5 Summary of significant accounting policies (continued)

Operating leases
Operating lease payments are recognized as an expense in the consolidated income statement on a straight line basis over the lease term.

Finance leases
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Revenue recognition
Revenue is recognized to the extent that it is probable the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts. Specific recognition criteria must also be met before revenue is recognized as discussed below.

Lottery and gaming transaction processing services
We generally conduct our lottery and gaming business under three types of contractual arrangements: Operating Contracts, Facilities Management Contracts and Product Sales Contracts.

Operating contracts
Certain of our revenue, primarily revenue from Italian operations, are derived from operating contracts. Under operating contracts, we manage all 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. Fees earned under operating contracts are recognized as revenue in the period earned and are classified as service revenue in our consolidated income statements when all of the following criteria are met:

- Persuasive evidence of an arrangement exists, which is typically when a customer contract has been signed
- Services have been rendered
- Our fee is deemed to be fixed or determinable and free of contingencies or significant uncertainties
- Collectibility is reasonably assured

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.5 Summary of significant accounting policies (continued)

Facilities management contracts
A substantial portion of our revenue is derived from facilities management contracts, under which we construct, install, operate and retain ownership of the online lottery system ("lottery system"). These contracts generally provide for a variable amount of monthly or weekly service fees paid to us directly from the lottery authority based on a percentage of a lottery's gross online and instant ticket sales or a percentage of net machine income. Fees earned under facilities management contracts are recognized as revenue in the period earned and are classified as service revenue in our consolidated income statements when all of the following criteria are met:

- Persuasive evidence of an arrangement exists, which is typically when a customer contract has been signed
- Services have been rendered
- Our fee is deemed to be fixed or determinable and free of contingencies or significant uncertainties
- Collectibility is reasonably assured

In instances where customer acceptance of the product or system is required, revenue is deferred until all the acceptance criteria have been met.

Product sales contracts
Under product sales contracts, we construct, sell, deliver and install a turnkey lottery system or deliver lottery equipment, and license the computer software for a fixed price, and the lottery authority subsequently operates the lottery system. Product sale contracts generally include customer acceptance provisions and general customer rights to terminate the contract if we are in breach of the contract.

Because product sales contracts include significant customization, modification and other services prior to customer acceptance that are considered essential to the lottery software inherent in our lottery systems, revenue is recognized upon customer acceptance as long as the cost to deliver remaining obligations to the customer can be reasonably estimated. Upon revenue recognition, sufficient revenue is deferred associated with estimated costs to deliver remaining obligations to the customer. Amounts due to us and costs incurred by us in constructing the lottery system prior to customer acceptance are deferred. We recognize losses, if any, on fixed price contracts when the amount of the loss is probable and determinable. Revenue attributable to the lottery system is classified as product sales in our consolidated income statements and is recognized upon customer acceptance as long as there are no substantial doubts regarding collectibility.

Revenues attributable to any ongoing services provided subsequent to customer acceptance are classified as service revenue in our consolidated income statements in the period earned.

In certain product sale contracts (primarily the stand alone sale of lottery or video lottery terminals and software deliverables that do not involve significant customization of software) we are not responsible for installation and we recognize revenue when all of the following criteria are met:

- Persuasive evidence of an arrangement exists, which is typically when a customer contract has been signed
- The product has been delivered
- Our fee is deemed to be fixed or determinable and free of contingencies or significant uncertainties
- Collectibility is reasonably assured

In instances where installation and/or customer acceptance of the product is required, revenue is deferred until installation is complete and any acceptance criteria have been met.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.5 Summary of significant accounting policies (continued)

Our typical payment terms under product sale contracts include customer progress payments based on specific contract milestones with final payment due on or shortly after customer acceptance. We generally do not offer our customers payment terms that extend substantially beyond customer acceptance. In the rare case we provide a customer with extended payment terms, we defer revenue equal to the amount of the extended payment until it is received.

Non-lottery transaction processing services
We offer high-volume transaction processing services outside of our core market of providing online lottery services that consist of the acquiring, processing and transmission of commercial non-lottery transactions. Such transactions include bill payments, electronic tax payments, utility payments, prepaid cellular telephone recharges and retail-based programs.

We earn a fee for processing commercial non-lottery transactions that is transaction-based (a fixed fee per transaction or a fee based on a percentage of monetary volume processed). We recognize these fees as service revenue at the time a transaction is processed based on the net amount retained.

Deferred revenue and liquidated damage assessments
Amounts received from customers in advance of revenue recognition are recorded in other current liabilities in our consolidated balance sheets. We record liquidated damage assessments, which are penalties incurred due to a failure to meet specified deadlines or performance standards, as a reduction of revenue in the period they become probable and estimable.

Income taxes

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax
Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

DOCUMENT REDACTED BY TLC - 12-4-10

2.5 Summary of significant accounting policies (continued)

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognized in the consolidated income statements.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability;
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecast transaction; or
- Hedges of a net investment in a foreign operation

DOCUMENT REDACTED BY TLC - 12-4-10

2.5 Summary of significant accounting policies (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges
Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are recognized in the consolidated income statements.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

Cash flow hedges
Cash flow hedges are hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in the consolidated income statements.

Amounts taken to equity are transferred to the consolidated income statement when the hedged transaction affects income or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs.

If the forecast transaction is no longer expected to occur, amounts previously recognized in equity are transferred to the consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is recognized in the consolidated income statement.

Hedges of a net investment in a foreign operation
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized directly in equity while any gains or losses relating to the ineffective portion are recognized in the consolidated income statements. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized directly in equity is transferred to the consolidated income statement.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Business combinations and acquisition of minority interests

Acquisitions in 2007

Acquisition of Creative Games International

On February 1, 2007, we acquired substantially all the assets of Creative Games International, Inc. ("CGI"), a provider of instant lottery tickets for the global lottery industry for a cash purchase price of US$4.4 million (€3.4 million at the February 1, 2007 transaction date). The results of CGI's operations, which were not material to the income of the Group, have been included in the consolidated financial statements since that date.

The cash outflow associated with the acquisition is summarized as follows (in thousands of euros):

Purchase price	(3,395)
Acquisition costs	(11)
Total acquisition cost	(3,406)
Net cash acquired	46
Net cash outflow	(3,360)

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 transaction date). In addition, if certain performance targets are met, contingent consideration of up to £11.5 million (€15.5 million at the December 31, 2007 exchange rate) and £18.5 million (€24.9 million at the December 31, 2007 exchange rate) may be paid during 2008 and 2010, respectively. The results of Finsoft's operations, which were not material to the income of the Group, have been included in the consolidated financial statements since July 2, 2007.

The cash outflow associated with the acquisition is summarized as follows (in thousands of euros):

Purchase price	(43,891)
Present value of contingent consideration	(20,805)
Acquisition costs	(1,175)
Working capital adjustment	1,019
Total acquisition cost	(64,852)
Present value of contingent consideration	20,805
Working capital adjustment	(1,019)
Net cash overdraft acquired	(24)
Net cash outflow	(45,090)

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Business combinations and acquisition of minority interests (continued)

Acquisition of a Branch of Gruppo Sigma

On December 17, 2007, we completed the acquisition of a branch of Gruppo Sigma that is engaged in the gaming solutions business for a purchase price of €2.8 million. The results of Gruppo Sigma's operations, which were not material to the income of the Group, have been included in the consolidated financial statements since that date. The purchase price was paid as follows (in thousands of euros):

Accounts receivable from Gruppo Sigma	(3,762)
Accounts payable to Gruppo Sigma	1,131
Non-cash purchase price	(2,631)
Cash purchase price (including acquisition costs)	(216)
Total purchase price	(2,847)

The CGI, Finsoft and Gruppo Sigma acquisitions effected during 2007 are individually immaterial to the Group. The €71.1 million aggregate cost of these acquisitions is allocated as follows (in thousands of euros):

Goodwill (Note 7)	48,066
Intangible assets, net (Note 8)	27,848
Net all other assets, liabilities and contingent liabilities	(4,855)
Total cost of acquisitions	71,059

The goodwill recognized for the Finsoft and CGI acquisitions is attributable to the expected synergies and other benefits from combining their assets and activities with the Group.

Acquisitions subsequent to December 31, 2007

On January 31, 2008, we acquired a 50% controlling interest in the Atronic group of companies ("Atronic") owned by Paul and Michael Gauselmann for the €20 million advance payment 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. See Note 31 for further details.

As of March 5, 2008, we acquired 46.3 million shares of Boss Media for SEK 1.2 billion (€124.0 million), representing an approximately 81% ownership in Boss Media. Boss Media is a leading developer of innovative software and systems for digitally-distributed gaming entertainment. See Note 34 for further details.

Because we have not obtained all the relevant information needed to value the Atronic acquisition, and the purchase of shares of Boss Media is ongoing during the first quarter of 2008, it is impractical for the Group to disclose all the information related to these acquisitions as required by IFRS 3.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Business combinations and acquisition of minority interests (continued)

Acquisitions in 2006

Acquisition of GTECH Holdings Corporation

On August 29, 2006, we acquired 100% of the voting shares of GTECH, a leading gaming and technology services company for approximately €3.5 billion, excluding the assumption of debt. The acquisition has been accounted for using the purchase method of accounting. The 2006 consolidated financial statements include the results of GTECH for the four month period from the acquisition date.

The following table summarizes the fair values of GTECH's assets acquired and liabilities (including contingent liabilities) assumed at the date of the acquisition (in thousands of euros):

	Fair Value	Carrying Value
Systems, equipment and other assets relating to contracts, net	743,378	578,070
Property, plant and equipment, net	68,529	56,805
Goodwill	-	258,923
Intangible assets, net	871,367	39,579
Deferred income taxes	106,962	92,765
Other non-current assets	45,745	47,001
Current assets	452,539	482,930
Total Assets Acquired	2,288,520	1,556,073
Long-term debt, less current portion	411,429	402,337
Deferred income taxes	531,116	138,618
Other non-current liabilities	172,773	147,202
Current liabilities	282,890	286,831
Total Liabilities Assumed	1,398,208	974,988
Net assets	890,312	581,085
Goodwill arising on acquisition	2,626,695	
Total Acquisition cost	3,517,007	

The fair values above were finalized on August 29, 2007, one year from the acquisition date of August 29, 2006.

The cash outflow associated with the acquisition is summarized as follows (in thousands of euros):

Purchase price	(3,487,757)
Acquisition costs	(29,250)
Total acquisition cost	(3,517,007)
Net cash acquired	254,376
Net cash outflow	(3,262,631)

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Business combinations and acquisition of minority interests (continued)

Prior to the acquisition of GTECH on August 29, 2006, Lottomatica entered into foreign exchange contracts to mitigate its exposure to foreign exchange rates resulting from Lottomatica's commitment to acquire GTECH for US$35 per share. The euro equivalent of these foreign exchange contracts was approximately €2.1 billion. Lottomatica paid €69.7 million in premiums to the various financial institutions that were counterparties to the foreign exchange contracts. In addition, during 2006, Lottomatica incurred approximately €33.3 million of realized foreign exchange losses of which approximately €16.6 million related to cash losses on the €2.1 billion of foreign exchange contracts and the balance of approximately €16.7 million related principally to foreign exchange losses on €849 million of cash balances that Lottomatica converted to US dollars prior to the acquisition. The table below summarizes the foreign exchange loss activity during 2006 (in thousands of euros).

Realized hedging premiums	(69,690)
Realized foreign exchange losses	(33,261)
Realized losses related to acquisition of GTECH	(102,951)
Unrealized foreign exchange losses	(17,662)
	(120,613)

The 2006 foreign exchange losses and hedging premiums were more than offset by a lower purchase price for GTECH in euros due to a significant strengthening of the euro against the US dollar between the announcement of the acquisition in January 2006 and when the acquisition was completed on August 29, 2006.

Acquisition of Minority Interests

On August 1, 2006, Lottomatica purchased the remaining minority interest in Lottomaticaitalia Servizi S.p.A. and Sed Multitel S.p.A. for €14.2 million. The excess of the purchase price over the carrying value of the minority interests of €10.7 million has been recorded as a charge to retained earnings in our consolidated statement of changes in equity.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Segment information

The Group's primary segment reporting format is business segments because the Group's risks and rates of return are affected predominately by differences in the products and services produced and provided. Secondary information is reported geographically. The 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 three business segments:

- Lottery segment – operates and provides a full range of services, technology and products to government sponsored online, instant and traditional Lotteries, fixed odds sports betting, and pari-mutual betting and sports pools.

- Gaming Solutions segment – provides solutions, products and services relating to video lottery terminals ("VLTs") and systems for VLTs and amusement with prize machines.

- 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.

Prior to the acquisition of GTECH on August 29, 2006, the Group was comprised of two reportable business segments: Games and Commercial Services. Subsequent to the acquisition, the Games segment was separated into the Lottery and Gaming Solutions segment.

The Group's BillBird S.A. subsidiary, which was included in the Commercial Services segment in 2006, has been included in the Lottery segment in 2007 and prior year segment information has been reclassified to conform to the 2007 presentation.

The Group's geographical segments are based on the location of the Group's assets. Revenues from external customers disclosed in geographical segments are based on the geographical location of the Group's customers.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Segment information (continued)

The following tables present revenue and operating income and certain assets and liability information regarding the Group's business segments:

Year ended December 31, 2007

(thousands of euros)	Lottery	Gaming Solutions	Commercial Services	Unallocated	Total
Revenue					
Revenue from third-party customers	1,463,079	101,415	96,897	-	1,661,391
Intercompany revenue	-	-	-	-	-
Total revenue	1,463,079	101,415	96,897	-	1,661,391
Results					
Segment operating income (loss) **(a)**	446,350	(8,962)	32,898	(75,363)	394,923
As of December 31, 2007					
Assets and liabilities					
Segment assets **(b)**	4,509,163	326,580	346,484	665,653	5,847,880
Investment in associates	2,816	-	-	-	2,816
Total assets	4,511,979	326,580	346,484	665,653	5,850,696
Segment liabilities **(b)**	377,490	48,596	212,767	3,478,652	4,117,505
Total liabilities	377,490	48,596	212,767	3,478,652	4,117,505
Other segment information					
Capital expenditures:					
Purchases of systems, equipment and other assets	132,347	35,386	5,684	3,835	177,252
Purchases of property, plant and equipment	2,417	1,492	-	9,171	13,080
Purchases of intangible assets	29,640	2,588	355	528	33,111
Depreciation and fixed asset write-downs	183,405	20,115	5,442	4,585	213,547
Intangibles amortization and write-downs	64,245	2,545	1,508	194	68,492
Other amortization	(194)	-	-	-	(194)

(a) Operating income for the Commercial Services business segment includes approximately €10.6 million from POLCARD. POLCARD was sold on August 1, 2007 (See Note 16 for details). Unallocated segment operating income (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.

(b) Unallocated segment assets and liabilities are primarily comprised of cash, deferred income taxes, debt and other corporate amounts that cannot be directly attributed or allocated to segments on a reasonable basis.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Segment information (continued)

Year ended December 31, 2006

(thousands of euros)	Lottery	Gaming Solutions	Commercial Services	Unallocated	Total
Revenue					
Revenue from third-party customers	822,086	29,273	87,521	-	938,880
Intercompany revenue	-	-	-	-	-
Total revenue	822,086	29,273	87,521	-	938,880
Results					
Segment operating income (loss) **(a)**	276,764	(15,735)	37,284	(79,023)	219,290
As of December 31, 2006					
Assets and liabilities					
Segment assets **(b)**	4,678,287	304,493	396,114	727,821	6,106,715
Assets of disposal group classified as held for sale	-	-	329,348	-	329,348
Investment in associates	6,889	-	-	-	6,889
Total assets	4,685,176	304,493	725,462	727,821	6,442,952
Segment liabilities **(b)**	492,670	55,934	253,930	3,641,099	4,443,633
Liabilities directly associated with the assets classified as held for sale	-	-	125,703	-	125,703
Total liabilities	492,670	55,934	379,633	3,641,099	4,569,336
Other segment information					
Capital expenditures:					
Purchases of systems, equipment and other assets	52,292	12,639	8,298	14,932	88,161
Purchases of property, plant and equipment	1	688	-	35,265	35,954
Purchases of intangible assets	55,310	661	2,031	4,378	62,380
Depreciation and fixed asset write-downs	81,678	7,125	5,490	9,699	103,992
Intangibles amortization and write-downs	23,325	2,107	1,397	5,723	32,552
Other amortization	(71)	-	-	-	(71)

(a) Operating income for the Commercial Services business segment includes approximately €5.4 million from POLCARD. Unallocated segment operating income (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.

(b) Unallocated segment assets and liabilities are primarily comprised of cash, deferred income taxes, debt and other corporate amounts that cannot be directly attributed or allocated to segments on a reasonable basis.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Segment information (continued)

The following tables present revenue, asset, and capital expenditure information regarding the Group's geographical segments:

Year ended December 31, 2007

(thousands of euros)	North America	Europe and Africa	Latin America	Asia Pacific	Unallocated	Total
Revenue						
Revenue from third-party customers	520,794	1,049,109	81,529	9,959	-	1,661,391
Intercompany revenue	-	-	-	-	-	-
Total revenue	520,794	1,049,109	81,529	9,959	-	1,661,391
As of December 31, 2007						
Other segment information						
Segment assets	2,383,550	2,409,710	314,536	77,247	665,653	5,850,696
Capital expenditures:						
Purchases of systems, equipment and other assets	98,560	62,421	12,912	3,359	-	177,252
Purchases of property, plant and equipment	3,909	-	-	-	9,171	13,080
Purchases of intangible assets	1,214	31,897	-	-	-	33,111

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Segment information (continued)

Year ended December 31, 2006

(thousands of euros)	North America	Europe and Africa	Latin America	Asia Pacific	Unallocated	Total
Revenue						
Revenue from third-party customers	167,277	735,231	28,486	7,886	-	938,880
Intercompany revenue	-	-	-	-	-	-
Total revenue	167,277	735,231	28,486	7,886	-	938,880
As of December 31, 2006						
Other segment information						
Segment assets	2,593,726	2,359,085	323,244	109,728	727,821	6,113,604
Assets of disposal group classified as held for sale	-	329,348	-	-	-	329,348
Total assets	2,593,726	2,688,433	323,244	109,728	727,821	6,442,952
Capital expenditures:						
Purchases of systems, equipment and other assets	23,997	52,482	7,425	3,250	1,007	88,161
Purchases of property, plant and equipment	689	-	-	-	35,265	35,954
Purchases of intangible assets	59	62,321	-	-	-	62,380

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Segment information (continued)

Countries included in our geographical segments are as follows:

North America	Europe and Africa	Latin America	Asia Pacific
United States	Belgium	Anguilla	Australia
Canada	Czech Republic	Antigua and Barbuda	China
	Denmark	Argentina	New Zealand
	France	Barbados	Singapore
	Germany	Bermuda	Sri Lanka
	Ireland	Brazil	Taiwan
	Israel	Chile	Thailand
	Italy	Colombia	
	Lithuania	Guatemala	
	Luxembourg	Jamaica	
	Morocco	Mexico	
	Netherlands	Puerto Rico	
	Poland	St. Kitts	
	Portugal	St. Maarten	
	Slovak Republic	Trinidad and Tobago	
	South Africa	Turks and Caicos	
	Spain	US Virgin Islands	
	Sweden		
	Turkey		
	United Kingdom		
	Ukraine		

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Systems, equipment and other assets related to contracts, net

(thousands of euros)	Land and Buildings	Terminals and Systems	Furniture and Equipment	Contracts in Progress	Total
Net book value					
Balance at January 1, 2006	17,745	102,587	2,676	35,240	158,248
Acquisition of GTECH (Note 3)	579	634,625	53,432	55,744	744,380
Additions	3,284	38,438	2,283	44,156	88,161
Depreciation and write-downs	(2,414)	(92,186)	(5,855)	(222)	(100,677)
Disposals	(4)	(6,987)	(235)	(32)	(7,258)
Disposal group held for sale	-	(5,909)	(9,952)	(2,631)	(18,492)
Foreign currency translation	(17)	(17,184)	(534)	(1,124)	(18,859)
Transfers and other	242	83,522	3,148	(86,525)	387
Balance at December 31, 2006	19,415	736,906	44,963	44,606	845,890
Acquisition of CGI (Note 3)	-	-	1,286	-	1,286
Acquisition of Finsoft (Note 3)	-	162	55	-	217
Acquisition of GTECH (Note 3)	-	(1,002)	-	-	(1,002)
Additions	3,843	44,208	10,013	119,188	177,252
Depreciation and write-downs	(3,000)	(186,947)	(13,572)	(115)	(203,634)
Disposals	-	(7,794)	(2,012)	(615)	(10,421)
Foreign currency translation	(55)	(60,745)	(3,234)	(3,688)	(67,722)
Transfers	1	118,743	5,390	(123,965)	169
Other	-	(1,606)	(169)	-	(1,775)
Balance at December 31, 2007	20,204	641,925	42,720	35,411	740,260
Balance at December 31, 2006					
Cost	28,918	1,003,265	54,347	44,606	1,131,136
Accumulated depreciation	(9,503)	(266,359)	(9,384)	-	(285,246)
Net book value	19,415	736,906	44,963	44,606	845,890
Balance at December 31, 2007					
Cost	32,702	1,068,658	61,180	35,411	1,197,951
Accumulated depreciation	(12,498)	(426,733)	(18,460)	-	(457,691)
Net book value	20,204	641,925	42,720	35,411	740,260

During 2007 and 2006, the Group recorded asset impairment charges of €8.2 million (€5.4 million related to the Lottery segment and €2.8 million related to the Gaming Solutions segment) and €6.3 million (related to the Lottery segment), respectively, relating primarily to underperforming contracts. The basis for these impairment charges was our estimate of the future discounted cash flows expected to be generated from the use of those assets compared to their net book value. The discounted cash flow projections were less than the net book value, indicating impairment. The asset impairment charges are included in depreciation, amortization and write-downs in our consolidated income statements.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Property, plant and equipment, net

(thousands of euros)	Land and Buildings	Furniture and Equipment	Construction in Progress	Total
Net book value				
Balance at January 1, 2006	-	-	-	-
Acquisition of GTECH (Note 3)	40,840	17,975	9,714	68,529
Additions	21,799	1,357	12,798	35,954
Depreciation and write-downs	(730)	(2,585)	-	(3,315)
Disposals	(31,482)	(889)	(488)	(32,859)
Foreign currency translation	(596)	(587)	(505)	(1,688)
Transfers and other	(11)	15,263	(15,252)	-
Balance at December 31, 2006	29,820	30,534	6,267	66,621
Additions	327	4,378	8,375	13,080
Depreciation and write-downs	(2,066)	(7,847)	-	(9,913)
Disposals	(45)	(191)	-	(236)
Foreign currency translation	(3,105)	(3,199)	101	(6,203)
Transfers	5,169	6,471	(11,809)	(169)
Other	(20)	(31)	-	(51)
Balance at December 31, 2007	30,080	30,115	2,934	63,129
Balance at December 31, 2006				
Cost	30,274	32,887	6,267	69,428
Accumulated depreciation	(454)	(2,353)	-	(2,807)
Net book value	29,820	30,534	6,267	66,621
Balance at December 31, 2007				
Cost	32,488	39,535	2,934	74,957
Accumulated depreciation	(2,408)	(9,420)	-	(11,828)
Net book value	30,080	30,115	2,934	63,129

DOCUMENT REDACTED BY TLC - 12-4-10

7. Goodwill

(thousands of euros)	December 31, 2007	2006
Balance at beginning of year	2,972,496	663,613
Acquisitions (Note 3):		
GTECH	-	2,608,438
Finsoft	46,967	-
CGI	1,099	-
	48,066	2,608,438
Adjustments:		
Subsequent changes in fair value of contingent liabilities	(22,957)	(8,491)
Foreign currency translation	(246,931)	(75,268)
Revisions to fair value of GTECH assets and liabilities acquired	18,257	-
Goodwill associated with disposal group (Note 16)	24,255	(215,796)
	(227,376)	(299,555)
Balance at end of year	2,793,186	2,972,496

Goodwill related to the Finsoft acquisition is provisional as the cost of the acquisition includes contingent consideration.

Changes to pre-acquisition contingent income tax liabilities resulting from a change in estimate or settlement with tax authorities are applied to reduce the remaining balance of goodwill relating to acquisitions.

The €24.3 million adjustment to goodwill associated with disposal group was principally due to the finalization of the purchase price on March 30, 2007 of the sale of POLCARD S.A. to First Data International for US$325 million (€237.8 million at the August 1, 2007 exchange rate).

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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Intangible assets, net

(thousands of euros)	December 31, 2007	2006
Balance at beginning of year	856,764	10,774
Intangible assets acquired during the year:		
Purchase business combination related:		
Customer contracts	13,875	690,843
Trademarks	1,678	80,464
Capitalized computer software	11,302	72,316
Proprietary hardware	-	21,267
Patents	-	3,675
Licenses	478	445
Other	515	1,419
	27,848	870,429
All other intangible assets acquired:		
Sports betting rights and horse racing betting rights	540	55,129
Patents	3,588	5,804
Concessions and licenses	1,135	1,181
Other	-	266
	5,263	62,380
Total intangible assets acquired	33,111	932,809
Foreign currency translation	(81,708)	(24,523)
Revisions to fair value of GTECH assets and liabilities acquired	938	-
Intangible assets included in disposal group	-	(29,744)
Amortization and write-downs	(68,492)	(32,552)
Balance at end of year	740,613	856,764

Purchase business combination related intangible assets in 2007 result from the Finsoft, CGI and Gruppo Sigma acquisitions and in 2006 result from the GTECH acquisition.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Intangible assets, net (continued)

Intangible assets that are subject to amortization are being amortized ratably over their estimated useful lives, with no estimated residual values. Certain trademarks were determined to have indefinite lives and are not subject to amortization. The Group expects to make use of the trademarks on existing and future business, and no economic, legal or contractual limitation of their useful lives is anticipated. The following tables present detailed information for intangible assets.

	As of December 31, 2007			
(thousands of euros)	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Subject to amortization				
Customer contracts	14.1	584,386	60,288	524,098
Capitalized computer software	11.8	72,710	9,637	63,073
Sports betting rights and horse racing betting rights	9.0	56,033	3,463	52,570
Proprietary hardware	14.0	18,477	1,779	16,698
Patents	3.0	58,577	51,664	6,913
Concessions & licenses	3.1	12,760	10,029	2,731
Other	11.0	5,313	2,051	3,262
		808,256	138,911	669,345
Not subject to amortization				
Trademarks		71,268	-	71,268
		879,524	138,911	740,613

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Intangible assets, net (continued)

	As of December 31, 2006			
(thousands of euros)	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Subject to amortization				
Customer contracts	14.0	670,910	18,997	651,913
Capitalized computer software	12.7	70,229	2,452	67,777
Sports betting rights and horse racing betting rights	9.0	55,129	-	55,129
Proprietary hardware	14.0	20,653	513	20,140
Patents	3.0	56,180	46,022	10,158
Concessions & licenses	3.1	10,191	8,538	1,653
Other	14.3	2,383	559	1,824
		885,675	77,081	808,594
Not subject to amortization				
Trademarks		77,914	-	77,914
		963,589	77,081	886,508
Intangible assets included in disposal group		(30,238)	(494)	(29,744)
		933,351	76,587	856,764

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Impairment testing of goodwill and intangibles with indefinite lives

Goodwill acquired through business combinations and trademarks has been allocated to three groups of cash generating units for impairment testing as follows:

- Lottery
- Gaming Solutions
- Commercial Services

Italian operations

The recoverable amounts for the Lottery and Commercial Services cash generating units have been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a period of approximately nine and five years, respectively, which is based on the weighted average contractual life of customer contracts in Lottomatica's portfolio. Cash flows beyond the five year period were extrapolated using a growth rate of 3.25% and 3.0% for the Lottery and Commercial Services cash-generating units, respectively, which were based on historical trends and expected future performance.

GTECH operations

The recoverable amounts for the Lottery and Gaming Solutions cash generating units have been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a period of six years which is based on the weighted average contractual life of customer contracts in GTECH's portfolio. Cash flows beyond the six year period were extrapolated using growth rates of 3.5% for both of these cash-generating units, which were based on historical trends and expected future performance.

Carrying amount of goodwill and trademarks at December 31

	Goodwill		Trademarks	
(thousands of euros)	2007	2006	2007	2006
Lottery	2,447,729	2,616,467	68,075	74,346
Gaming Solutions	125,359	135,931	3,193	3,568
Commercial Services	220,098	220,098	-	-
	2,793,186	2,972,496	71,268	77,914

Key assumptions used in the value in use calculation of Lottery, Gaming Solutions and Commercial Services units for December 31, 2007 and 2006

The calculation of value in use for the Lottery, Gaming Solutions and Commercial Services cash-generating units are most sensitive to the following key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill and trademarks.

Service revenue and related profit

Projected cash flows from service revenue assumes the continuation of recent historical trends adjusted for expected new contract wins, anticipated contract renewal pricing pressures, and the expected impact of sales and marketing initiatives that are being developed or expected to be developed.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Impairment testing of goodwill and intangibles with indefinite lives (continued)

Product sales and related profit
Projected cash flows from product sales assumes renewal orders from existing customers in connection with known upcoming procurements, along with orders from new or developing customers and markets at selling prices generally in line with historical experiences adjusted for expected competitive pressures.

Discount rate
Discount rates reflect management's estimate of the risks specific to each cash-generating unit and is the benchmark used by management to assess operating performance. The pre-tax discount rates applied to the cash flow projections for the Lottery, Gaming Solutions and Commercial Services cash-generating units were as follows:

	Italy	GTECH
Lottery	10.3%	8.8%
Gaming Solutions	-	7.5%
Commercial Services	11.5%	-

Growth rate used to extrapolate cash flows beyond the forecast period
Growth rates are based on historical trends and expected future performance.

Management believes that any reasonably possible change in any of the key assumptions on which the Lottery, Gaming Solutions and Commercial Services unit's recoverable amount is based would not cause the unit's carrying amount to exceed its recoverable amount.

DOCUMENT REDACTED BY TLC - 12-4-10

10. Other assets (non-current and current)

	December 31,	
(thousands of euros)	2007	2006
Other non-current assets		
Share of non-current assets of joint ventures	22,905	17,529
Long-term customer receivables	5,415	7,769
Deposits	2,780	2,935
Sales-type lease receivables	2,362	53
Long-term prepaid expenses	1,194	895
Refundable performance deposit	493	2,276
Other	1,244	2,220
	36,393	33,677

	December 31,	
(thousands of euros)	2007	2006
Other current assets		
Other tax receivables	12,755	5,407
Contract receivables	9,739	13,715
Prepaid expenses	8,536	11,869
Value-added tax receivable	7,279	11,035
Other receivables	5,903	536
Refundable performance deposit	1,359	6,074
Other	4,274	3,137
	49,845	51,773

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Financial instruments

Fair values

Set out below is a comparison by class of the carrying amounts and fair values of our financial instruments.

	December 31, 2007		December 31, 2006	
(thousands of euros)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents				
Cash and cash equivalents	434,065	434,065	396,617	396,617
Disposal group held for sale	-	-	4,117	4,117
	434,065	434,065	400,734	400,734
Current financial assets				
Brazil escrow	16,154	16,154	-	-
Investment in government securities	2,015	1,982	2,014	1,981
Bingo plus loan	1,000	1,000	1,000	1,000
Thailand loan guarantee	442	442	357	357
	19,611	19,578	3,371	3,338
Non-current financial assets				
Atronic loan guarantee	5,765	5,765	5,629	5,629
Atronic escrow	-	-	20,000	20,000
	5,765	5,765	25,629	25,629
Financial liabilities				
Interest bearing loans and borrowings				
Senior Credit Facility	1,482,318	1,494,464	1,699,399	1,716,756
Capital Securities	774,487	729,375	763,865	793,125
4.80% Bonds	359,976	359,550	359,446	364,950
Senior Credit Revolving Facility	-	-	7,754	7,754
Other	8,202	8,202	8,339	8,339
	2,624,983	2,591,591	2,838,803	2,890,924
Current financial liabilities				
Foreign currency option contracts	3,166	3,166	2,322	2,322
Foreign currency forward contracts	464	464	199	199
Thailand loan guarantee	442	442	357	357
Finance lease obligation (Note 31)	363	363	5	5
Interest rate swaps (Note 32)	109	109	-	-
	4,544	4,544	2,883	2,883
Non-current financial liabilities				
Finance lease obligation (Note 31)	19,225	19,225	21,907	21,907
Interest rate swaps (Note 32)	14,632	14,632	-	-
Atronic loan guarantee	5,765	5,765	5,629	5,629
	39,622	39,622	27,536	27,536

DOCUMENT REDACTED BY TLC - 12-4-10

11. Financial instruments (continued)

Cash and cash equivalents are stated at cost, which approximates fair value, and earn interest at market rates.

The fair values of our financial instruments were determined as follows:

- the Capital Securities, 4.80% Bonds and interest rate swaps were determined by independent investment bankers calculated using market interest rates;
- the Senior Credit Facility and Senior Credit Revolving Facility approximate their carrying amounts, excluding the effect of debt issuance costs;
- the option and forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles;
- the guarantees included in current and non-current financial liabilities were determined using discounted cash flows; and
- the finance lease obligation liabilities represent the respective short-term and long-term portions of the GTECH world headquarters facility that is recorded at the present value of the lease payments. The carrying amount of the finance lease obligation is considered to approximate fair value.

Brazil escrow

On October 23, 2007, GTECH's subsidiary in Brazil, GTECH Brasil Ltda. received a ruling to release 40 million Brazilian reals held in escrow (approximately €15.3 million plus interest of approximately €0.9 million at currency-exchange rates in effect as of December 31, 2007) in a Brazilian court account in connection with the injunction brought by the Brazilian Federal Attorneys in 2004 as described further in Note 30. The decision to release the funds was made unanimously by a 5 judge panel in the Superior Tribunal Justice, Brazil's highest court for non-constitutional matters. On February 22, 2008, GTECH Brasil Ltda. received the court ordered return of funds held in escrow plus related interest.

Atronic escrow

GTECH entered into an agreement in December 2004, as amended in January 2006 (collectively, the "Agreement"), to acquire a 50% controlling equity position in the Atronic group of companies ("Atronic") owned by Paul and Michael Gauselmann (the "Gauselmanns"). In October 2006, GTECH submitted a non-refundable advance payment of €20 million to an escrow account held by Atronic's attorney, as required by the Agreement, which was applied toward the purchase price upon the closing of the acquisition, which occurred on January 31, 2008. In connection with the finalization of the purchase accounting for the August 29, 2006 acquisition of GTECH, a reserve was established for this payment which was included in other current liabilities at December 31, 2006. In 2007, the escrow payment was offset against the reserve. See Note 31 for further details.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Income tax

Income before income tax expense consists of the following:

(thousands of euros)	December 31, 2007	2006
Italy	264,068	80,945
Foreign	(67,652)	(47,191)
	196,416	33,754

The significant components of income tax expense are as follows:

(thousands of euros)	December 31, 2007	2006
Current		
Italy	88,647	33,530
Foreign	38,734	7,599
Total Current	127,381	41,129
Deferred		
Italy	24,184	15,543
Foreign	(61,113)	(23,740)
Total Deferred	(36,929)	(8,197)
Income tax expense	90,452	32,932

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Income tax (continued)

The tax effects of temporary differences and carryforwards that give rise to deferred tax assets and liabilities consist of the following:

	December 31,	
(thousands of euros)	2007	2006
Deferred tax assets		
Depreciation and amortization	68,408	72,634
Provisions not currently deductible for tax purposes	27,362	44,287
Foreign currency translation	16,159	-
Net operating loss carryforward	11,804	30,322
Tax credit carryforward	10,077	2,132
Cash collected in excess of revenue recognized	8,876	13,012
Interest rate swaps	5,487	-
Inventory reserves	3,454	4,002
Other	9,131	11,511
	160,758	177,900
Deferred tax liabilities		
Acquired intangible assets	330,093	383,285
Depreciation and amortization	118,970	120,245
Gain on sale of subsidiary stock	-	39,824
Other	3,672	4,081
	452,735	547,435
Net deferred tax assets (liabilities)	(291,977)	(369,535)

Net deferred tax liabilities at December 31, 2007	(291,977)
Net deferred tax liabilities at December 31, 2006	(369,535)
Net change on the balance sheet	77,558
Deferred tax benefit recorded to the income statement	36,929
Purchase accounting related	(15,135)
Other deferred tax benefit recorded to equity	55,764
	77,558

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Income tax (continued)

The effective income tax rate on income before income tax expense differed from the Italian statutory tax rate for the following reasons:

(thousands of euros)	December 31, 2007	2006
Income before income tax expense	196,416	33,754
Italian statutory tax rate	33.00%	33.00%
Theoretical provision for income taxes based on Italian statutory tax rate	64,817	11,139
Reconciliation of the theoretical and effective provision for income taxes:		
Permanent differences		
Italian local tax (IRAP)	22,763	16,333
Nondeductible expense	6,587	4,719
Foreign tax rate differential	3,643	(568)
Controlled foreign corporation tax	(2,792)	2,792
Italian statutory tax rate change	(4,081)	-
Other	(485)	(1,483)
Total tax provision	90,452	32,932
Effective tax rate	46.1%	97.6%

At December 31, 2007, a €286.3 million deficit existed in undistributed earnings of foreign subsidiaries. Accordingly, no undistributed earnings existed that would have required the consideration of a deferred tax liability if such earnings were forecasted to be distributed in the foreseeable future. If undistributed earnings had existed at December 31, 2007, an associated deferred tax liability would not have been required because there is no intention by the Group to remit foreign earnings in the foreseeable future.

At December 31, 2007, the Group has recognized deferred tax assets related to operating losses of €11.8 million (United States state and Italian net operating losses) and recognized deferred tax assets related to tax credits of €10.1 million. The recognition of these assets is based on expectations that sufficient taxable income will be generated in future years to utilize the tax loss carry forwards. The Group also has €10.7 million of unrecognized deferred tax assets related to net operating losses and €18.7 million of unrecognized deferred tax assets related to foreign tax credits. These deferred tax assets were not recorded because realization of these assets is uncertain.

At December 31, 2007, the Group had Italian net operating loss carry forwards for income tax purposes of €12.2 million that expire at various dates through 2012. The Group also has United States (US) tax credit carry forwards of €10.1 million that expire at various dates through 2027.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Income tax (continued)

At December 31, 2007, the Group had US state net operating losses that will expire at various dates through 2027. The Group has recorded a deferred tax asset of €8.4 million for these state net operating losses.

At December 31, 2007, the Group had unrecognized foreign net operating losses of €35.5 million that expire at various dates through 2027. The Group also had unrecognized US tax credit carryforwards of €18.7 million that expire at various dates through 2017.

13. Inventories

(thousands of euros)	December 31, 2007	December 31, 2006
Raw materials	19,553	19,916
Work in progress	58,230	27,641
Finished goods	29,199	28,565
	106,982	76,122

The total cost of inventory related to product sales that was recognized as an expense during 2007 and 2006 was €55.7 million and €16.0 million, respectively, which is included in raw materials, services and other costs in our consolidated income statements.

14. Trade and other receivables

(thousands of euros)	December 31, 2007	December 31, 2006
Receivables from intermediaries	377,498	339,379
Trade receivables	305,760	212,759
Related party receivables (Note 29)	11,329	33,579
Sales-type lease receivables	635	2,445
	695,222	588,162

For terms and conditions relating to related party receivables, see Note 29. Receivables from intermediaries and trade receivables are non-interest bearing and are generally on 30 day terms.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Consolidated net financial position

(thousands of euros)	December 31, 2007	2006
Cash on hand	181	384
Cash at bank	433,884	396,233
Cash and cash equivalents	434,065	396,617
Current financial receivables	19,611	3,371
Current portion of long-term debt	487,384	82,310
Short-term borrowings	7,610	14,908
Other	4,544	2,883
Current financial debt	499,538	100,101
Net current financial debt (cash)	45,862	(299,887)
Senior Credit Facility	1,403,920	1,656,264
Capital Securities	727,869	725,214
4.80% Bonds	-	358,973
Other	51,555	43,617
Non current financial debt	2,183,344	2,784,068
Net financial position	2,229,206	2,484,181

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Disposal group held for sale

POLCARD S.A. ("POLCARD") is the leading debit/credit card merchant transaction acquirer, bank-card issuer and ATM management company in Poland. At December 31, 2006, POLCARD's outstanding equity was owned 74.43% by GTECH, 25.24% by Innova Capital Sp. z o.o. ("Innova"), a Warsaw-based private equity investment advisor, and 0.33% by the Polish Bank Association.

On August 1, 2007, GTECH and Innova sold their respective equity interests in POLCARD to First Data International for US$325 million (€237.8 million at the August 1, 2007 exchange rate) on a debt-free, cash-free basis. No gain or loss was recorded on the sale of POLCARD as the carrying value of POLCARD's assets and liabilities were adjusted to fair value in connection with the acquisition of GTECH on August 29, 2006. POLCARD represented a substantial portion of the Group's Commercial Services business segment.

At December 31, 2006, the Group classified the assets and liabilities of POLCARD as held for sale. The major classes of assets and liabilities held for sale were as follows (in thousands of euros):

Assets	
Non-current assets	264,937
Current assets	64,411
Assets classified as held for sale	329,348
Non-current liabilities	75,561
Current liabilites	50,142
Liabilities directly associated with assets classfied as held for sale	125,703
Net assets directly associated with disposal group	203,645

Foreign currency translation gains related to POLCARD of €0.9 million at August 1, 2007 (€0.6 million at December 31, 2006) were recognized in other income in our consolidated income statement upon the sale.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Issued capital and reserves

Authorized shares	December 31, 2007	2006
Ordinary shares of €1 par value per share	156,805,233	154,592,210
Ordinary shares outstanding, issued and fully paid		
Balance at January 1, 2006	89,009,280	
Shares issued in connection with public offering	57,422,880	
Shares issued upon exercise of stock options	3,543,191	
Shares issued to employees at a discount	774,225	
Balance at January 1, 2007	150,749,576	
Shares issued upon exercise of stock options	308,550	
Shares issued to employees at a discount	601,837	
Shares issued under stock award plans	239,233	
Balance at December 31, 2007	151,899,196	

At December 31, 2007, approximately 2.6 million ordinary shares were reserved to satisfy rights in respect of our various share-based payment plans.

Rights offering
On May 18, 2006, Lottomatica offered 57,423,570 new ordinary shares, with a par value of €1.00 per share at a subscription price of €25.425 per share during a subscription period that ran from May 22, 2006 to June 8, 2006 (the "Rights Offering"). At the end of the subscription period, 57,422,880 shares were subscribed for a total of €1.5 billion. The proceeds from the Rights Offering were used to fund a portion of the acquisition of GTECH.

In connection with the acquisition, Lottomatica granted certain employees the right to purchase shares of Lottomatica stock at the €25.425 Rights Offering price. The right to purchase the shares was effective as of August 29, 2006, and resulted in a discount to the employees equal to the difference between the price of the stock on the grant date of August 29, 2006 (€29.60) and the Rights Offering price (€25.425). In addition, the Group agreed to reimburse employees for certain taxes owed as a result of the discount granted on the stock.

During 2007 and 2006, 601,837 and 774,225 shares, respectively, were issued to employees at a discount. The discount (€5.8 million) and related tax reimbursements (€11.7 million) totaling €17.5 million relating to these shares is recorded in personnel in the consolidated income statement for the year ended December 31, 2006.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Issued capital and reserves (continued)

Other Reserves

(thousands of euros)	Merger Reserve	Share-Based Payment Reserve	Stock Option and Restricted Stock Reserve	Legal Reserve	Ex Art 2349 Reserve	Net Unrealized Gains/ (Losses) Reserve	Translation Reserve	Total
Balance at January 1, 2006	22,737	140	18,282	-	-	-	-	41,159
Unrecognized gain on interest rate swap	-	-	-	-	-	5,700	-	5,700
Amortization of unrecognized gain on interest rate swap	-	-	-	-	-	(380)	-	(380)
Dividend distribution	(2,599)	-	-	-	-	-	-	(2,599)
Appropriation of 2005 income in accordance with Italian law	-	-	-	18,372	-	-	-	18,372
Shares issued to employees at a discount in connection with the acquisition of GTECH	-	5,756	-	-	-	-	-	5,7[illegible]
Share-based payment	-	2,046	-	-	-	-	-	2,046
Foreign currency translation	-	-	-	-	-	-	(37,572)	(37,572)
Balance at December 31, 2006	20,138	7,942	18,282	18,372	-	5,320	(37,572)	32,482
Fair value of interest rate swaps	-	-	-	-	-	(9,199)	-	(9,199)
Amortization of unrecognized gain on interest rate swap	-	-	-	-	-	(570)	-	(570)
Unrecognized net gain on derivative instruments	-	-	-	-	-	262	-	262
Dividend distribution	(20,138)	-	-	-	-	-	-	(20,138)
Appropriation of 2006 income in accordance with Italian law	-	-	-	11,931	2,228	-	-	14,159
Shares issued under stock award plans	-	(7,254)	7,254	-	(239)	-	-	(239)
Share-based payment	-	21,346	-	-	-	-	-	21,346
Foreign currency translation	-	-	-	-	-	-	(152,380)	(152,380)
Balance at December 31, 2007	-	22,034	25,536	30,303	1,989	(4,187)	(189,952)	(114,277)

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Issued capital and reserves (continued)

Merger reserve
The merger reserve was established upon the acquisition of NewGames S.p.A. to guarantee the share exchange of the Lottomatica ordinary shares owned by the minority shareholders of Lottomatica other than FinEuroGames (whose Lottomatica shares were cancelled without share exchange).

Share-based payment reserve
The share-based payment reserve is used to record the increase in equity where goods or services are received in equity-settled share-based payment transactions. Decreases relate to the fair value of stock awards that vested during the year.

Stock option and restricted stock reserve
The stock option and restricted stock reserve is used to record the fair value of stock options granted to employees that have been exercised and stock awards that vested during the year.

Legal reserve
The legal reserve is required by Italian law and must be increased by a minimum of 5% of net profit for the year until the balance represents 20% of share capital.

Ex Art 2349 reserve
The ex art 2349 reserve was established by shareholders' resolution in accordance with Company by-laws, as appropriated from income of the Company, to serve share-based payment plans. Decreases relate to the number of stock awards granted to employees that vested during the year.

Net unrealized gains/(losses) reserve
The net unrealized gains/(losses) reserve is used to record:

- the deferred gain, net of amortization, related to our agreement to lock in interest rates to hedge €750 million of capital securities, the balance of which is €4.7 million at December 31, 2007;
- the fair value of interest rate swaps assessed to be highly effective, the balance of which is (€9.2) million at December 31, 2007; and
- the unrecognized net gain or loss on derivative instruments, the balance of which is €0.3 million at December 31, 2007.

Translation reserve
The translation reserve is used to record:

- exchange differences that arise from the translation of the financial statements of foreign subsidiaries, the balance of which is €124.5 million at December 31, 2007; and
- exchange differences that arise on monetary items that, in substance, form part of the net investment in foreign operations (such as intragroup loans where settlement is neither planned nor likely to occur in the foreseeable future), the balance of which is €27.9 million at December 31, 2007.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Debt

(thousands of euros)	December 31, 2007	2006
Long-term debt, less current portion		
Senior Credit Facility	1,403,920	1,656,264
Capital Securities	727,869	725,214
4.80% Bonds	-	358,973
Other	757	1,134
	2,132,546	2,741,585
Share of non-current debt of joint venture	11,176	-
	2,143,722	2,741,585
Short-term borrowings		
Overdraft facility	7,106	6,797
Senior Credit Revolving Facility	-	7,754
Other	226	357
	7,332	14,908
Share of short-term borrowings of joint venture	278	-
	7,610	14,908
Current portion of long-term debt		
Senior Credit Facility	78,398	43,135
Capital Securities	46,618	38,651
4.80% Bonds	359,976	473
Other	113	51
	485,105	82,310
Share of current portion of long-term debt of joint venture	2,279	-
	487,384	82,310

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Debt (continued)

Senior Credit Facility

In May 2006, in connection with the acquisition of GTECH Holdings Corporation, Gold Acquisition Corp., an indirect wholly-owned subsidiary of Lottomatica, entered into a US$2.8 billion unsecured senior facilities agreement with a syndicate of financial institutions (the "Senior Credit Facility"). The Senior Credit Facility expires on August 29, 2012. The Senior Credit Facility is unsecured and unsubordinated and is fully and unconditionally guaranteed by Lottomatica, GTECH Holdings Corporation (formerly known as Gold Holding Co.), and GTECH Rhode Island Corporation. The Senior Credit Facility provides for the following facilities (US dollars in thousands):

	Committed amount available		Amount borrowed at
	December 31, 2006	December 31, 2007	December 31, 2007
Term Facility A	1,710,000	1,664,602	1,664,602
Term Facility B	550,000	535,398	535,398
Revolving Facility	250,000	250,000	-
Guarantee Facility	250,000	250,000	12,799
	2,760,000	2,700,000	2,212,799

The Senior Credit Facility requires that GTECH repay Term Facility A and Term Facility B pursuant to the following schedule (US dollars in thousands):

2008	2009	2010	2011	2012	Total
$ 120,000	$ 180,000	$ 210,000	$ 210,000	$ 1,480,000	$ 2,200,000

Interest is generally payable monthly in arrears at rates determined by reference to the LIBOR rate 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 .24% per annum on the total available commitment of Term Facility B, the Revolving Facility, and the Guarantee Facility.

The Senior 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 December 31, 2007 and December 31, 2006, we were in compliance with all covenants and restrictions.

Debt issuance costs associated with the Senior Credit Facility are being amortized over approximately 6 years beginning September 2006.

On August 29, 2006, GTECH, as successor-in-interest to Gold Acquisition Corp., borrowed US$1.71 billion under Term Facility A and used the proceeds to fund a portion of the GTECH acquisition purchase price.

On October 2, 2006, GTECH borrowed US$550 million under Term Facility B and used the proceeds to redeem senior notes issued by GTECH.

DOCUMENT REDACTED BY TLC - 12-4-10

18. Debt (continued)

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 exists.

Debt issuance costs associated with the Capital Securities are being amortized over 10 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 agreement, 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, 2007, 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.

Prior to the issuance of the Capital Securities in May 2006, Lottomatica entered into swap option contracts for a notional value of €750 million with financial institutions that effectively limited Lottomatica's exposure to movements in interest rates from the date Lottomatica entered into the swap option contracts to the date that pricing was fixed on the Capital Securities issuance. The swap option contracts were terminated during May 2006 for a gain of approximately €5.7 million, which was recorded to other reserves in the consolidated statement of changes in equity and is being amortized over 10 years.

4.80% Bonds
In December 2003, Lottomatica issued €360 million principal amount of 4.80% bonds due December 2008 (the "4.80% Bonds"). The 4.80% Bonds are unsecured and unsubordinated and are fully and unconditionally guaranteed by GTECH Holdings Corporation (formerly known as Gold Holding Co.), GTECH Corporation, and GTECH Rhode Island Corporation. The 4.80% Bonds have a fixed coupon payment of 4.80% payable annually each December. The 4.80% Bonds are redeemable at maturity, upon the occurrence of certain tax events, through open market purchases, or by public cash tender offer. We expect to refinance these bonds when they become due with a similar financial instrument.

Letters of Credit
At December 31, 2007 and 2006, there were €377.9 million and €351.2 million of letters of credit issued and outstanding, respectively. The total weighted average annual cost for all letters of credit was 0.50% and 0.47% for 2007 and 2006, respectively. Our customers are typically the beneficiary on these letters of credit that are principally issued to guarantee our performance as it relates to our customer contracts.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Provisions

(thousands of euros)	Legal Matters	Tax Matters	Other	Total
Balance at January 1, 2007	15,168	2,352	1,832	19,352
Arising during the year	7,985	1,000	1,284	10,269
Utilized	(4,198)	-	(749)	(4,947)
Unused amounts reversed	(35)	-	(170)	(205)
Foreign currency translation	(59)	94	(257)	(222)
Balance at December 31, 2007	18,861	3,446	1,940	24,247
Short-term 2006	-	-	728	728
Long-term 2006	15,168	2,352	1,104	18,624
	15,168	2,352	1,832	19,352
Short-term 2007	-	-	538	538
Long-term 2007	18,861	3,446	1,402	23,709
	18,861	3,446	1,940	24,247

Legal matters
Provisions relate primarily to the legal matters discussed in Note 30 and are calculated based on legal counsel's expectations of settlement.

Tax matters
Provisions relate primarily to disputed tax assessments and reserves for regulatory audits and are calculated based on assessed taxes and expected payment of tax based on statutory rates.

Other
Other provisions relate primarily to warranty obligations, which generally extend for 12 months, on equipment sales and prizes on certain lottery games. Provisions are calculated based on historical cost information and expected prize payouts. Settlement on prizes varies according to the terms of each individual game.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Other liabilities (non-current and current)

	December 31,	
(thousands of euros)	2007	2006
Other non-current liabilities		
Deferred revenue	20,728	20,851
Contingent liabilities related to GTECH acquisition	13,682	15,623
Contingent purchase price related to Finsoft acquisition	8,797	-
Staff severance fund (Note 28)	7,838	8,829
Advance payment from customer	4,535	9,174
Share of non-current liabilities of joint ventures	2,260	14,947
Other	5,420	7,185
	63,260	76,609

	December 31,	
(thousands of euros)	2007	2006
Other current liabilities		
Accrued expenses	65,376	151,022
Taxes other than income taxes	50,504	25,466
Employee compensation	39,263	37,364
Advance payments from customers	36,197	20,877
Deferred revenue	17,314	13,879
Contingent purchase price related to Finsoft acquisition	11,666	-
Advance billings	9,586	14,074
Other	642	-
	230,548	262,682

DOCUMENT REDACTED BY TLC - 12-4-10

21. Interest and other income

Interest income

	For the twelve months ended December 31,	
(thousands of euros)	2007	2006
Held-to-maturity investments	12,810	30,310
Loans and receivables	103	-
	12,913	30,310

Other income

	For the twelve months ended December 31,	
(thousands of euros)	2007	2006
Brazil escrow (Note 11)	16,154	-
Other	2,551	4,399
	18,705	4,399

22. Foreign exchange loss, net

	For the twelve months ended December 31,	
(thousands of euros)	2007	2006
Realized hedging premiums	-	(69,690)
Realized foreign exchange losses	(1,867)	(33,261)
Subtotal realized losses	(1,867)	(102,951)
Unrealized foreign exchange losses	(31,838)	(17,662)
	(33,705)	(120,613)

Realized hedging premiums

Prior to the acquisition of GTECH on August 29, 2006, we entered into foreign exchange contracts to mitigate our exposure to foreign exchange rates resulting from our commitment to acquire GTECH for US$35 per share. The euro equivalent of these foreign exchange contracts was approximately €2.1 billion. During the twelve months ended December 31, 2006, we incurred €69.7 million in premiums to the various financial institutions that were counterparties to the foreign exchange contracts.

DOCUMENT REDACTED BY TLC - 12-4-10

22. Foreign exchange loss, net (continued)

Realized foreign exchange losses
Realized foreign exchange losses incurred during the twelve months ended December 31, 2006 include approximately €16.6 million related to cash losses on €2.1 billion of foreign exchange contracts and the balance of approximately €16.7 million related principally to foreign exchange losses on €849 million of cash balances that we converted to US dollars prior to the acquisition of GTECH on August 29, 2006.

Unrealized foreign exchange losses
In anticipation of the Group's acquisition of GTECH on August 29, 2006, Lottomatica issued €750 million of Capital Securities in May 2006. A portion of the proceeds from the Capital Securities were used to fund a US$762.3 million intragroup loan to GTECH on August 29, 2006. GTECH used these funds to purchase a portion of its own stock in connection with the acquisition.

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.

Unrealized foreign exchange losses incurred during 2007 and 2006 are principally comprised of non-cash losses associated with the intragroup loan prior to September 7, 2007. From September 7, 2007 to December 31, 2007, translation losses are recorded to equity and totaled €27.9 million, net of €16.2 million of tax benefits.

23. Interest expense

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

	For the twelve months ended December 31,	
(thousands of euros)	2007	2006
Senior Credit Facility	(104,295)	(35,842)
Capital Securities	(64,530)	(40,421)
4.80% Bonds	(17,811)	(17,812)
Other	(7,180)	(3,521)
	(193,816)	(97,596)

See Note 18 for details of the debt facilities.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Earnings per share

Basic and diluted earnings per share are calculated as follows:

	For the twelve months ended December 31,	
(thousands of euros)	2007	2006
Numerator		
Net income (loss) for the year attributable to equity holders of the parent	74,049	(6,588)
Numerator for basic and diluted earnings per share	74,049	(6,588)
Denominator		
Basic weighted average number of ordinary shares	151,101	125,398
Potential dilutive effect of employee stock options and restricted shares	301	-
Diluted weighted average number of ordinary shares	151,402	125,398
Basic earnings (loss) per share/ADR	€ 0.49	€ (0.05)
Diluted earnings (loss) per share/ADR	€ 0.49	€ (0.05)

American depositary receipts (ADR) are negotiable United States (US) securities that generally represent a non-US company's publicly traded equity. The share/ADR ratio is 1:1.

Basic earnings (loss) per share/ADR amounts are calculated by dividing net income (loss) for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share/ADR amounts are calculated by dividing net income (loss) for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year along with the weighted average number of ordinary shares that would be issued upon the conversion of all potential dilutive ordinary shares into ordinary shares.

At December 31, 2007, there were approximately 2.5 million ordinary shares outstanding under the existing option and restricted stock plans that were not included in the 2007 computation of diluted earnings per share because the shares' exercise prices were greater than the average market price of the shares during 2007 and therefore, the effect would have been anti-dilutive.

At December 31, 2006, there were approximately 3 million ordinary shares outstanding under the existing option and restricted stock plans that were not included in the 2006 computation of diluted loss per share since, given the loss attributable to equity holders of the parent, the effect would have been anti-dilutive.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Research and development costs

The aggregate amount of research and development expenditures recognized as expense during 2007 and 2006 was €33.9 million and €15.9 million, respectively.

26. Share-based payment plans

The Group has three types of equity-settled share-based payment plans for employees: performance based stock options, performance based restricted shares and time based restricted shares as described below.

Stock Option Plans

The Group has various stock option plans whereby stock options are granted to certain directors, executives, and other key employees of the Group as approved by the Board of Directors. The exercise price of the options is generally equal to the average price of the Group's ordinary shares one month prior to the grant date. The options vest subject to the satisfaction of performance conditions relating to the Group's EBITDA and net financial debt over a three-year period and to the employees remaining in service to the Group. Options partially vest generally upon achievement of 90% or more of the performance conditions and if the performance conditions are not met, the options are forfeited. The contractual life of the options range from two to eight years (depending on the plan) and there are no cash settlement alternatives.

Restricted Stock Plans

Performance based awards
The Group has two performance based share award plans whereby restricted stock is granted to certain employees of the Group as approved by the Board of Directors. Recipients of performance based share awards do not pay the Group any cash consideration for the awards. The awards vest subject to the satisfaction of performance conditions relating to the Group's EBITDA and net financial debt over a three-year period and to the employees remaining in service to the Group. Awards partially vest generally upon achievement of 90% or more of the performance conditions and if the performance conditions are not met, the awards are forfeited. The contractual life of the awards is three years and they may be settled in cash at the Group's option. The Group does not have a past practice of cash settlement and does not plan to cash settle awards in the future.

Time based awards
The Group has a time based share award plan whereby restricted stock is granted to certain employees of the Group as approved by the Board of Directors. Recipients of time based share awards do not pay the Group any cash consideration for the awards. The awards generally vest over a five-year period and are subject to the employees remaining in service to the Group. The contractual life of the awards is five years and they may be settled in cash at the Group's option. The Group does not have a past practice of cash settlement and does not plan to cash settle awards in the future.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Share-based payment plans (continued)

Modifications
In November 2007, the Group's Chief Executive Officer resigned from the Company effective December 31, 2007, resulting in a modification of his performance based awards. In accordance with IFRS 2, the modification did not result in a change to the fair value of these awards.

As a result of the resignation, 1,065,945 unvested stock options and share awards were forfeited and the Company accelerated 47,055 performance based awards resulting in a net expense reduction of approximately €1.5 million during 2007, which is reflected in total share-based payment expense of €21.3 million.

In May 2006, the Board of Directors reduced the exercise price of stock options granted in years prior to 2006. The reduction in exercise price was made as a result of a reduction in the official share price of the Group's stock made by Borsa Italiana. The reduction in exercise price did not result in a change to the fair value of the stock options.

Stock option movements in the year
The following table illustrates the number and weighted average exercise prices of, and movements in, stock options during the year:

	2007		2006	
	Shares under Options	Weighted Average Exercise Price	Shares under Options	Weighted Average Exercise Price (a)
Outstanding at January 1	2,066,126	€ 24.01	4,600,274	€ 12.79
Granted during the year	1,973,790	30.40	1,201,150	29.26
Forfeited during the year	(869,840)	29.79	(192,106)	21.23
Exercised during the year	(308,550)	12.61	(3,543,191)	11.37
Expired during the year	-	-	(1)	11.33
Outstanding at December 31	2,861,526	27.89	2,066,126	24.01
Exercisable at December 31	210,600	€ 29.66	59,300	€ 12.21

(a) As described above, the Board of Directors reduced the exercise price of certain stock options granted in years prior to 2006. Accordingly, 2006 weighted average exercise price information has been restated to reflect the reduced prices.

The weighted average share price for stock options exercised during the year was €29.29 and €31.27 during 2007 and 2006, respectively.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Share-based payment plans (continued)

The range of exercise prices and weighted average remaining contractual life for stock options outstanding under the stock option plans as of December 31, 2007 and 2006 are as follows:

As of December 31, 2007			As of December 31, 2006		
Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Range of Exercise Prices (a)	Options Outstanding	Weighted Average Remaining Contractual Life (Years)
€11.33 - €15.04	232,400	0.95	€11.33 - €15.04	540,950	1.35
€23.17 - €30.40	2,629,126	6.44	€23.17 - €29.45	1,525,176	6.45
	2,861,526			2,066,126	

(a) 2006 exercise prices have been repriced as described above.

Fair value measurement of stock options

The fair value of equity-settled stock options granted is estimated at the date of grant using a binomial model, taking into account the terms and conditions upon which the stock options were granted. The weighted average fair value of stock options granted during the year was €6.01 per share. The following tables list the inputs to the binomial model used for the years ended December 31, 2007 and 2006.

Year ended December 31, 2007	
Dividend yield (%)	2.66
Expected volatility (%)	20.63
Risk-free interest rate (%)	4.01
Expected life of options (in years)	4.38
Weighted average share price (€)	31.74
Exercise price (€)	30.40

Year ended December 31, 2006	
Dividend yield (%)	2.60
Expected volatility (%)	20.64
Risk-free interest rate (%)	4.00
Expected life of options (in years)	4.38
Weighted average share price (€)	30.53
Exercise price (€)	29.45

The expected life of the stock option is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of stock option grants were incorporated into the measurement of fair value.

Restricted stock grants

During 2007, 285,130 performance based share awards and 15,800 time based share awards (collectively, the "shares") were granted to certain employees of the Group as approved by the Board of Directors. The shares had a weighted average fair value at the date of grant of €31.73 per share, which represents the closing share price on the date of grant.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Share-based payment plans (continued)

Expense charged to income statement
The total equity-settled expense recognized during the year arising from share-based payment plans was as follows:

	December 31,	
(thousands of euros)	2007	2006
Share-based payment	21,346	2,046
Shares issued to employees at a discount in connection with the acquisition of GTECH	-	5,756
	21,346	7,802

There was no cash-settled expense in 2007 or 2006.

27. Dividends paid

	December 31,	
(thousands of euros)	2007	2006
Cash dividend declared and paid on ordinary shares:		
Dividend for 2007: €0.79 per share (2006: €1.30 per share)	119,695	119,416

28. Employee benefits

Staff Severance Fund
The Group has a defined benefit plan (staff severance fund) to provide certain post employment benefits to Italian employees following termination from the Group. Italian employees may choose to participate in an unfunded plan within the Group or transfer their plan balance to independent external funds. These benefits are funded only to the extent paid to the external funds. The cost of providing benefits under the plan is determined using the projected unit credit actuarial valuation method. The defined benefit liability represents the present value of the Group's defined benefit obligation.

During the first half of 2007, Italian law and subsequent decrees and regulations were issued requiring the Group to remeasure its December 31, 2006 defined benefit liability in accordance with the new law both retrospectively and prospectively and to record any adjustment during the first half of 2007. The Group completed the actuarial remeasurement and recorded the adjustment in the third quarter of 2007. The adjustment was not material to the Group's results.

DOCUMENT REDACTED BY TLC - 12-4-10

28. Employee benefits (continued)

The following table summarizes the components of net benefit expense recognized during the year for the staff severance fund, which is included in personnel in our consolidated income statements.

(thousands of euros)	December 31, 2007	2006
Current service cost	3,210	2,044
Net actuarial (gain) loss recognized in the year	(883)	37
Net benefit expense	2,327	2,081

Changes in the present value of the defined benefit obligation are as follows:

(thousands of euros)	December 31, 2007	2006
Balance at January 1	8,829	7,618
Current service cost	3,210	2,044
Actuarial (gains) losses	(883)	37
Benefits paid	(3,318)	(870)
Balance at December 31	7,838	8,829

The present value of the defined benefit obligation for the years ended 2005, 2004, and 2003 was €7.6 million, €6.8 million, and €5.7 million, respectively.

The principal assumptions used in determining the defined benefit obligation are shown below:

	December 31, 2007		December 31, 2006	
	Managers	Other employees	Managers	Other employees
Assumed inflation rate	2%	2%	2%	2%
Discount rate	4.60%	4.60%	4.25%	4.25%
Future salary increases:				
Up to age 40	2.75%	2.50%	2.75%	2.50%
Age between 40 and 55	2.50%	2.25%	2.50%	2.25%
Age greater than 55	2.25%	2.00%	2.25%	2.00%

Termination Benefits

Termination benefits expense, primarily related to salary continuation, continued medical benefits coverage and expense related to accelerated share based payment awards for employees who were terminated during the year was €12.7 million and €15.2 million in 2007 and 2006, respectively. See Note 29 for termination benefits provided to key management personnel.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Related party disclosures

	December 31,	
(thousands of euros)	2007	2006
Accounts receivable		
De Agostini Group	8,647	20,552
Supreme Ventures Limited	2,426	3,109
Lottery Technology Enterprises	315	422
Uthingo Management Proprietary Limited	36	3,038
Italy (Cogemat S.p.A.)	-	4,100
Lottery Technology Services Corporation	-	2,858
Allowances for doubtful accounts	(95)	(500)
	11,329	33,579
Accounts payable		
De Agostini Group	14,653	12,512

	For the twelve months ended December 31,	
(thousands of euros)	2007	2006
Service revenue and product sales		
Supreme Ventures Limited	12,880	5,703
Lottery Technology Enterprises	2,844	1,007
Uthingo Management Proprietary Limited	2,302	3,625
Italy (CogetechS.p.A.)	-	3,067
Lottery Technology Services Corporation	1,296	4,802
	19,322	18,204
Raw materials, services and other costs		
De Agostini Editore S.p.A. - service fees	479	176
De Agostini S.p.A.- management fees	190	138
De Agostini S.p.A.- finance charges	-	683
	669	997

De Agostini Group

The De Agostini Group includes De Agostini S.p.A ("De Agostini"), the majority shareholder of Lottomatica, holding approximately 55% of its share capital at December 31, 2007; De Agostini Editore S.p.A, a subsidiary of De Agostini; and ISIM S.p.A, a subsidiary of Toro Assicurazione (a company of the De Agostini Group until October 4, 2006).

The €0.7 million of finance charges incurred during 2006 related to €54.2 million of short-term borrowings that were reimbursed (borrowings bore interest equal to Euribor at three months plus .50%). Outstanding accounts receivable balances at December 31, 2007 and 2006 are non-interest bearing.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Related party disclosures (continued)

Supreme Ventures Limited
GTECH has a 0.6% interest in Supreme Ventures Limited ("SVL") which is accounted for using the cost method of accounting. SVL holds a 15-year license (which expires in January 2016) with the Betting, Gaming and Lotteries Commission to operate certain online games in Jamaica.

Lottery Technology Enterprises
GTECH has a 1% interest in Lottery Technology Enterprises ("LTE") which is accounted for using the cost method of accounting. LTE holds a 10-year contract (which expires in November 2009) with the District of Columbia Lottery and Charitable Games Control Board.

Uthingo Management Proprietary Limited
GTECH has a 10% interest in Uthingo Management Proprietary Limited ("Uthingo") which is accounted for using the equity method of accounting. Uthingo held the license to operate the South African National Lottery through April 2007. The South African Minister of Trade & Industry entered into a lottery contract with another consortium.

Italy (Cogetech S.p.A and Cogemat, S.p.A.)
GTECH had a 35% interest in Cogetech S.p.A. ("Cogetech") which was accounted for using the equity method of accounting. Cogetech operates a communications network and related central computer system linking gaming machines in Italy. On October 16, 2006, GTECH sold its 35% interest in Cogetech to Cogemat S.p.A. ("Cogemat"), the 65% shareholder of Cogetech and consequently no longer has any ownership interest in Cogetech.

Lottery Technology Services Corporation
GTECH had a 44% interest in Lottery Technology Services Corporation ("LTSC"), which was accounted for using the equity method of accounting. LTSC provided equipment and services (which GTECH supplied to LTSC), to the Taipei Fubon Bank. The Taipei Fubon Bank held the license to operate the Taiwan Public Welfare Lottery. Our contract to provide equipment and services to LTSC expired on December 31, 2006. Effective October 24, 2007, GTECH transferred its 44% interest in LTSC to a third party equity holder and consequently no longer has any ownership interest in LTSC.

Compensation of Key Management Personnel

	For the twelve months ended December 31,	
(thousands of euros)	2007	2006
Short-term employee benefits	8,453	5,145
Termination benefits	5,682	-
Share-based payments	5,102	6,203
Post-employment benefits	242	25
Other long-term benefits	-	63
	19,479	11,436

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Related party disclosures (continued)

Remuneration paid to Lottomatica S.p.A. board members, Statutory Auditors and managers with strategic responsibilities are as follows (euros in thousands):

Name and Surname	Position	Period in the position	Duration	Emoluments	Non monetary benefits	Bonus	Other
Lorenzo Pellicioli	Chairman Board Member	4/12/06 - 12/31/07 4/12/05 - 12/31/07	4/15/08 4/15/08	60,000			
Robert Dewey	Vice Chairman	8/29/06 - 12/31/07	4/15/08	60,000			
Bruce Turner	General Manager and Board Member CEO & Managing Director	8/29/06 - 12/31/07 8/29/06 - 12/31/07	4/15/08	60,000	109,972	924,101	895,218
Marco Sala	General Manager and Board Member Manager	4/12/05 - 12/31/07 1/1/05 - 12/31/07	4/15/08	60,000	35,050	641,491	1,700,360
Jaymin Patel	SVP & CFO President & COO Board Member	1/1/00 - 5/2/07 5/3/07 - 12/31/07 12/11/07 - 12/31/07	4/15/08		15,576	499,074	447,666
Rosario Bifulco	Chairman/ Managing Director Managing Director Board Member Manager	4/12/05 - 4/12/06 4/12/06-06/30/06 4/12/05-12/31/07 1/1/05 - 8/29/06	4/15/08	50,000			
Paolo Ainio	Board Member	9/24/02 - 10/4/07	10/4/07	45,370			
Pietro Boroli	Board Member	4/12/05 - 12/31/07	4/15/08	60,000			
James McCann	Board Member	8/29/06 - 12/31/07	4/15/08	60,000			
Paolo Ceretti	Board Member	5/13/04 - 12/31/07	4/15/08	70,000			
Marco Drago	Board Member	9/24/02 - 12/31/07	4/15/08	60,000			
Anthony Ruys	Board Member	8/29/06 - 12/31/07	4/15/08	51,452			
Severino Salvemini	Board Member	3/14/03 - 12/31/07	4/15/08	70,000			
Giammario Tondato Da Ruos	Board Member	8/29/06 - 12/31/07	4/15/08	70,000			
Fancesco Martinelli	Board of Statutory Auditors - Chairman	12/16/05 - 12/31/07	12/31/07	95,593			
Angelo Gaviani	Board of Statutory Auditors - Regular Member	12/16/05 - 12/31/07	12/31/07	73,632			
Paolo Andrea Colombo	Board of Statutory Auditors - Regular Member	12/16/05 - 12/31/07	12/31/07	59,280			

DOCUMENT REDACTED BY TLC - 12-4-10

29. Related party disclosures (continued)

Stock options assigned to Lottomatica S.p.A. board members, statutory auditors and managers with strategic responsibilities are as follows:

	As of December 31, 2006		During 2007				As of December 31, 2007	
	Options Outstanding		Options Granted		Options		Options Outstanding	
Stock Option Plan	Number of Options	Exercise Price	Number of Options	Exercise Price	Expired or Forfeited	Options Exercised	Number of Options	Exercise Price
2005-2010	95,336	23.17	-	-	-	-	95,336	23.17
2006-2014	518,500	29.45	-	-	384,000	-	134,500	29.45
2007-2015	-	30.40	717,500	30.40	397,500	-	320,000	30.40
	613,836		717,500		781,500	-	549,836	

30. 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 date of the Lotto concession is June 8, 1998 (date in which the Permanent Representation of Italy at the European Union in Brussels notified 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.

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.

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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

Following the decisions that will be made by the Court of Appeals at the aforesaid hearing, Lottomatica will decide whether to appear and file a brief.

On June 18, 2007, STANLEY INTERNATIONAL BETTING LIMITED notified an appeal before the TAR (Regional Administrative Court) of Lazio to AAMS and Lottomatica asking for the cancellation and/or disapplication of the Lotto Game concession deeds, 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. Besides, the latter has made an *ad opponendum* appearance in the case at issue. The Regional Administrative Court 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 notified AAMS and Lottomatica an appeal under article 25 of Law no. 241 of 7 August 1990, before the TAR 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 expiry 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.

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 expression of interest 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 subsequent extension act. 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 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.

DOCUMENT REDACTED BY TLC - 12-4-10

30. Litigation (continued)

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 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 ("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 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 Lazio accepted the request filed by Lottomatica and LIS and suspended the proceeding, arranging for the documents to be sent to the Supreme Court. 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.

The TAR Lazio judges ruled that the request to set the hearing brought forth by Ticket One is insufficient and therefore it is not possible to proceed.

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 S.p.A. 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

3. Antitrust (Lottomatica – Sisal)

On July 16, 2003, the Italian Competition and Market Supervisory Authority (the "Authority") commenced proceedings with respect to alleged collusion between Lottomatica and Sisal, a competitor of Lottomatica in the gaming sector.

On August 3, 2004, after having obtained the requested documents and hearing the hearings, the Authority communicated its findings on the case. Lottomatica filed its final brief and on October 13, 2004 the final hearing took place.

At the meeting of November 25, 2004, the Authority imposed on Lottomatica and Sisal fines of €8 million and €2.8 million, respectively, which amounts were, in accordance with the then-current legislation, proportional to their individual revenues. In addition, the Authority called on Lottomatica and Sisal to cease their anticompetitive behaviour, and to send notice of the measures taken by them within 90 days.

Lottomatica disputed the allegations made by the Authority and appealed the order with the TAR Lazio, requesting, among other things, the suspension of the order.

At the hearing on March 2, 2005, the TAR Lazio rejected Lottomatica's request for suspension of the payment of the fine and suspended the remainder of the order because of the generic character of the order given by Authority.

In compliance with the order issued by the TAR Lazio on March 2, 2005, the Authority notified Lottomatica and SISAL of the resolutions passed during its meeting of March 31, 2005. Lottomatica and SISAL, with additional reasons, challenged the resolution once again disputing its generic character.

On March 24, 2005, Stanley International Betting Limited appeared ad opponendum in the appeals filed by SISAL and Lottomatica, and asked that the contested Authority order be confirmed.

In a decision published on June 15, 2005, the TAR Lazio dismissed the appeals by Lottomatica and Sisal. Further to the TAR ruling, and with reservations, Lottomatica paid the €8 million sanction and complied with the order, sending all the points of sale the communication as requested by the Authority indicating the possibility for the points of sale to join forces with other operators of games other than Lotto, lotteries and instant lotteries. By note dated October 25, 2005 the Authority notified Lottomatica to have taken note that the latter had complied with the order in question.

On November 30, 2005 a decision was lodged and the reasons underlying the sanction imposed by the Authority became known. On March 29, 2006, Lottomatica filed an appeal against the TAR Lazio's decision.

Said decision was also contested by Sisal. Upon Sisal's request, the Council of State set a hearing for discussing the merit of the case on May 29, 2007. At the May 29, 2007 hearing the Council of State combined the appeal filed by Lottomatica with that presented by Sisal and ordered the Authority to lodge, inter alia: a copy of all deeds of the proceedings at issue and a list of confidential documents; a full copy of the confidential documents not originating from plaintiff companies; a summary table of all the sanctions inflicted by the Authority for violating art. 2 of Law no. 287/90 in the 2004-2006 period.

DOCUMENT REDACTED BY TLC - 12-4-10

30. Litigation (continued)

The Council of State ruled on October 30, 2007 to partially change the sentence issued by the Authority and reduced the fines for Lottomatica and SISAL respectively to €4.953 million and €1.395 million. The Company now considers this matter closed.

4. 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 RTI Lottomatica. 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 Esulltalia 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.

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 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 and ETI can only end with the case being dismissed.

DOCUMENT REDACTED BY TLC - 12-4-10

30. Litigation (continued)

Further, as already confirmed by Lottomatica counsels, the deadline has passed for Poste Italiane and ETI to contest the awarding to RTI Lottomatica, with the result that they cannot continue with the lawsuit.

5. 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.

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.

In a brief duly filed by Lottomatica, Lottomatica asserted that Karissa Holding S.A.'s active legitimacy no longer existed following the incorporation 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 partner, a Director, in common. 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.

DOCUMENT REDACTED BY TLC - 12-4-10

30. Litigation (continued)

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 has been 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 Court set the deadline to submit such expert opinion to be 90 days and to begin assessment hearings on March 8, 2007. The same date was indicated as the deadline for designating each party's expert witnesses. The same date was indicated as the deadline granted to the parties to designate their expert witnesses. Lottomatica designated Umile Sebastiano Iacovino as its expert witness.

At the December 10, 2007 hearing, in view of the request for an extension and clarification filed by the expert witness, the Court extended the deadline to submit the expert opinion to 40 days and postponed the next hearing to March 3, 2008.

6. Appeal Concerning Network Tender

On October 27, 2005, RTI Albacom-Fastweb served an appeal on Lottomatica before the TAR 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; 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, RTI Albacom-Fastweb withdrew its suspension request. The hearing was scheduled for October 11, 2006, at which Lottomatica's legal representation 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 President reserved to decide. On October 11, 2006 the TAR 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 representatives of Lottomatica, the resumption of the appeal was notified late.

DOCUMENT REDACTED BY TLC - 12-4-10

30. Litigation (continued)

7. "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.

As of January 20, 2008 480 petitions and 102 requests for injunctive payments have been presented to the Consorzio Lotterie Nazionali for a total sum of €5 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.

To date, the following rulings have been issued:

a) 58 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) 14 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) 22 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, 16 appeals have been filed) and, in any case, in their opinion said rulings do not change the generally positive outlooks on the final outcome of the pending dispute.

DOCUMENT REDACTED BY TLC - 12-4-10

30. Litigation (continued)

8. AAAvanti vs. Lottomatica Italia Servizi

On August 1, 2005 the company known as AAAvanti S.r.l. brought a case against Lottomatica Italia Servizi before the Civil Court of Rome regarding non-compliance with the ticketing contract related to the 1° Festival Internazionale di Musica ed Arte Contemporanea operated by LIS 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. LIS 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 council is of the opinion that the case may have a negative outcome.

9. TOTOBIT – Navale Assicurazioni Arbitration

Totobit Informatica Software e Sistemi S.p.A., 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. Totobit took out a policy with Navale Assicurazioni S.p.A. on January 23, 2002 in order to guarantee the fulfilment of payment obligations under the corresponding contracts regarding such activities. Said policy envisaged issuing of bank guarantees to Totobit. 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 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 the insurance company sent Totobit a notice informing 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 with Paolo Berruti Esq. as its arbiter. Navale Assicurazione served notice of its designating Professor Claudio Russo Esq. as its arbiter on December 16, 2005. Both arbiters designated Professor Luigi Farengo Esq. as Panel Chairman. 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 next hearing for June 7, 2006.

On January 22, 2007 the Arbitration Panel partly accepted the requests made by Totobit and sentenced Navale Assicurazioni S.p.A. to pay the sum of €239,911.66. 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 positions enforced under the policy at issue. The hearing 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.

A fund totalling €1.0 million has been set aside for this dispute.

DOCUMENT REDACTED BY TLC - 12-4-10

30. Litigation (continued)

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 equipment 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 terminals that had been authorized for activation, but not connected to the data transmission network, 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 all authorization titles with a penalty ranging from €1,000 to €6,000 for each piece of machinery 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 Videlot Rete, mostly for the assumption that the Concessionaire is not the owner of the terminals, and although in some instances it is aware of a terminal being disconnected, does not have control of the network and thus can remove the terminal without incurring in criminal charges. Lottomatica Videolot Rete can only persuade the owner 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.

A good number of said proceedings ended further to the acceptance of the reasons given in the defence briefs submitted by the Concessionaire; at this point, the Administration would dismiss the cases.

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 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 notified Lottomatica Scommesse of the resolve to sign the agreement for the concession and (ii) the "agreement for the concession of the public games as awarded to Lottomatica Scommesse s.r.l."

DOCUMENT REDACTED BY TLC - 12-4-10

30. Litigation (continued)

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 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 on jurisdiction by the Council of State.

By judgement of July 10, 2007, the Council of State, accepting the settlement proposed by Lottomatica, declared the TAR 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, the Regional Public Prosecutor's office at the Lazio Jurisdictional section of the Audit Department, based on the data provided by SO.GE.I. to the Tax Police which the latter sent to the Audit Department, notified Lottomatica Videolot Rete S.p.A., and all other nine concessionaires for the screen-based operation of legal gaming (new slot), of an invitation to submit their briefs with regard to an investigation on possible damages to the state treasury.

The regional Prosecutor contested that Lottomatica Videolot Rete, in conjunction with some AAMS officials, inaccurately fulfilled 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, in conjunction with said AAMS officials, is alleged to add up to approximately €4.0 billion.

Lottomatica Videolot Rete filed its brief on June 27, 2007, arguing to have always complied with its obligations as concessionaire and asking for the case against it to be dismissed.

On January 8, 2008, the Regional Public Prosecutor for the Audit Department served notice to Lottomatica Videlot Rete regarding the charges brought forth. The deed has no effect on Lottomatica Videolot Rete and its Counsel's position, both of whom consider the charges to be unfounded.

The first hearing before the Audit Department has been set to December 4, 2008.

DOCUMENT REDACTED BY TLC - 12-4-10

30. Litigation (continued)

Further to and with reference to the investigation made by the Regional Prosecutor, AAMS challenged Lottomatica Videolot Rete, and all the other nine concessionaires, with regard to the same non-fulfilments independently of any consideration on the merit, and on a precautionary basis requested payment of the same amounts disputed by the Audit Department. AAMS reserved to make a final decision further to receiving the briefs from the concessionaires. In its brief, Lottomatica Videolot Rete challenged AAMS's claims and instructed its counsels to file an appeal with the TAR Lazio to request suspension of the order demanding payment of the sanctions at issue.

On July 25, 2007, the TAR Lazio ordered the suspension of AAMS's said order rendering it null and void claiming it was carried out without any valuation of the alleged lack of conformity of the concession on behalf of Lottomatica Videolot Rete. The merit hearing has been set to January 23, 2008. As the hearing date approaches, Lottomatica Videolot Rete has lodged a technical report in which the opinions of various expert in the field are included and therefore confirm Lottomatica Videolot Rete's complete fulfilment of the concession requirements and obligations stated in the Convention signed with AAMS.

It is demonstrated in said report that Lottomatica Videlot Rete has set up a complete and efficient gaming system in compliance to the concession requirements. Thanks to such gaming system, which is both of high technological and economic value, all information received from the gaming machines are transmitted directly to AAMS.

Counsel assisting Lottomatica Videolot Rete are of the opinion that the disputed sanctions are to be considered inapplicable and, as a result, the amounts thereof would not become due.

It is 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 entertainment devices, 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 entertainment devices, 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 technical committee aimed at implementing all that is set out in the said resolution. Further to said resolution, an accord was reached on the changes to be made to the concession agreement. The revised agreement has been 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. 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 incompletion and actual damages received.

13. AWP Attachment Order Issued by the Investigating Judge of the Venice Prosecutor's Office

By order issued by the Investigating Judge of the Venice Prosecutor's Office, on June 15, 2007 attachment was enforced on approximately 105,000 electronic gaming devices containing the so-called "Black Slot", "Stack Slot" and "*Terza Dimensione*" software programmes, in that they were considered non-complaint with the requirements set out in art. 110, section 6 of the TULPS. The offences alleged in the attachment order are gambling, abstract falsification, forgery and conspiracy to commit crime. No Lottomatica Videolot Rete representative has been charged with any alleged felonies.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

The Judge pointed out that said devices, which account for more than 40% of the devices currently installed in the country, obtained administration conformity certification from the AAMS by way of false statements issued by the Certifying Agencies. Lottomatica Videolot Rete is not involved in this proceeding and no allegation has been made or implied against the same. Lottomatica Videolot Rete has only been requested by AAMS to remove the above indicated gaming device.

On July 4, 2007 AAMS published a note on its site concerning the attachment order, including an invitation from the Prosecutor to all operators, and informing all concessionaires, to proceed with the removal of the devices

With regard to Lottomatica Videolot Rete, the attachment concerns approximately 9,700 electronic devices, 490 of which are owned by same and the remaining ones owned by its operators, although connected to its network.

At the 24 July 2007 hearing, the Venice Court of Appeals stated that the appeal filed by Lottomatica Videolot Rete was inadmissible with regard to the devices owned by same, the decision being supported by the fact that the attachment order had merely been issued and had not been performed, an essential condition for granting the right to challenge.

By notice dated August 7, 2007 AAMS urged all Concessionaires to disconnect the devices at issue. Lottomatica Videolot Rete responded to the said notice from AAMS with a letter dated August 10, 2007 stating that said planned disconnection of the devices, with concurrent replacement of same, requires a suitable lapse of time in order for it to be carried out in an organised manner, given the complexity of the activities involved and given that AAMS did not specify any procedures. Lottomatica Videolot Rete then notified the procedure that it intends to adopt in order to comply with said request. Said procedure was also notified to the Venice Prosecutor's office, which has jurisdiction on the matter.

At the end of September, the aforementioned attachment was performed on 251 devices owned by the operators but connected to the network of Lottomatica Videolot Rete. Moreover, 2 devices owned by Lottomatica Videolot Rete, for which a motion for review had been filed with the Court of Venice, were also attached. All devices for which the attachment order was carried out had been correctly disabled and, as a result, Lottomatica Videolot Rete should not face any gambling charges.

It is noted that of the 9,700 devices of the same type as those that were included in the attachment order, 9,500 have already been replaced.

At the November 14, 2007 hearing, the Court of Venice rejected the motion brought forth by Lottomatica Videolot Rete in so far as according to the technical consultations offered by the Prosecutor all versions of the game, with the exception of Black Slot version 1.5, allow a breach of the maximum winning amount as established by the law. As a result, these games would create unsafe and uncertain gaming conditions.

DOCUMENT REDACTED BY TLC - 12-4-10

30. Litigation (continued)

14. SUPERENALOTTO Tender

On October 24, 2007, STANLEY INTERNATIONAL BETTING LIMITED served an appeal on AAMS, Lottomatica, Sisal and SNAI before the TAR Lazio asking for the annulment, further to suspension, of the deeds of the "Selection procedure for assigning the operation and development of numerical games with national totalisator under concession" launched by AAMS on June 29, 2007. STANLEY believes that the tender deeds are in conflict with European Community rules and principles with regards to freedom of establishment and service provision.

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 Lazio declared the appeal brought forth by STANLEY to be inadmissible and rejected it based on merit. STANLEY contested the TAR 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.

GTECH's Business

CEF Contract Proceedings

Background.

In January 1997, Caixa Economica Federal ("CEF"), the Brazilian bank and operator of Brazil's National Lottery, and Racimec Informática Brasileira S.A. ("Racimec"), the predecessor of GTECH's subsidiary GTECH Brasil Ltda. ("GTECH Brazil"), entered into a four-year contract pursuant to which GTECH Brazil agreed to provide online 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, including the 2000 Contract and the 2003 Contract Extension, terminated in accordance with their terms.

Criminal Allegations Against Certain Employees And Related SEC Investigation

As previously reported, 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 (which provides that criminal charges may not be brought against corporations or other entities), entities cannot be subject to criminal charges in connection with this matter.

DOCUMENT REDACTED BY TLC - 12-4-10

30. Litigation (continued)

In June 2004, the judge reviewing these charges prior to their being filed refused to initiate the criminal charges against the nine individuals, including against Messrs. Rocha and Rovai, 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.

As previously reported, GTECH is cooperating fully with the investigations by Brazilian authorities and have encouraged Messrs. Rocha and Rovai to do the same.

In addition, as previously reported, 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 offenses.

Notwithstanding the favorable 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 offense in connection with obtaining the 2003 Contract Extension.

As previously reported, the 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

Civil Action By The Public Ministry Attorneys

As previously reported, 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 our 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 €573 million at currency-exchange rates in effect as of December 31, 2007). 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 €458 million and €535 million at currency exchange rates in effect as of December 31, 2007) 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.

As previously reported, in June 2004, the Federal Court of Brasilia granted a procedural injunction in connection with this civil matter which ordered that 30% of payments made subsequent to the date of the injunction to GTECH Brazil by CEF under the 2000 Contract be withheld and deposited into an account maintained by the Court. GTECH Brazil filed an appeal respecting the court's grant of this injunction in July 2004. On March 22, 2005, a panel of judges of the Brazilian Federal Court of Appeals heard the appeal of the procedural injunction granted by the Federal Court of Brasilia and issued an order discontinuing the withholding of payments due to GTECH Brazil from CEF that had been mandated by the procedural injunction and requiring the return to GTECH Brazil of amounts in excess of 40 million Brazilian reals held in escrow pursuant to the procedural injunction. The appeals court also ordered that 40 million Brazilian reals continue to be held in escrow. GTECH Brazil appealed the Court of Appeals decision with respect to the continued withholding of 40 million Brazilian reals in a court account. In a ruling dated October 23, 2007, the Superior Court of Justice ruled in GTECH Brazil's favor and ordered the amounts held in escrow to be released. Amounts, exclusive of interest, held in escrow as of December 31, 2007 were valued at approximately €15.3 million at currency exchange rates in effect as of such date. On February 22, 2008, GTECH Brazil received the court ordered return of funds held in escrow plus related interest.

DOCUMENT REDACTED BY TLC - 12-4-10

30. Litigation (continued)

TCU Audit

As previously reported, in June 2003, the Federal Court of Accounts ("TCU"), the court charged with auditing agencies of the Brazilian federal government and its subdivisions, summoned GTECH Brazil, together with several current and former employees of CEF, to appear before TCU's Brasilia court to show cause why the defendants should not be required to jointly pay a base amount determined on a preliminary basis by the TCU to be due of 91,974,625 Brazilian reals, duly indexed for inflation and interest as of May 26, 2000 (Decision No. 692/2003). GTECH estimates that this claim, in aggregate, is for the local currency equivalent of approximately €35.1 million at currency exchange rates in effect as of December 31, 2007. The allegations underlying this summons are set forth in a report (the "2003 Audit Report") issued by the TCU in May 2003 respecting an audit conducted by the TCU of the 1997 Contract.

The central allegation of the 2003 Audit Report is that under the 1997 Contract, GTECH Brazil was accorded certain payment increases respecting lottery services, and it contracted to supply to CEF certain lottery-related services, that were not contemplated by the procurement process respecting the 1997 Contract and that are not otherwise permitted under applicable Brazilian law. The 2003 Audit Report alleges that as a result of this, CEF overpaid GTECH Brazil under the 1997 Contract for the period commencing in January 1997 through May 26, 2000, and that GTECH Brazil is liable with respect to such alleged overpayments as specified above. The 2003 Audit Report does not allege that GTECH Brazil acted improperly.

In November 2003, GTECH Brazil presented its defense to the claims and preliminary determination of the TCU that CEF had overpaid GTECH Brazil. In light of its defense, in September 2004, the TCU reduced its determination of the amount alleged to have been overpaid to GTECH Brazil by CEF under the 1997 Contract from 91,974,625 Brazilian reals to 30,317,721 Brazilian reals, or approximately €11.6 million at currency exchange rates in effect as of December 31, 2007. This determination by the TCU remains subject to approval by TCU's judges.

In June 2005, the TCU issued a second preliminary report (the "2005 Audit Report"; collectively with the 2003 Audit Report, the "TCU Audit Reports") respecting GTECH Brazil's contracts with CEF. While GTECH Brazil has not been formally served with a copy of the 2005 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 2005 Audit Report alleges that as a result of these considerations, CEF overpaid GTECH Brazil under the 1997 Contract and the 2000 Contract. The 2005 Audit Report seeks payment from GTECH of a base amount determined on a preliminary basis by TCU to be approximately 300 million Brazilian reals. GTECH estimates this claim in aggregate, is for the local currency equivalent of approximately €114.6 million at currency exchange rates in effect as of December 31, 2007. Amounts sought by the TCU under the 2005 Audit Report are independent of, and in addition to, amounts sought under the 2003 Audit Report.

GTECH believes that these claims are without merit. GTECH further believes that the claims and determinations of the TCU Audit Reports 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.

DOCUMENT REDACTED BY TLC - 12-4-10

30. Litigation (continued)

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 wagering slips ("Consumables") to lottery outlets in Brazil as non-taxable shipments. Additionally, the Consumables were not goods for sale but products used to provide the overall lottery services. GTECH Brazil also argued that the law provides that personalized printed materials are considered non-taxable. The tax authorities disagreed with the classification of GTECH Brazil and argued that these Consumables would be subject to ICMS tax as opposed to the lower rate ISS tax that GTECH Brazil paid. The value of the tax assessment at the time the matter was brought against GTECH Brazil was BRR 44.2 million (or approximately €16.9 million at currency exchange rates in effect as of December 31, 2007). 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. The Company 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. The Company has been advised by Brazilian counsel that these proceedings are likely to take several years, and could take longer than 7 years to litigate through the appellate process to final judgment. The Company believes that these claims are groundless.

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 BRR 17.8 million (or approximately €6.8 million at currency exchange rates in effect as of December 31, 2007) 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. The Company has been advised that the matter was determined favorably to SB in the lower administrative court but that the Company's advisors in Brazil believe that the BIRS filed an appeal and a decision at the appellate level is pending. The Company believes that the claims by the BIRS are groundless.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Commitments and contingencies

Commitments

Acquisition of Atronic

GTECH entered into an agreement in December 2004, as amended in January 2006 (collectively, the "Agreement"), to acquire a 50% controlling equity position in the Atronic group of companies ("Atronic") owned by Paul and Michael Gauselmann (the "Gauselmanns"). Atronic is a video gaming machine manufacturer and also develops video machine games and customized solutions for dynamic gaming operations. This transaction was contingent upon regulatory and gaming license approvals and other closing conditions. In October 2006, GTECH submitted a non-refundable advance payment of €20 million to an escrow account held by Atronic's attorney, as required by the Agreement. This payment was to be applied toward the purchase price upon closing of the acquisition. Further, if all closing conditions had not been satisfied and the acquisition has not closed by June 30, 2007 or September 30, 2007, then GTECH would pay the Gauselmanns €5 million on each of the above dates to extend the closing deadline for another three months. The acquisition did not close by September 30, 2007 and consequently, GTECH made the first €5 million payment on July 2, 2007 and the second €5 million payment on October 1, 2007. These payments were applied to reserves established as part of the purchase accounting related to the acquisition of GTECH.

On December 28, 2007, GTECH and the Gauselmanns signed a new agreement providing for the acquisition of 100% of Atronic in two parts. On January 31, 2008 (after the close of 2007), GTECH acquired a 50% controlling interest in Atronic for the €20 million advance payment previously paid into escrow in October 2006. GTECH will pay €32 million for the remaining 50% interest in Atronic. The closing on the remaining 50% interest in Atronic is expected to occur by the second quarter of 2008 but must occur by December 31, 2008.

Tabcorp International Hong Kong Limited

On December 19, 2007, GTECH Global Services Corporation Ltd. ("GGSC") acquired 50% of Tabcorp International Hong Kong Limited ("TIHK"), for the purpose of providing a nationwide KENO system for Welfare lotteries throughout China. TIHK 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 TIHK 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 TIHK board of directors. The investment in TIHK has been accounted for under proportionate consolidation in the Group's financial statements.

Instant Ticket Printing Press

At December 31, 2007, the Group has a €16.0 million commitment to acquire a new instant ticket printing press. The purchase price is payable in six installments with the last payment expected to be made during the second quarter of 2009.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Commitments and contingencies (continued)

Guarantees and indemnifications

Performance and other bonds

In connection with certain contracts and procurements, we have been required to deliver performance bonds for the benefit of our customers and bid and litigation bonds for the benefit of potential customers, respectively. These bonds give the beneficiary the right to obtain payment and/or performance from the issuer of the bond if certain specified events occur. In the case of performance bonds, which generally have a term of one year, such events include our failure to perform our obligations under the applicable contract. To obtain these bonds, we are required to indemnify the issuers against the costs they incur if a beneficiary exercises its rights under a bond and we do not currently anticipate they will do so. The following table provides information related to potential commitments for bonds outstanding at December 31, 2007 (in thousands of euros):

	Total bonds
Performance bonds	177,842
Litigation bonds	7,336
All other bonds	2,053
	187,231

Atronic guarantee

GTECH has guaranteed up to €44.9 million of loans made by a commercial lender to Atronic pursuant to a credit agreement (the "Atronic Credit Agreement") in connection with the planned acquisition of Atronic. GTECH would be required to perform under the guarantees should Atronic fail to make any interest or principal payments in accordance with the terms and conditions of the Atronic Credit Agreement. The Atronic Credit Agreement stipulates that if any event of default should occur and be continuing under the Atronic Credit Agreement, GTECH would be required to deposit in an account with the commercial lender amounts that would be held by the commercial lender as collateral for the payment and performance of GTECH's obligations under the guarantee. The commercial lender would have control over this account. The cash deposit would be released to GTECH three business days after all the events of default have been cured or waived. The guarantees expire at various dates ranging from June 2009 to 30 days after the termination or expiration of the Atronic Credit Agreement. Loans outstanding at December 31, 2007 were €43.4 million.

At December 31, 2007, the carrying amount of the liability for GTECH's obligations under these guarantees is €5.8 million, which is included in non-current financial liabilities in our consolidated balance sheet. A corresponding asset of €5.8 million is included in non-current financial assets in our consolidated balance sheet.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Commitments and contingencies (continued)

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 will 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 upon the start-up of the on-line lottery system in Thailand. The maximum amounts guaranteed and the outstanding balances at December 31, 2007 are as follows:

	Principal Amount in Loans		Performance Bonds from Trade Finance Facilities	
(in millions)	Baht	€	Baht	€
Maximum amounts guaranteed by GTECH	1,925.0	43.9	455.0	10.4
Amounts outstanding at December 31, 2007	1,229.4	28.0	375.0	8.6

At December 31, 2007, the carrying amount of the liability for GTECH's obligations under this guarantee is €0.4 million, which is included in current financial liabilities in the consolidated balance sheet. A corresponding asset of €0.4 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.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Commitments and contingencies (continued)

Leases

Operating Leases

The Group leases certain facilities and equipment under operating leases that expire at various dates through 2023. Certain of these leases have escalation clauses and renewal options. We are generally required to pay all maintenance costs, taxes and insurance premiums relating to our leased assets. There are no restrictions placed upon us by entering into these leases.

Future minimum lease payments for operating leases are as follows:

	December 31,	
(thousands of euros)	2007	2006
Within one year	16,917	17,702
After one year but not more than five years	43,847	48,231
More than five years	3,791	5,639
	64,555	71,572

Rental expense for operating leases was €22.9 million and €11.6 million in 2007 and 2006, respectively.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Commitments and contingencies (continued)

Finance Leases

The Group leases the GTECH world headquarters facility in Providence, Rhode Island, USA (the "World Headquarters") under a finance lease. Under GTECH's Master Contract with the State of Rhode Island, GTECH is required to invest (or cause to be invested) at least US$100 million in the State of Rhode Island, in the aggregate, by December 31, 2008. This investment commitment included the development of the new World Headquarters by December 31, 2006. GTECH entered into (i) a development agreement with US Real Estate Limited Partnership (the "Developer"), whereby the Developer developed and owns the World Headquarters; and (ii) an office lease with the developer, whereby GTECH leases a portion of the World Headquarters from the Developer for 20 years. GTECH occupied the World Headquarters in November 2006, but only began paying rent on March 1, 2007. GTECH has the right to cancel the lease after June 30, 2023 if the Master Contract with the State of Rhode Island is not renewed, in exchange for a termination fee equal to six months of base rent plus operating expenses. The lease includes two ten year extension options. GTECH has the unilateral right to extend the lease under the two extension options under the same terms as in the base term. The lease contains a restriction which does not allow GTECH to assign the lease or sublease their portion of the building without the lessor's approval, which is not to be unreasonably withheld. As of December 31, 2007, GTECH had no sublease arrangements. Future minimum lease payments under the finance lease together with the present value of the minimum lease payments are as follows:

	December 31, 2007		December 31, 2006	
(thousands of euros)	Minimum Payments	Present Value of Payments	Minimum Payments	Present Value of Payments
Within one year	1,917	363	1,757	5
After one year but not more than five years	8,038	2,181	8,817	2,095
More than five years	26,467	17,044	31,894	19,812
non-current	34,505	19,225	40,711	21,907
Total minimum lease payments	36,422	19,588	42,468	21,912
Less amounts representing finance charges	(16,834)	-	(20,556)	-
Present value of minimum lease payments	19,588	19,588	21,912	21,912

At December 31, 2007, the net carrying amount of the World Headquarters finance lease asset of €18.0 million is recorded in property, plant and equipment, net in the consolidated balance sheet. The carrying amount of the World Headquarters finance lease obligation of €19.6 million is recorded in current financial liabilities (€0.4 million) and non-current financial liabilities (€19.2 million) in the consolidated balance sheet.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Commitments and contingencies (continued)

Sale and Leaseback Transactions
GTECH relocated to and occupied its new World Headquarters in November 2006. In anticipation of the relocation, a master plan was created to optimize the value of the former headquarters, the technology center, the child day care center and the undeveloped land in West Greenwich, Rhode Island, USA. Collectively, this property is referred to as the West Greenwich Campus (the "WG Campus"). In December 2006, GTECH sold substantially all of the WG Campus for a gross sales price of US$43 million and entered into two sales-lease back agreements with the new owners.

GTECH leased the former world headquarters facility for approximately three months, the lead time required to relocate its technology operations into the technology center and the data center. GTECH also leased the existing technology center. The technology center lease has a base term of ten years with four consecutive three-year extension options. The lease payments under the option period are equal to 102% of the previous years rent. The lease contains an option for GTECH to cancel the lease after seven years in exchange for a termination fee equal to nine months of base rent, taxes, and operating expenses. Both the former world headquarters facility lease and the technology center facility lease are accounted for as operating leases and future minimum lease payments are included in the operating leases section above.

32. Financial risk management objectives and policies

Our principal financial instruments, other than derivatives, are comprised of debt and cash and cash equivalents. The main purpose of these financial instruments is to fund the capital needs of the Group's operations. We have various other financial assets and liabilities, such as trade receivables and trade payables, which arise directly from operations.

The primary risk inherent in our financial instruments is the market risk arising from adverse changes in interest rates and foreign currency exchange rates. We enter into derivative transactions, including principally interest rate swaps and forward currency contracts, for the purpose of managing interest rate and currency risks arising from our operations and its sources of financing. It is, and has been throughout the year under review, our policy not to engage in currency or interest rate speculation. Our accounting policies regarding derivatives are set out in Note 2.5.

Credit risk
The Group's primary credit risk is derived from our cash and trade accounts receivable balances. We maintain cash deposits and trade with only recognized, creditworthy third parties. We evaluate the collectibility of trade accounts and sales-type lease receivables on a customer-by-customer basis and we believe our reserves are adequate. A majority of our trade accounts receivable are from government lottery entities from which we have historically experienced insignificant write-offs. Trade accounts receivable, which generally have 30 day terms, are reported net of allowances for doubtful accounts and liquidated damages. Allowances for doubtful accounts are generally recorded when there is objective evidence we will not be able to collect the receivable. Bad debts are written off when identified.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Financial risk management objectives and policies (continued)

With respect to credit risk arising from the other financial assets which comprise cash, available-for-sale financial assets, and certain derivative instruments, our exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments (see Note 11). We manage our exposure to counterparty credit risk by entering into financial instruments with major, financially sound counterparties with high-grade credit ratings, and by limiting exposure to any one counterparty.

At December 31, 2007 and 2006, approximately 84% and 80%, respectively, of total trade and other receivables are from Italy. Approximately 69% and 71% of receivables from Italy relate to our lottery instant ticket business at December 31, 2007 and 2006, respectively.

Past due financial assets
The following is an analysis of the Group's past due financial assets which are comprised entirely of trade and other receivables and net of related allowance for doubtful accounts.

	December 31, 2007		December 31, 2006	
(thousands of euros)	€	%	€	%
Current	636,165	91.5%	555,608	94.5%
Past due:				
1-30 days	41,310	5.9%	14,970	2.5%
31-60 days	9,197	1.3%	3,864	0.7%
61-90 days	4,431	0.6%	3,228	0.5%
Over 90 days	4,119	0.6%	10,492	1.8%
	59,057	8.5%	32,554	5.5%
Total trade and other receivables	695,222	100.0%	588,162	100.0%

Allowance for doubtful accounts

	December 31,	
(thousands of euros)	2007	2006
Balance at beginning of period	(17,266)	(13,813)
Provisions	(10,274)	(1,690)
Utilization	6,400	4,505
Acquisitions	(83)	(6,492)
Translation	593	168
Other	994	56
Balance at end of period	(19,636)	(17,266)

DOCUMENT REDACTED BY TLC - 12-4-10

32. Financial risk management objectives and policies (continued)

Liquidity risk

The Group's primary liquidity risk is derived from required debt service on our debt and on-going working capital needs. The Group's objective in managing this risk is to maintain a balance between continuity of funding and flexibility through the use 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. We expect our growth 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, therefore, we do not believe the Group is exposed to a significant concentration of liquidity risk.

The following tables set out the contractual maturities of the Group's financial liabilities:

Year ended December 31, 2007

(thousands of euros)	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Total
Fixed rate						
Capital Securities	46,618	-	-	-	750,000	796,618
4.80% Bonds	360,473	-	-	-	-	360,473
Finance lease obligation	363	429	502	581	17,713	19,588
Other	226	135	497	12	-	870
Floating rate						
Senior Credit Facility	81,516	122,274	142,653	142,653	1,005,366	1,494,462
Other	7,106	-	-	-	-	7,106

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Financial risk management objectives and policies (continued)

Year ended December 31, 2006

(thousands of euros)	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Total
Fixed rate						
Capital Securities	38,651	-	-	-	750,000	788,651
4.80% Bonds	473	360,000	-	-	-	360,473
Finance lease obligation	5	405	479	561	20,462	21,912
Other	407	164	135	497	12	1,215
Floating rate						
Senior Credit Facility	46,292	91,116	136,674	159,453	1,283,219	1,716,754
Senior Credit Revolving Facility	7,754	-	-	-	-	7,754
Other	6,797	-	-	-	-	6,797

Market risk

Interest rate market risk

Our exposure to changes in market interest rates relates primarily to our net debt obligations with floating interest rates. Our definition of net debt is variable rate debt less variable rate cash investments. Our policy is to manage interest cost using a mix of fixed and variable rate debt. We use various techniques to mitigate the risks associated with future changes in interest rates, including entering into interest rate swap and treasury rate lock agreements. As of December 31, 2007 there were US$2.1 billion (notional value) in interest rate swaps outstanding (none at December 31, 2006) and approximately 2% and 60% of our net debt portfolio was exposed to interest rate fluctuations at the end of 2007 and 2006, respectively. The interest rate swaps outstanding at the end of 2007 begin to expire in January 2008, as further described in the interest rate swap section that follows.

Taking into consideration interest rate swaps outstanding at December 31, 2007, the following demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax expense and equity associated with our floating rate debt over the next year:

	Increase (decrease) in basis points	Effect on income before income tax expense (€000s)	Effect on equity (€000s)
2007	10	(500)	1,500
	(10)	500	(1,500)
2006	10	(1,400)	-
	(10)	1,400	-

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Financial risk management objectives and policies (continued)

Foreign currency exchange rate risk

As a result of significant operations world wide, our consolidated balance sheet can be affected significantly by movements in exchange rates due to the translation of foreign currency balance sheet accounts into euro balance sheet accounts. We also have transactional currency exposures arising from current and anticipated transactions denominated in currencies other than our functional currency, which is the euro. Translation amounts in other reserves (Note 17) in our consolidated balance sheets are derived primarily from our US dollar functional currency subsidiaries.

We seek to manage our foreign exchange risk by securing payment from our customers in euros, by sharing risk with our customers, by utilizing foreign currency borrowings, by leading and lagging receipts and payments, and by entering into foreign currency exchange and option contracts. In addition, a significant portion of the costs attributable to our foreign currency revenues are payable in the local currencies. In limited circumstances, but whenever possible, we negotiate clauses into our contracts that allow for price adjustments should a material change in foreign exchange rates occur.

From time to time, we enter into foreign currency exchange and option contracts to reduce the exposure associated with certain firm commitments, variable service revenues, and certain assets and liabilities denominated in foreign currencies, but we do not engage in foreign currency speculation. These contracts generally have maturities of 12 months or less and are regularly renewed to provide continuing coverage throughout the year. It is our policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

As of December 31, 2007, we had contracts for the sale of approximately US$165.6 million of foreign currency (primarily British pounds, Czech koruna, euro, and Danish krona) and the purchase of approximately US$44.2 million of foreign currency (primarily Canadian dollars, euro, Polish zlotys, and Colombian pesos). As of December 31, 2006, we had contracts for the sale of approximately US$131.8 million of foreign currency (primarily British pounds, euro, Polish zlotys, and Czech korunas) and the purchase of approximately US$46.3 million of foreign currency (primarily US dollars, Mexican pesos, Swedish kronas, and Taiwan dollars)

The following demonstrates the sensitivity to a reasonably possible change in the euro exchange rate, with all other variables held constant, of the Group's income before income tax expense and equity associated with our foreign currency denominated receivables and payables and foreign currency forward contracts over the next year:

	Increase (decrease) in US dollar rate	Effect on income before income tax expense (€000s)	Effect on equity (€000s)
2007	10%	11,000	198,000
	(10%)	(11,000)	(228,000)
2006	10%	59,000	156,000
	(10%)	(71,000)	(191,000)

Commodity price risk

Our exposure to commodity price changes is not considered material and is managed through our procurement and sales practices.

DOCUMENT REDACTED BY TLC - 12-4-10

32. Financial risk management objectives and policies (continued)

Hedging activities

Cash flow hedges

Foreign exchange contracts
At December 31, 2007 and 2006, the Group held forward currency and option contracts designated as hedges of future foreign currency net cash flows that the Group expects to generate through its operations. The aggregate fair value of the contracts at December 31, 2007 and December 31, 2006 was €0.5 million and €(0.4) million, respectively.

The terms of the currency contracts are typically matched with the forecasted foreign currency transactions to be derived from operations up to a period of 12 months. At December 31, 2007 and 2006, an unrealized gain of €0.8 million and an unrealized loss of €0.3 million, respectively, was included in equity that related to cash flow hedges that were assessed to be highly effective. During 2007 and 2006, losses of €1.6 million and €0.2 million were removed from equity and included in service revenue in our consolidated income statements, respectively. During 2006, the Group recognized unrealized losses of €2.1 million in the consolidated income statement that were related to cash flow hedges that were assessed to be ineffective.

Interest rate swaps
At December 31, 2007, the Group held US$1.1 billion notional amount of interest rate swaps ("swaps"), with an aggregate fair value of €(14.6) million, which were designated as hedges of floating interest rates on our Senior Credit Facility. These swaps effectively convert US$1.1 billion of our Senior Credit Facility's variable interest rate debt to fixed rate debt. Under the terms of these swaps, the Group is required to make fixed interest payments based on rates ranging between 3.95% and 5.02% and receives variable interest payments from its counterparties based on either one-month or three-month Libor with settlement primarily occurring quarterly. At December 31, 2007, we recorded an unrealized loss to equity of €9.2 million, net of €5.4 million of tax benefits, associated with these swaps.

The contractual maturities of the notional amount of these swaps are as follows (US dollars in thousands):

Maturity Date	Notional Amount
June 30, 2008	24,111
September 30, 2008	200,000
December 31, 2008	24,111
June 30, 2009	36,167
December 31, 2009	36,167
June 30, 2010	42,194
December 31, 2010	42,194
June 30, 2011	42,194
December 31, 2011	42,194
June 30, 2012	594,739
	1,084,071

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Financial risk management objectives and policies (continued)

At December 31, 2007, the Group also held US$1.0 billion notional amount of interest rate swaps with an aggregate fair value of €(0.1) million, that expire throughout the first quarter of 2008, which were not designated as hedges of floating interest rates on our Senior Credit Facility. We recorded an unrealized loss of €0.1 million to interest expense associated with these interest rate swaps.

The Group did not hold any interest rate swaps at December 31, 2006.

Prior to the issuance of the Capital Securities in May 2006, Lottomatica entered into swap option contracts for a notional value of €750 million with financial institutions that effectively limited Lottomatica's exposure to movements in interest rates from the date we entered into the swap option contracts to the date that pricing was fixed on the Capital Securities issuance. The swap option contracts were terminated during May 2006 for a gain of approximately €5.7 million, which was recorded to in other reserves in the consolidated statement of changes in equity and is being amortized over the expected life of the Capital Securities.

Fair value hedges
As of December 31, 2007 and 2006 there were no fair value hedges.

Hedges of a net investment in a foreign operation
The Group did not have any hedges of a net investment in a foreign operation as of December 31, 2007 or 2006.

Capital management
The primary goal of the Group's capital management strategy is to ensure strong credit ratings and healthy financial ratios in order to support its business while maximizing corporate value and reducing the Group's financial risks. We consider all equity and debt to be managed capital of the Group.

The Group manages its capital structure and makes adjustments based on long term strategy decisions in light of changes in economic conditions. Additionally, the Group seeks to preserve an optimal weighted average cost of capital and maintain sufficient financial flexibility to pursue growth opportunities. There were no changes in the objectives, policies, or processes during the years ended December 31, 2007 and 2006.

DOCUMENT REDACTED BY TLC - 12-4-10

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Supplemental cash flow information

Non-cash investing and financing activities are excluded from the consolidated statement of cash flows. Non-cash activities are summarized as follows:

	December 31,	
(thousands of euros)	2007	2006
Non-cash activity related to the acquisition of Gruppo Sigma:		
Write-off accounts receivable	(3,762)	-
Write-off accounts payable	1,131	-
Non-cash purchase price	(2,631)	-
Sports betting rights and horse racing betting rights	-	55,129

In December 2007, the Group completed the acquisition of a branch of Gruppo Sigma that is engaged in the gaming solutions business for a purchase price of €2.8 million (€2.6 million non-cash and €0.2 million cash). See Note 3 for additional information

In December 2006, the Group was awarded 1,145 sports betting rights and 500 horse racing betting rights, which will expire in December 2015. The cost of the rights was accrued at December 31, 2006 and is included in other current liabilities in the consolidated balance sheet. The corresponding asset is included in intangible assets, net in the consolidated balance sheet. The payment for the rights was made on January 16, 2007.

34. Events after the balance sheet date

Acquisition of Atronic
On January 31, 2008, GTECH acquired a 50% controlling interest in Atronic for the €20 million advance payment previously paid into escrow in October 2006. GTECH will pay €32 million for the remaining 50% interest in Atronic. The closing on the remaining 50% interest in Atronic is expected to occur by the second quarter of 2008 but must occur by December 31, 2008. See Note 31.

Acquisition of Boss Media AB
On February 1, 2008, GTECH and Medstroms AB announced a public cash offer to the shareholders of Boss Media AB to acquire all outstanding shares of Boss Media, a leading developer of innovative software and systems for digitally-distributed gaming entertainment. Medstroms AB is the largest shareholder of Boss Media with a 12.5% stake. Under the terms of the offer, GTECH and Medstroms AB, through a jointly-owned bid vehicle, will offer SEK 25.00 (€2.66) in cash per outstanding share. As of March 5, 2008, GTECH has acquired 46.3 million shares of Boss Media for SEK 1.2 billion (€124.0 million), representing an approximately 81% ownership in Boss Media.

Brazil escrow
On October 23, 2007, GTECH's subsidiary in Brazil, GTECH Brasil Ltda. received a ruling to release 40 million Brazilian reals held in escrow (approximately €15.3 million plus interest of approximately €0.9 million at currency-exchange rates in effect as of December 31, 2007) in a Brazilian court account in connection with the injunction brought by the Brazilian Federal Attorneys in 2004 as described further in Note 30. The decision to release the funds was made unanimously by a 5 judge panel in the Superior Tribunal Justice, Brazil's highest court for non-constitutional matters. On February 22, 2008, GTECH Brasil Ltda. received the court ordered return of funds held in escrow plus related interest.

DOCUMENT REDACTED BY TLC - 12-4-10

AUDIT FIRM FEES

(thousands of euros)	2007 fees provided to:	
Service description	**Audit Firm of the Parent Company**	**Audit Firm's network of the Parent Company**
Audit services	1,314	1,585
Attest services	-	-
Tax consulting fees		478
Other services:		
- Audit of Proforma financial statements and Prospectus	-	-
- Accounting, tax and legal due diligence	-	57
- Agreed upon procedures (debt covenants)	22	-
- Services provided to support the Director in charge of preparing the the Company's accounting documents (Art 154 of TUF)	-	-
- Accounting consultations	68	651
- Other services	-	-
Total	**1,404**	**2,772**

DOCUMENT REDACTED BY TLC - 12-4-10

Summary Schedule of Essential Data of Consolidated Companies pursuant to Article 2429 of Italian Civil Code

	EURO in thousands			Percentage		
Name	Revenue	Net Income	Assets	Revenue	Net Income	Assets
Lottomatica Italia Servizi S.p.A.	47,446	14,094	226,316	9.4%	11.6%	5.5%
Cartalis Imel S.p.A.	155	(1,918)	9,693	0.0%	-1.6%	0.2%
Totobit Informatica Software E Sistemi S.p.A.	31,934	4,148	76,788	6.3%	3.4%	1.9%
TTS S.r.l.	1,727	9	1,985	0.3%	0.0%	0.0%
Lis Finanziaria S.p.A.	6,977	619	29,565	1.4%	0.5%	0.7%
SED Multitel S.p.A.	6,485	2,277	8,024	1.3%	1.9%	0.2%
Lottomatica Sistemi S.p.A.	21,732	2,414	33,891	4.3%	2.0%	0.8%
PCC Giochi Sportivi S.p.A.	10,273	107	26,080	2.0%	0.1%	0.6%
Consorzio Lottomatica Giochi Sportivi	59	-	1,392	0.0%	0.0%	0.0%
Consorzio lotterie Nazionali	277,571	85,920	438,852	55.2%	71.0%	10.7%
Lottomatica Videolot Gestione S.p.A.	1,223	(377)	5,745	0.2%	-0.3%	0.1%
Lottomatica Videolot S.p.A.	27,391	(1,592)	88,990	5.4%	-1.3%	2.2%
Cirmatica Gaming S.A.	-	3,765	12,185	0.0%	3.1%	0.3%
Lottomatica Scommesse S.r.l.	25,016	(7,231)	84,212	5.0%	-6.0%	2.0%
Lottomatica International S.r.l.	-	4,608	626,484	0.0%	3.8%	15.2%
Lottomatica Hungary	-	13,828	634,683	0.0%	11.4%	15.4%
Invest Games S.A.	-	37	354,835	0.0%	0.0%	8.6%
GTECH Holdings Corporation	45,259	343	1,453,429	9.0%	0.3%	35.3%

DOCUMENT REDACTED BY TLC - 12-4-10

Summary Schedule of Essential Data of Consolidated Companies pursuant to Article 2429 of Italian Civil Code

Name	EURO in thousands			Percentage		
	Revenue	Net Income	Assets	Revenue	Net Income	Assets
GTECH Corporation	776,103	(12,631)	1,503,388	58.0%	-4.4%	44.8%
GTECH Global Services Corporation Limited	168,282	100,823	512,021	12.6%	35.2%	15.3%
GTECH Polska Sp z.o.o.	53,600	105,940	95,089	4.0%	37.0%	2.8%
GTECH Rhode Island Corporation	81,511	71,935	759,869	6.1%	25.1%	22.6%
POLCARD S.A.	21,990	10,546	-	1.6%	3.7%	0.0%
Oy GTECH Finland Ab	8,685	626	3,648	0.6%	0.2%	0.1%
Europrint (Games) Ltd.	3,394	35	183	0.3%	0.0%	0.0%
Europrint Holdings Ltd.	147	157	2,922	0.0%	0.1%	0.1%
Europrint Promotions Ltd.	421	19	123	0.0%	0.0%	0.0%
Interactive Games International Ltd.	1,036	52	109	0.1%	0.0%	0.0%
JSJ Ltd.	25	16	425	0.0%	0.0%	0.0%
CAM Galaxy Group Ltd.	12	6	201	0.0%	0.0%	0.0%
On-Line Lottery License and Lease B.V.	1,198	305	444	0.1%	0.1%	0.0%
GTECH Italia Srl	424	575	617	0.0%	0.2%	0.0%
GTECH GmbH	3,374	195	2,596	0.3%	0.1%	0.1%
GTECH Eesti Ltd.	(17)	2	271	0.0%	0.0%	0.0%
GTECH U.K. Limited	9,215	760	2,668	0.7%	0.3%	0.1%
GTECH Ireland Operations Limited	14,069	4,327	8,259	1.1%	1.5%	0.2%
GTECH France SARL	543	39	377	0.0%	0.0%	0.0%
GTECH Sweden AB	1,342	(164)	205	0.1%	-0.1%	0.0%
GTECH Czech Services s.r.o.	35	13	45	0.0%	0.0%	0.0%
BillBird S.A.	12,347	1,605	13,699	0.9%	0.6%	0.4%
GTECH Global Lottery, S.L.	3,809	271	778	0.3%	0.1%	0.0%
Innoka Oy	520	95	386	0.0%	0.0%	0.0%
GTECH German Holdings Corporation Gmbh	-	-	25	0.0%	0.0%	0.0%
GTECH Sports Betting Solutions Limited	-	-	44,771	0.0%	0.0%	1.3%
FinSoft limited	4,479	(514)	5,693	0.3%	-0.2%	0.2%
Dreamport Suffolk Corporation	-	-	2,072	0.0%	0.0%	0.1%
Technology Risk Management Services, Inc.	-	162	3,520	0.0%	0.1%	0.1%

DOCUMENT REDACTED BY TLC - 12-4-10

Summary Schedule of Essential Data of Consolidated Companies pursuant to Article 2429 of Italian Civil Code

Name	EURO in thousands			Percentage		
	Revenue	Net Income	Assets	Revenue	Net Income	Assets
GTECH Corporation (Utah)	-	-	-	0.0%	0.0%	0.0%
GTECH Reinsurance Company	2,341	923	5,819	0.2%	0.3%	0.2%
West Greenwich Technology Associates, L.P.	-	(9,011)	11,274	0.0%	-3.1%	0.3%
GTECH West Greenwich Technology Associates GP, LLC	-	-	1,016	0.0%	0.0%	0.0%
GTECH Printing Corporation	2,888	(2,425)	6,246	0.2%	-0.8%	0.2%
GTECH Foreign Holdings Corporation	26,593	4,348	53,102	2.0%	1.5%	1.6%
GTECH Latin America Corporation	9,242	4,379	6,385	0.7%	1.5%	0.2%
GTECH Brasil Ltda.	19,688	7,411	25,914	1.5%	2.6%	0.8%
Dreamport, Inc.	-	-	5,472	0.0%	0.0%	0.2%
GTECH Mexico S.A. de C.V.	17	(446)	3,557	0.0%	-0.2%	0.1%
GTECH South Africa Corporation	148	(3)	-	0.0%	0.0%	0.0%
DataTrans Sp. z.o.o.	1,589	475	533	0.1%	0.2%	
GTECH Avrasya Teknik Hizmetler Ve Musavirlik A.S.	4,333	573	849	0.3%	0.2%	0.0%
GTECH Australasia Corporation	4,375	1,994	3,317	0.3%	0.7%	0.1%
Leeward Islands Lottery Holding Company, Inc.	1,703	181	19,645	0.1%	0.1%	0.6%
GTECH Northern Europe Corporation	2,676	594	1,318	0.2%	0.2%	0.0%
GTECH Czech Republic, LLC	4,974	737	3,860	0.4%	0.3%	0.1%
GTECH Slovakia Corporation	3,820	390	1,571	0.3%	0.1%	0.0%
GTECH Espana Corporation	3,395	756	1,235	0.3%	0.3%	0.0%
Lottery Equipment Company	-	-	505	0.0%	0.0%	0.0%
GTECH Worldwide Services Corporation	1,232	513	-	0.1%	0.2%	0.0%
GTECH Far East Pte Ltd	2,811	1,092	2,513	0.2%	0.4%	0.1%
Siam GTECH Company Limited	274	21	82	0.0%	0.0%	0.0%
GTECH Southern Africa (Pty) Ltd.	6,946	3,853	1,432	0.5%	1.3%	0.0%
Online Transaction Technologies SARL a Associe Unique	7,361	32	5,315	0.6%	0.0%	0.2%
GTECH Asia Corporation	-	(2)	9,855	0.0%	0.0%	0.3%
GTECH UKRAINE	233	313	160	0.0%	0.1%	0.0%
Beijing GTECH Computer Technology Company Ltd.	654	27	31	0.0%	0.0%	
GTECH Lanka (Private) Ltd.	1,924	2,589	51	0.1%	0.9%	0.0%

DOCUMENT REDACTED BY TLC - 12-4-10

Summary Schedule of Essential Data of Consolidated Companies pursuant to Article 2429 of Italian Civil Code

	EURO in thousands			Percentage		
Name	Revenue	Net Income	Assets	Revenue	Net Income	Assets
Aitken Spence (Private) Limited	-	(79)	12	0.0%	0.0%	0.0%
Data Transfer Systems, Inc.	-	(177)	87	0.0%	-0.1%	0.0%
GTECH Comunicaciones Colombia Ltd.	936	(6)	1,017	0.1%	0.0%	0.0%
Anguilla Lottery and Gaming Company, Ltd.	278	(6)	108	0.0%	0.0%	0.0%
Antigua Lottery Company, Ltd.	137	(319)	167	0.0%	-0.1%	0.0%
Caribbean Lottery Services, Inc.	2,168	22	756	0.2%	0.0%	0.0%
Prodigal Lottery Services, N.V.	208	(357)	206	0.0%	-0.1%	0.0%
St. Kitts and Nevis Lottery Company, Ltd.	560	30	268	0.0%	0.0%	0.0%
Turks and Caicos Lottery Company Ltd.	43	(202)	8	0.0%	-0.1%	0.0%
GTECH Colombia Ltda.	7,353	(3,983)	10,904	0.5%	-1.4%	0.3%
Spielo Manufacturing ULC	38,862	(3,847)	174,921	2.9%	-1.3%	5.2%
Spielo USA Incorporated	7,061	(7,949)	10,600	0.5%	-2.8%	0.3%
CLS-GTECHAustralia Pty Ltd.	-	-	-	0.0%	0.0%	0.0%
CLS-GTECH Company Limited	-	-	-	0.0%	0.0%	0.0%
East Luck Investments Limited	-	-	-	0.0%	0.0%	0.0%
Tabcorp LotSynergy Technology (Beijing) Co., Ltd.	-	-	-	0.0%	0.0%	0.0%
Tranco Investment Limited	-	-	-	0.0%	0.0%	0.0%
Taiwan Sport Lottery Corporation	-	-	-	0.0%	0.0%	0.0%
GTECH WaterPlace Park Company, LLC	-	-	-	0.0%	0.0%	0.0%
Retail Display and Service Handlers, LLC	-	-	-	0.0%	0.0%	0.0%
Loxley GTECH Technology Co., Ltd.	-	-	-	0.0%	0.0%	0.0%
Curacao Lottery Company, N.V.	-	-	-	0.0%	0.0%	0.0%
Dreamport Turfway LLC	-	-	-	0.0%	0.0%	0.0%
GTECH Europe	4,574	241	669	0.3%	0.1%	0.0%
GTECHNOVA Holdings Limited	-	-	-	0.0%	0.0%	0.0%
Inca Payments Limited	-	-	-	0.0%	0.0%	0.0%
VideoSite, Incorporated	-	-	-	0.0%	0.0%	0.0%
GTECH Worldserv, Inc.	-	-	-	0.0%	0.0%	0.0%
GTECH Gaming Subsidiary 2 Corporation	-	-	17,960	0.0%	0.0%	0.5%
Dreamport do Brasil Ltda	-	(1,342)	211	0.0%	-0.5%	0.0%

DOCUMENT REDACTED BY TLC - 12-4-10

Summary Schedule of Essential Data of Consolidated Companies pursuant to Article 2429 of Italian Civil Code

Name	EURO in thousands			Percentage		
	Revenue	Net Income	Assets	Revenue	Net Income	Assets
Gana de Mexico de C.V.	-	-	8	0.0%	0.0%	0.0%
GTECH Computer Systems Sdn Bhd	47	6	65	0.0%	0.0%	0.0%
SB Industria E Commercio Ltd.	-	(159)	2,009	0.0%	-0.1%	0.1%
GTECH Italy Corporation	-	-	-	0.0%	0.0%	0.0%
GTECH Worldserv International, Inc.	-	-	-	0.0%	0.0%	0.0%
GTECH Ireland Corporation	-	-	-	0.0%	0.0%	0.0%
Uwin Corporation	-	-	1	0.0%	0.0%	0.0%
GTECH Management P.I. Corporation	-	-	93	0.0%	0.0%	0.0%
GTECH COTE D'IVOIRE	-	-	2	0.0%	0.0%	0.0%
Caribbean Cricket Lottery, Inc.	-	-	-	0.0%	0.0%	0.0%
Dreamport International, Inc.	-	-	-	0.0%	0.0%	0.0%
GTECH Child Care Center	-	-	-	0.0%	0.0%	
Simulti, LLC	-	-	-	0.0%	0.0%	0.0%

DOCUMENT REDACTED BY TLC - 12-4-10

GOVERNMENT GAMING REGULATION

Through the Company'sAtronic subsidiaries, Lottomatica operates in many legal casino gaming jurisdictions worldwide. The manufacture and distribution of gaming equipment, systems, and services, as well as the operation of casinos, is subject to regulation by a variety of local and federal agencies, with the majority of oversight provided by individual state gaming control boards. While the regulatory requirements vary from jurisdiction to jurisdiction, most require: (i) licenses and/or permits; (ii) findings of suitability for the company, as well as individual officers, directors, major stockholders and key employees; (iii) documentation of qualification, including evidence of financial stability; and (iv) specific approvals for gaming equipment manufacturers and distributors.

Nevada Gaming Regulation

Lottomatica is registered with the Nevada Gaming Commission (the "*Commission*") as a publicly traded corporation ("*Registered Corporation*") and has been found suitable to directly or indirectly own the stock of three subsidiaries, two that have been licensed as a manufacturer and distributor (Atronic Americas LLC and Atronic International GmbH), and one that has been licensed as a manufacturer, distributor and operator of slot machines and inter-casino linked wide area progressive slot machine system (Atronic Nevada LLC). The manufacture, sale and distribution of gaming devices in Nevada or for use outside Nevada are subject to extensive state and local laws, regulations and ordinances of the Commission, the Nevada State Gaming Control Board ("*GCB*"), and various county and municipal regulatory authorities (collectively referred to as the Nevada gaming authorities). These laws, regulations and ordinances primarily cover the responsibility, financial stability and character of gaming equipment manufacturers, distributors and operators, as well as persons financially interested or involved in gaming operations.

In particular, the Commission may require any beneficial holder of the Company's voting securities, regardless of the number of shares owned, to file an application, be investigated, and be found suitable, in which case the applicant would be required to pay the costs and fees of the GCB investigation. If the beneficial holder of voting securities who must be found suitable is a corporation, partnership, or trust, it must submit detailed business and financial information including a list of beneficial owners. Any person who acquires more than 5% of Lottomatica's voting securities must report this to the Commission within ten days of such acquisition. Any person who becomes a beneficial owner of more than 10% of Lottomatica's voting securities must apply for a finding of suitability within 30 days after the Chairman of the GCB mails the written notice requiring this finding of suitability. This obligation remains for so long as the person retains an interest in the securities.

Under certain circumstances, an "institutional investor," as defined in the Nevada Act, which acquires the beneficial ownership of more than 10%, but not more than 15%, of a Registered Corporation's voting securities may apply to the Commission for a waiver of such finding of suitability if such institutional investor holds the voting securities for investment purposes only. The applicant is required to pay all costs of investigation incurred by the Nevada Gaming Authorities.

Any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so by the Commission or the Chairman of the GCB may be found unsuitable. The same restrictions apply to a record owner who fails to identify the beneficial owner, if requested to do so. Any stockholder found unsuitable and who holds, directly or indirectly, any beneficial ownership of the Company's common stock beyond such period of time as may be prescribed by the Commission may be

DOCUMENT REDACTED BY TLC - 12-4-10

guilty of a criminal offense. Lottomatica is subject to disciplinary action and possible loss of its approvals if, after it receives notice that a person is unsuitable to be a stockholder or to have any other relationship with the Company or any of its licensed gaming subsidiaries, Lottomatica:

(i) pays that person any dividend or interest upon the Company's voting securities,

(ii) allows that person to exercise, directly or indirectly, any voting right conferred through securities held by that person,

(iii) gives remuneration in any form to that person, for services rendered or otherwise, or

(iv) fails to pursue all lawful efforts to require such unsuitable person to relinquish that person's voting securities for cash at fair market value.

The Commission may, in its discretion, require the holder of the Company's debt securities to file an application, be investigated and be found suitable to own any of the Company's debt securities. If the Commission determines that a person is unsuitable to own any of these securities, Lottomatica will be subject to the same sanctions, as described above, including the loss of its approvals.

Changes in control of Lottomatica through merger, consolidation, acquisition of assets or stock, management or consulting agreements or any form of takeover cannot occur without the prior investigation of the GCB and approval of the Commission. Entities seeking to acquire control of the Company must satisfy the GCB and the Commission in a variety of stringent standards prior to assuming control.

The Commission may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction.

DOCUMENT REDACTED BY TLC - 12-4-10

Additional Disclosure Pursuant to Specific Italian Requirements

DOCUMENT REDACTED BY TLC - 12-4-10

COMPLIANCE MODEL UNDER LEGISLATIVE DECREE NO. 231/01

Lottomatica first enacted the Compliance Model in November of 2004, pursuant to Legislative Decree No. 231 of June 8, 2001 as subsequently amended and integrated. The Decree introduced "administrative" legal liability in Italy, comparable in many respects to criminal liability, arising from specific crimes committed in the interest or to the advantage of entities (including the Company).

The Model conforms to the guidelines set out by qualified associations and with best practices. It represents an additional step of transparency and is aimed at inspiring a sense of responsibility in internal and external relations, and therefore simultaneously offers to the shareholders an adequate guarantee of the management's efficiency and strength for legality.

The Model has been periodically amended to reflect the new corporate structure and to comply with the new provisions of law. The Model has been adopted also by Lottomatica's Italian subsidiaries in October 2007.

DOCUMENT REDACTED BY TLC - 12-4-10

COMPLIANCE MODEL UNDER LAW NO. 262/05

In 2006 and 2007, the Company updated its By-laws and launched the "262-Plan" to comply with Law No. 262/05. The "262-Plan" applied the COSO (Committee on Sponsoring Organization) Internal Control – Integrated Framework and includes the following:

Risk Assessment - A risk assessment was conducted to provide the basis for selecting priority financial reporting elements and the processes supporting those elements.

Documentation Phase - Documentation was created for each of the critical processes including the identification of process risks and related controls.

Evaluation Phase - An assessment of the controls design and operating effectiveness was performed.

Reporting Phase – Design and operating deficiencies identified to date have been reported to Management and remediation Action Plans developed. A mechanism to monitor execution of corrective action has been implemented.

On May 3, 2007 the Board of Directors, after receiving the opinion of the Board of Statutory Auditors, appointed as the manager in charge of drafting corporate reports and financial documents (hereinafter the "Accounting Manager") the Company's Chief Financial Officer effective as of June 30, 2007.

Pursuant to Article 154-*bis* of the Legislative Decree no. 58 of February 24, 1998, introduced by Law no. 262 of December 28, 2005, the duty of Accounting Manager is to establish appropriate administrative and accounting procedures for the preparation of the financial statements of the parent company, the consolidated financial statements and all other financial documents. The Board of Directors is responsible for ensuring that the Accounting Manager has adequate powers and means to carry out these functions, and that the administrative and accounting procedures that the Accounting Manager establishes are actually observed. The Accounting Manager is required to issue a declaration (in a form prescribed by the Italian Stock Exchange) that accompanies the corporate documents and communications released to the market regarding accounting information, including interim information, and certifies that such information corresponds to what is recorded in the Company's documents, accounting records and books.

Art. 154-*bis* further provides that the delegated members of the administrative body and the Accounting Manager also certify in a report (in a form prescribed by CONSOB) attached to first half, annual and annual stand alone financial statements of the parent company, (i) the adequacy and actual application of the administrative and accounting procedures during the period to which such accounting documents refer, and (ii) the correspondence of such documents to the accounting records and their suitability for providing a truthful and accurate representation of the parent company's assets, financial position and result of operations, for both stand alone and in consolidation.

DOCUMENT REDACTED BY TLC - 12-4-10

REGULATORY FRAMEWORK REFERENCE

The following is a list of certain material Italian regulations to which the Lottomatica Group is subject issued and published on Gazzetta Ufficiale from October 2007.

Ministerial Decree of September 17, 2007 n. 186	Rules concerning Skill Games
Ministerial Decree of September 24, 2007	Amendment of the Ministerial Decree of August 6, 2007, concerning responsibility of the street operators and point of sale for the payment of PREU coming from AWPs
Ministerial Decree of September 26, 2007	Increase of the amount of the prizes of the (scratch and win) instant lotteries payable through the point of sales.
Law Decree of October 1, 2007	Urgent rules regarding economic and financial matters connected to the Budget Law. Article 40: - Extension of the duration of the "Enalotto" (Superenalotto) concession, until September 30, 2008. - Rules concerning the incorporation of a fiscal Agency where the duties and tasks of AAMS will be trasnferred.
Ministerial Decree of October 4, 2007	Rules concerning the data and the way to transmit it with reference to the responsibility of the street operators and the point of sale for the payment of PREU from AWPs
Ministerial Decree of October 5, 2007	Technical conditions for carrying out the Scratch and Win lottery : the "Affari Tuoi".
Ministerial Decree of October 15, 2007	Technical conditions for carrying out the on-line Scratch and Win lottery : the "Fai scopa on-line".
Ministerial Decree of October 18, 2007	Technical conditions for carrying out the on-line Scratch and Win lottery : the "La fortuna gira on-line".
Ministerial Decree of October 31, 2007	Amendment of the Ministerial Decree of April 23, 2007, concerning terms and conditions for communications due to AAMS by concessionaires, regarding the calculation of PREU coming from AWPs.
Law Decree of November 21, 2007 n. 231	Implementation of the Directives 2005/60/CE and 2006/70/CE, concerning the prevention of the use of the

DOCUMENT REDACTED BY TLC - 12-4-10

	financial system for the purpose of money laundering and terrorist financing.
Ministerial Decree of November 29, 2007	Technical conditions for carrying out the Scratch and Win lottery : the "Oroscopo".
Ministerial Decree of November 29, 2007	Technical conditions for carrying out the on-line Scratch and Win lottery : the "Il Tesoro della giungla on line".
Ministerial Decree of December 4, 2007	Amendments of the rules concerning the data to be used for the calculation of PREU from AWPs.
Ministerial Decree of December 7, 2007	Specification of the events to be matched with traditional lotteries
Ministerial Decree of December 13, 2007	Rules concerning the authorization for collecting the different formula of the "Ippica Nazionale" pari-mutuel betting.
Provision Banca d'Italia of December 21, 2007	Rules concerning the organization and the operation of the Financial Information Unit (UIF), according to provision of Legislative Decree of November 21, 2007 n. 231.
Ministerial Decree of December 18, 2007	Extension of the terms of validity of the authorizations for installation of the old type of AWPs.
Law of December 24, 2007 n. 244 (2008 Budget Law)	Art. 1 – n. 282 – Rules concerning AWPs

PROCESSING OF PERSONAL DATA

Article 34 of Legislative Decree No. 196 of June 30, 2003, requires certain security measures to be taken in the event of the electronic processing of personal data, according to the procedures set forth in the technical specifications under Annex B to the law. Among these requirements is the one specified in letter (g) for "an updated Security Policy Statement" (DPS, Documento Programmatico sulla Sicurezza).

DPS, in compliance with the law, specifies the technical and organizational security measures adopted on the basis of risk analysis as well as task and responsibility distribution within the data processing structure in order to protect personal data regarding their correct storage and handling.

Lottomatica S.p.A. regularly reviews and updates the DPS which it did most recently on March 30, 2007 in accordance with Legislative Decree No. 196/03.

RECEIPTS AND PAYMENTS (PRESIDENTIAL DECREE NO. 560 OF 09/16/1996)

The administration of receipts and payments of lotto accounts solely related to Lottomatica, S.p.A. under the powers granted by Presidential Decree No. 560, of € 69.2 million as of December 31, 2007, are provided below. Such amounts are included in the consolidated accounts of Lottomatica Group.

Receivables

Total receivables for the management credit towards collectors for the sums to be paid, net fees and expenses in this regard were € 2.3 million.

Cash and Cash Equivalents

Cash and cash equivalents were € 66.9 million and reflect the administered receipts held on bank and postal accounts:

- € 47.7 million on a specific current account held with Banca Intesa S.p.A.
- € 19.2 million on a specific postal account.

Payables

Payables were € 69.2 million and were made up of:

- € 32.8 million in profits due to the Tax Authorities as of December 31, 2007;
- € 16.0 million due to the Ministry of Finance's pension fund;
- € 6.6 million for the premium on the last three drawings made over the period under consideration to be paid out to the licensee;
- € 13.2 million in winnings not paid as of December 31, 2007;
- € 0.6 million for accrued interest.

DOCUMENT REDACTED BY TLC - 12-4-10

EXHIBIT 3C-*ter*

Certification of the first half, annual and annual stand alone financial statements, pursuant to Article 81-*ter* of the Consob Regulations no. 11971 of May 14, 1999 with any following amendments

1. The undersigned, Lorenzo Pellicioli and Stefano Bortoli, of Lottomatica, S.p.A., taking into account Article 154-*bis*, Section 3 and 4 of the Legislative Decree no. 58 of February 24, 1998, certify:
   - the adequacy – with respect to the characteristic of the company, and;
   - the effective application,

   of the administrative and accounting procedures relating to the preparation of the annual and annual stand alone financial statements throughout the fiscal year ended December 31, 2007.

2. We therefore certify that the annual and annual stand alone financial statements:
   a. correspond to the accounting books and entries;
   b. are prepared in accordance to International Financial Reporting Standards, and to the best of our knowledge, are suitable to offer truthful and accurate representations of the assets, financial position and result of operations of the issuer, for both stand alone and in consolidation.

Date: March ____, 2008

'tures of the delegated members of the Administrative Body

.....
Lorenzo Pellicioli

Signature of the Manager in charge of drawing up corporate reports and financial documents

.....
Stefano Bortoli

DOCUMENT REDACTED BY TLC - 12-4-10

Lottomatica Group and Subsidiaries

DOCUMENT REDACTED BY TLC - 12-4-10

List of Lottomatica S.p.A. Subsidiaries				
Name	Jurisdiction	Share Capital**	Ownership %	Shareholder
LOTTOMATICA ITALIA SERVIZI S.p.A.	Italy	2,582	100	Lottomatica S.p.A.
CARTALIS IMEL S.p.A.	Italy	10,000	85	Lottomatica Italia Servizi S.p.A. (85%)
TOTOBIT INFORMATICA SOFTWARE E SISTEMI S.p.A.	Italy	3,043	100	Lottomatica Italia Servizi S.p.A.
TTS s.r.l.	Italy	100	100	Totobit Informatica S.p.A.
LIS FINANZIARIA S.p.A.	Italy	1,000	100	Totobit Informatica S.p.A.
SED MULTITEL S.p.A.	Italy	800	100	Totobit Informatica S.p.A. (80%); Lottomatica S.p.A.(20%)
LOTTOMATICA SISTEMI S.p.A.	Italy	5,165	100	Lottomatica S.p.A.
PCC GIOCHI SPORTIVI S.p.A.	Italy	21,000	100	Lottomatica Sistemi S.p.A.
CONSORZIO LOTTOMATICA GIOCHI SPORTIVI	Italy	100	90	Lottomatica S.p.A.(85%); Totobit Informatica S.p.A.(5%)
CONSORZIO LOTTERIE NAZIONALI	Italy	16,000	63	Lottomatica S.p.A.
LOTTOMATICA VIDEOLOT GESTIONE S.p.A. (1)	Italy	120	100	Lottomatica S.p.A.
LOTTOMATICA VIDEOLOT RETE S.p.A.	Italy	3,226	100	Lottomatica S.p.A.
CIRMATICA GAMING S.A.	Spain	54,156	100	Lottomatica S.p.A.
LOTTOMATICA SCOMMESSE S.R.L.	Italy	20,000	100	Lottomatica S.p.A.
LOTTOMATICA INTERNATIONAL S.r.l.	Italy	100	100	Lottomatica S.p.A.
Lottomatica International Hungary Korlátolt Felelősségű Társaság	Hungary	1,000	100	Lottomatica International S.r.l.
INVEST GAMES S.A.	Lux	31,000	100	Lottomatica (100) S.p.A.
GTECH Holdings Corporation	Delaware, USA	900,000.001	100	Lottomatica S.p.A. (75%); Invest Games S.A. (25%)

DOCUMENT REDACTED BY TLC - 12-4-10

List of GTECH Holdings Corporation Subsidiaries

Name	Jurisdiction	Share Capital**	Ownership %	Shareholder
GTECH Corporation	Delaware, USA	*	100	GTECH Holdings Corporation
Aitken Spence GTECH (Private) Limited	Sri Lanka	33,660	50	GTECH Global Services Corporation Limited
Anguilla Lottery and Gaming Company, Ltd.	Anguilla	10	100	Leeward Islands Lottery Holding Company, Inc.
Antigua Lottery Company, Ltd.	Antigua	*	100	Leeward Islands Lottery Holding Company, Inc.
Beijing GTECH Computer Technology Company Ltd.	China (PRC)	150	100	GTECH Foreign Holdings Corporation
BillBird S.A.	Poland	4,490.368	100	GTECH Global Services Corporation Limited
CLS-GTECH Australia Pty Ltd.	Australia	*	100	Tranco Investment Limited
CLS-GTECH Company Limited	British Virgin Islands	15,000	50	GTECH Global Services Corporation Limited
Cam Galaxy Group Ltd.	United Kingdom	100	100	GTECH Corporation
Caribbean Cricket Lottery, Inc.	Barbados	*	100	Leeward Islands Lottery Holding Company, Inc.
Caribbean Lottery Services, Inc.	USVI	*	100	Leeward Islands Lottery Holding Company, Inc.
Curacao Lottery Company, N.V.	Netherlands Antilles	200	100	Leeward Islands Lottery Holding Company, Inc.
DataTrans Sp. z o.o.	Poland	50	100	GTECH Corporation (80%) / GTECH Polska Sp. z o.o. (20%)
Data Transfer Systems, Inc.	Delaware, USA	*	100	GTECH Corporation
Dreamport, Inc.	Delaware, USA	*	100	GTECH Corporation
Dreamport do Brasil Ltda.	Brazil	9,062.48	100	Dreamport, Inc.
Dreamport International, Inc.	Delaware, USA	*	100	GTECH Corporation
Dreamport Suffolk Corporation	Delaware, USA	*	100	GTECH Corporation
Dreamport Turfway, LLC	Delaware, USA	*	100	Dreamport, Inc.
East Luck Investments Limited	British Virgin Islands	*	100	Tabcorp International Hong Kong Limited
Europrint (Games) Ltd.	United Kingdom	20	100	Europrint Holdings Ltd.

DOCUMENT REDACTED BY TLC - 12-4-10

List of GTECH Holdings Corporation Subsidiaries

Name	Jurisdiction	Share Capital**	Ownership %	Shareholder
Europrint Holdings Ltd.	United Kingdom	90.908	100	Cam Galaxy Group (40%) / JSJ Ltd. (60%)
Europrint Promotions Ltd.	United Kingdom	*	100	Europrint Holdings Ltd.
Finsoft Limited	U.K.	1.172	100	GTECH Sports Betting Solutions Limited
Gana de Mexico de C.V.	Mexico	50	100	GTECH Foreign Holdings Corporation (99.998%) / GTECH Latin America Corporation (.002%)
GTECH Asia Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Australasia Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Avrasya Teknik Hizmetler Ve Musavirlik A.S.	Turkey	280,000,000	99.6	On-Line Lottery License and Lease B.V.
GTECH Brasil Ltda.	Brazil	104,282.428	100	GTECH Corporation
GTECH Child Care Center	Rhode Island, USA	*	100	GTECH Corporation
GTECH Colombia Ltda.	Colombia	1,500,100	100	GTECH Global Services Corporation Limited (99.99%) / GTECH Comunicaciones Colombia Ltda. (.005%) GTECH Comunicaciones Colombia Ltda. / Alvaro Gomez Munoz (.005%)
GTECH Comunicaciones Colombia Ltd.	Colombia	10,000	100	GTECH Foreign Holdings Corporation (99.99%) / Alvaro Rivas (.01%)
GTECH Computer Systems Sdn Bhd	Malaysia	*	100	GTECH Corporation
GTECH Corporation	Utah, USA	*	100	GTECH Corporation
GTECH Cote d'Ivoire	Ivory Coast	1,000	100	GTECH Foreign Holdings Corporation
GTECH Czech Services s.r.o.	Czech Republic	1,000	100	GTECH Global Services Corporation Limited (98%) / GTECH Ireland Operations Limited (2%)
GTECH Czech Republic, LLC	Delaware, USA	13,000	25	GTECH Corporation (25%) Sazka, a.s. (75%)
GTECH Eesti Ltd.	Estonia	700	100	GTECH Corporation
GTECH Espana Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Europe	Belgium	1,250	100	GTECH Corporation (99.9%) / GTECH Foreign Holdings Corporation (.1%)

DOCUMENT REDACTED BY TLC - 12-4-10

List of GTECH Holdings Corporation Subsidiaries

Name	Jurisdiction	Share Capital**	Ownership %	Shareholder
GTECH Far East Pte Ltd	Singapore	25	100	GTECH Global Services Corporation Limited
GTECH Foreign Holdings Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH France SARL	France	50	100	GTECH Foreign Holdings Corporation
GTECH Gaming Subsidiary 2 Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH GmbH	Germany	500	100	GTECH Global Services Corporation Limited
GTECH German Holdings Corporation Gmbh	Germany	25	100	GTECH Corporation
GTECH Global Lottery S.L.	Spain	31	100	GTECH Global Services Corporation Limited
GTECH Global Services Corporation Limited	Cyprus	242,345.074	100	GTECH Corporation
GTECH Ireland Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Ireland Operations Limited	Ireland	100	100	GTECH Global Services Corporation Limited
GTECH Italia Srl	Italy	10	100	GTECH Global Services Corporation Limited
GTECH Italy Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Lanka (Private) Ltd.	Sri Lanka	1,000,000	100	GTECH Global Services Corporation Limited (99.9%) / GTECH Corporation (.1%)
GTECH Latin America Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Management P.I. Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Mexico S.A. de C.V	Mexico	50,000	100	GTECH Corporation (99.656696%) / GTECH Foreign Holdings Corporation (0.343297%) / GTECH Latin America Corporation (0.000007%)
GTECH Northern Europe Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Polska Sp.z o.o.	Poland	47,445	100	GTECH Global Services Corporation Limited
GTECH Printing Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Reinsurance Company	Vermont, USA	*	100	GTECH Holdings Corporation
GTECH Rhode Island Corporation	Rhode Island, USA	*	100	GTECH Corporation

DOCUMENT REDACTED BY TLC - 12-4-10

List of GTECH Holdings Corporation Subsidiaries

Name	Jurisdiction	Share Capital**	Ownership %	Shareholder
GTECH Slovakia Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH South Africa Corporation	Delaware, USA	*	100	GTECH Corporation
GTECH Southern Africa (Pty) Ltd.	South Africa	*	100	GTECH Corporation
GTECH Sports Betting Solutions Limited	United Kingdom	*	100	GTECH Global Services Corporation Limited
GTECH Sweden AB	Sweden	*	100	GTECH Global Services Corporation
GTECH U.K. Limited	United Kingdom	200	100	GTECH Corporation
GTECH Ukraine	Ukraine	19,066,264	100	GTECH Asia Corporation (99%) / GTECH Management PI Corporation (1%)
GTECH WaterPlace Park Company, LLC	Delaware, USA	*	100	GTECH Corporation
GTECH West Greenwich Technology Associates GP, LLC	Delaware, USA	*	100	GTECH Corporation
GTECH Worldserv, Inc.	Delaware, USA	*	100	GTECH Corporation
GTECH Worldserv International, Inc.	Delaware, USA	*	100	GTECH Corporation
GTECH Worldwide Services Corporation	Delaware, USA	*	100	GTECH Corporation
GTECHNOVA Holdings Limited	Cyprus	*	100	GTECH Global Services Corporation Limited
Inca Payments Limited	U.K	*	100	GTECH Global Services Corporation
Innoka Oy	Finland	20	81	GTECH Global Services Corporation Limited
Interactive Games International Ltd.	U.K.	*	100	Europrint Holdings Ltd.
JSJ Ltd.	United Kingdom	690	100	GTECH Corporation
Leeward Islands Lottery Holding Company, Inc.	St. Kitts & Nevis	8,900	100	GTECH Global Services Corporation Limited
Lottery Equipment Company	Ukraine	87,747.8	100	GTECH Asia Corporation (99.994%) / GTECH Management PI Corporation (.006%)
Loxley GTECH Technology Co., Ltd.	Thailand	100,000	49	GTECH Global Services Corporation Limited (39%) / GTECH Corporation (10%)
On-Line Lottery License and Lease B.V.	Netherlands	90	100	GTECH Corporation

DOCUMENT REDACTED BY TLC - 12-4-10

List of GTECH Holdings Corporation Subsidiaries

Name	Jurisdiction	Share Capital**	Ownership %	Shareholder
Online Transaction Technologies SARL a Associe Unique	Morocco	33,500	100	GTECH Foreign Holdings Corporation
Oy GTECH Finland Ab	Finland	8	100	GTECH Corporation
Prodigal Lottery Services, N.V.	Netherlands Antilles	10	100	Leeward Islands Lottery Holding Company, Inc.
Retail Display and Service Handlers, LLC	Delaware, USA	*	100	GTECH Corporation
SB Industria E Commercio Ltd.	Brazil	4,138,646	100	GTECH Corporation (99.99%) / GTECH Foreign Holdings Corporation (0.01%)
Siam GTECH Company Limited	Thailand	2,000	99.97	GTECH Corporation
Simulti, LLC	Delaware, USA	*	100	GTECH Corporation
Spielo Manufacturing ULC	Nova Scotia	278,498	100	GTECH Global Services Corporation Limited
Spielo USA Incorporated	Delaware, USA	75	100	GTECH Corporation
St. Kitts and Nevis Lottery Company, Ltd.	St. Kitts & Nevis	*	100	Leeward Islands Lottery Holding Company, Inc.
Tabcorp LotSynergy Technology (Beijing) Co., Ltd.	People's Republic of China	2,700	100	CLS-GTECH Company Limited
Taiwan Sport Lottery Corporation	Province of China	1,000	100	GTECH Global Services Corporation Limited
Technology Risk Management Services, Inc.	Delaware, USA	*	100	GTECH Corporation
Tranco Investment Limited	Hong Kong	*	100	East Luck Investments Limited
Turks and Caicos Lottery Company Ltd.	Turks & Caicos	50	100	Leeward Islands Lottery Holding Company, Inc.
Uwin Corporation	Delaware, USA	*	100	GTECH Corporation
VideoSite, Incorporated	Delaware, USA	*	100	GTECH Corporation
West Greenwich Technology Associates, L.P.	Rhode Island, USA	*	100	GTECH Corporation (50%) / GTECH West Greenwich Technology Associates GP, LLC (50%)

DOCUMENT REDACTED BY TLC - 12-4-10

NOTES

Unless otherwise noted, the consolidation method for all subsidiaries listed above is line by line basis.

* Share Capital is less than €1,000.

** All Share Capital amounts are stated in local currency amounts and in thousands.

(1) In February 2007, Videolot Gestione S.p.A. changed its name to Lottomatica Videolot Gestione S.p.A.

(2) In February 2007, RTI Videolot S.p.A. changed its name to Lottomatica Videolot Rete S.p.A.

(3) The Consolidation method is proportionate consolidation.

DOCUMENT REDACTED BY TLC - 12-4-10

2009 Consolidated GTECH Financial Statements

Confidential

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Page Not Released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

2008 Consolidated GTECH Financial Statements

Confidential

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10

CONFIDENTIAL

Confidentiality Claimed
Not released

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10

Blank Page

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10

CONFIDENTIAL

Confidentiality Claimed
Not released

Confidentiality Claimed
Not released

Confidentiality Claimed
Not released

Confidentiality Claimed
Not released

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

CONFIDENTIAL

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL

Confidentiality Claimed
Not released

DOCUMENT REDACTED BY TLC - 12-4-10 CONFIDENTIAL